POLICY ISSUES PAPER – CONTROL SHEET

Title of Paper	**Lock-Out Periods**		
Issue Ref	BPD i23	Date:	17 May 2016
Issue Owner (Accountable)	Jenny Boothe		
Author of Paper (Responsible)	Colin Sawyer		
Status of Paper	1 – Initial Development and Review 2- Draft for Workstream Leaders Review 3 – Draft for User Group Review 4 – Draft for EDAG Review 5 – Final Recommendation to DA		
Timing	This paper builds on issues raised in BPD i01 Cooling off and may need to be updated following the finalisation of policy on cooling off.		
Dependencies	There is an inter-dependency between this paper and Ofgem's review of objections (domestic and non-domestic). There are also potential links between lock-out periods and cooling off and between lock-out and Erroneous Transfers (ET).		

Circulation	Workstream Leaders / Design Team / User Group / EDAG /DA Huddle / Website *Papers which discuss issues which are sensitive as between stakeholders or which contain any information provided in response to an Information Request should not be shared externally and must be protectively marked*

Issue	Is the reliability of switching best served by the operation of a lock-out period following a switch during which the customer is blocked from switching to another supplier? If yes, what should be the duration of any lock-out period and should the period be harmonised across gas and electricity.		
Impacts Domestic?	Yes	Impacts Non-Dom?	Yes
Policy Objective (and reference to TOM v2)	The policy objective set in TOM v2 was that lock-out periods should only be applied where necessary to manage the complexities of data exchange and customer billing, and their duration should be minimised (Para 8.26). During the Blueprint Phase the team would operate within this policy framework to establish a practicable set of policies and procedures, which will include consideration of whether the lock-out period should be varied in cases where cooling off or an ET are triggered within a lock-out period.		
Previous Positions on this/related Issues	New issue		

Summary of Recommendations	The recommended approach is that a short lock-out period (up to 10 calendar days) should be set for both gas and electricity to promote reliable switching by ensuring data integrity. The duration of the lock-out should be monitored and potentially adjusted based on operational experience. Customers will only be aware that a lock-out arrangement is in operation in a very small number of cases (e.g. if they cancel under cooling off and try and switch to another supplier within the lock-out period)

Internal and External Engagement and Record of Decisions		
Business Process Design	Author	
Regulatory Design	6/4/2016	Comments received in WSL Meeting
Delivery Strategy		
Commercial Strategy		
DIAT	1/4/2016	Comments from Andrew Wallace
Legal	4/4/2016	Comments on v35 by Milly Nyeko
Other Ofgem Teams		
Meetings at which this paper has been discussed		
Workstream Leaders Mtg	6/4/2016	Approved draft for release to User Group
User Group	21/3/2016	Initial review based on slide presentation given on the day
EDAG		
Other External		
DA		

POLICY ISSUES PAPER – CONTENT

Issue

1. The issue addressed by this paper is whether customers should be required to take an energy supply with a supplier for a pre-defined minimum period – a post-switch lock-out period - before being permitted to switch again. A post-switch lock-out period could be of assistance in:

    a. Mitigating data integrity risks – providing a set period during which data exchanges between participants can be completed and checked prior to another switch being executed
    b. Maintaining market stability - suppliers may require security deposits or prepayment arrangements to counter the risk that – in the event of rapid switching - an outstanding debt is too small to be worth collecting.

2. The post-switch lock-out functionality would be included in the CRS.

3. The policy objectives set in the TOM v2 (para 8.26) were that lock-out periods should only be applied where necessary and that their duration should be minimised. The TOM also raised questions as to how any lock-out period should be treated in the event that a cooling off event or Erroneous Transfer (ET) were triggered within the lock-out period.

4. The post-switch lock-out period discussed in this paper is separate from any pre-switch restrictions discussed in BPD i35 Advanced Registrations. That paper recommended that once a registration request has been confirmed no other requests would be accepted for the specified metering point until the switch had been executed (or the original request had been withdrawn).

5. This paper refers to the customer's initial supplier as Supplier A and the first new supplier as Supplier B. Any subsequent suppliers are referred to as Supplier C, D, E etc.

Essential Background

Current lock-out arrangements

6. Currently the post-switch lock-out arrangements in electricity and gas are as follows:

    a. gas: currently there is no explicit post-switch lock-out period. In advance of a switch only one registration request can be active at any time, thus providing clarity on which switch is being progressed[1]. The customer may however sign a contract with Supplier C and the switch from Supplier B to Supplier C can be

[1] It is proposed that this approach is carried forward to the new arrangements – see paper BPDi35, Advance Registrations.

initiated the day after the switch from A to B (hence the statement that there is no lock-out period). However in most cases the minimum time to process and execute a switch is 14 calendar days so there is a de facto lock-out period of 14 calendar days.

b. electricity: currently there is an explicit post-switch lock-out period of 10 working days. As in gas, prior to the switch, only one registration request can be active at any time. Unlike gas, if supplier C submits a registration request immediately following a switch from Supplier A to B, a registration request from Supplier C is only valid if it:

> *15.5.3 is received by the relevant MPAS Provider on or after the later of:*
>
> > *(A) the eleventh Working Day following the date when the relevant MPAS Provider has Registered the Old Supplier for the relevant Metering Point; and*
> > *(B) the Supply Start Date provided by that Old Supplier[2].*

Rationale for current lock-out periods

7. A number of factors lie behind the design of the current switching arrangements and the lock-out periods they specify. In particular, the arrangements are designed to ensure that one switch has been completed before a second is actioned. Without such measures there would be risk that all aspects of the first switch might not be resolved satisfactorily and/or that the second switch might not proceed smoothly. The factors include:

    a. data exchange: the switching procedures designed in the mid-90s involve multiple 'data flows' being passed between shippers, suppliers and registration agents in gas, and between suppliers, metering agents and registration agents in electricity. In electricity, depending on the circumstances, over 40 such flows can be generated for a single customer switch. When the flows are received, the receiving party has to validate the data it has received and then update its internal records. If inconsistencies are discovered between a flow and the recipient's existing data, manual intervention is required to correct the data and ensure that it is replicated across all relevant systems. The lock-out periods provided in the existing arrangements allow these activities – including any corrective steps – to be undertaken, and for the data to be fully synchronised, before a second switch is permitted

    b. meter readings: determining the meter reading at the time of the switch is a key activity in all switches. This reading is used to calculate the closing and opening bills sent to the customer and is used in wholesale settlement to determine the allocation of energy costs to suppliers and shippers. With traditional meters a reading has to be taken by the customer or by a meter reader sent to perform a

[2] Master Registration Agreement clause 15.5

'special read' and agreed between the suppliers, or an agreed process for generating an estimated read has to be followed. The process of collecting and agreeing a meter reading can take several days (industry rules allow up to 8 working days). If this proceeds smoothly, the current arrangements provide sufficient time for Suppliers A and B to agree a meter read prior to the switch to Supplier C.

c. debt assignment: the Debt Assignment Protocol (DAP) enables prepayment customers to transfer debt from Supplier A to Supplier B when they switch supplier. The DAP provides a period of 15 business days for this transfer to take place. Although this period does not align precisely with the explicit or implicit lock-out period, the arrangements mitigate the risk that a customer with debt may transfer rapidly between suppliers with the effect the debt is not assigned to the customer's new supplier[3]

d. Priority Service Register (PSR) information: suppliers and networks are required to exchange information in respect of vulnerable customers. These exchanges are not managed through the registration systems but it is important that information is synchronised across the systems of the relevant supplier and network companies. New arrangements for the collection and exchange of PSR information are being introduced over the next year.

8. It is evident that the existing lock-out arrangements mitigate industry-related risks, primarily risks that data integrity might be compromised. The impact on the customer of not being able to switch rapidly between suppliers was presumably justified on the grounds that without a lock-out period there would be significant risk to the reliability of switching, which would undermine confidence in the market.

9. It is worth noting that where a change of tenancy (CoT) occurs but there is no change of supplier, no interactions with the registration systems or other parties take place. All data 'exchanges' are internal to a single supplier and no lock-out period is applied.

Analysis

10. The following lines of enquiry have been pursued:

a. What is the risk that data integrity issues are significant under the new switching arrangements?
b. Is there a significant risk that customers would switch rapidly (if they were permitted to) in a manner that would undermine market stability?
c. What are the interactions between cooling off and lock-out arrangements?

[3] It is noted that the CMA Energy Market Investigation (March 2016) includes remedies which involve changes to the Debt Assignment Protocol being made by end-2016.

d. What are the interactions between objections and lock-out arrangements?
e. What are the inter-actions between Erroneous Transfers (ETs) and lock-out arrangements?
f. What transitionary issues might arise during implementation of the new switching arrangements?

Data integrity

11. With the introduction of smart metering the data integrity risks inherent in the existing systems will diminish. For customers with smart meters:

    a. the need for data exchanges between losing agents and suppliers and the gaining parties will fall (e.g. to provide meter technical details such as register configurations). With smart meters the gaining supplier will be able to retrieve most meter technical details directly from the smart meter[4] (which will also improve the reliability of the data received)
    b. In addition the introduction of smart metering will simplify the process of acquiring a change of supplier meter read and should ensure that reads are aligned with the Switch Date. This will reduce the dependence on manual meter reads and estimates, and reduce the volume of disputed reads. The average time taken to secure an agreed reading should fall significantly.

12. For customers with traditional meters, meter configuration details and meter readings will continue to be exchanged, but as the number of traditional meters falls so should the number of data issues. Even for smart meters data exchanges will continue to be required (for example to finalise agent appointments). Thus the data integrity risk will not be eliminated by smart metering.

Market Stability

13. The current arrangements mean that, in practice, a customer has to stay with Supplier B for at least 2-3 weeks before switching to Supplier C. This ensures that the amount billable by Supplier B will be a minimum of £25 (order of magnitude estimate for an average single fuel customer).

14. Should customers switch after a few days, the amount billable will fall to a few pounds. If a supplier experiences a rise in debt write-offs associated with customers who switch rapidly, the supplier may modify its customer acquisition procedures. This could lead to a greater incidence of suppliers requiring security deposits or prepayment arrangements to mitigate their credit risk. Such steps would be an unwelcome development and could influence customers not to engage with the competitive market.

15. Alternatively, if suppliers were to write off a large number of small bills related to rapid switchers, this cost would be spread across the remainder of the customer base, thus increasing energy costs to all customers.

[4] Some meter technical details will not be available remotely, for example the serial number of a gas regulator installed with a smart meter.

16. Despite these potentially unattractive developments, rapid switching could become prevalent for reasons which could be beneficial to market competitiveness. For example third party intermediaries (TPIs) might develop services to scan the market and identify the best offer for a specific customer each day or week. The TPI could send these details on to the customer or – with customer consent – could manage the switching process on the customer's behalf. The TPI could aggregate the bills received from each supplier and present a monthly aggregated bill to the customer.

17. Because of the restrictions imposed by existing arrangements there is no evidence from the energy market as to whether significant numbers of customers might become regular switchers. Furthermore, evidence from other sectors is not readily applicable in a manner that helps our analysis. For example:

    a. Infrastructure services such as broadband:
        i. On BT's network: where customers switch between service providers there is a two-week notice period during which the losing supplier confirms the switch and any early termination fees. This has the effect of providing a two-week lock-out period
        ii. On all fixed line networks: gaining providers often offer introductory offers (e.g. first 6 mths free, but then 12 mths fixed contract). The gaining supplier is responsible for undertaking credit checks and takes a commercial decision on the risk of non-payment of either the monthly fee or the early termination charges

    b. Financial services such as insurance: the policyholder is generally required to pay the premium upfront (either annual or monthly installments) and in the event of the policyholder deciding to terminate the contract before renewal (outside the cooling off period) the insurance company will refund the unused part of the premium, less an administration charge.

Interaction between cooling off and lock-out

18. When a customer cancels under cooling off the contract must be terminated 'without undue delay'. If the proposed position in paper BPDi01 Cooling Off is adopted, the customer would be placed on a deemed contract pending the customer signing up with a new supplier. It is proposed that the terms of the contract that has been cancelled would be applied to the deemed contract for a period of grace, which might be 28 days[5].

19. The diagrams at Appendix 2 present potential inter-actions between cooling off and lock-out under various timing scenarios. The most significant scenario is where cooling off occurs before the lock-out period has expired. In such a scenario the customer would be required to remain with Supplier B under the terms applicable for the period of grace

[5] The policy in relation to cooling off has yet to be finalised, pending completion of consumer research. The approach described here reflects Option 4 in the cooling off paper and will need to be adjusted if another position is adopted.

until the end of the lock-out period. If this period were short (e.g. a handful of days) it could be justified on the grounds of maintaining data integrity. If it were longer (e.g. 28 days) there is a risk that the process would be exposed to legal challenge. The length of a lock-out period is considered in the Options section below.

Interactions between objections and lock-out

20. TOM v2's leading proposal was that objections should be pre-loaded by the incumbent supplier. When a registration request is received, CRS would check whether an objection had been raised for that metering point. The request would be rejected if an objection had been raised[6]. The consequence of this is that pre-loaded objections would be checked prior to switch date. Thus there would be no implications for a post-switch lock-out period.

21. TOM v2 also includes reference to reactive objections as an option that should be considered. These might be appropriate if an 'end of next day' timetable is adopted for switching and would allow a period of a few hours for the losing supplier to decide whether or not to object to a registration request. As with pre-loaded objections, these reactive objections would all need to be processed prior to switch date and there would be no implications for a post-switch lock-out period.

22. With pre-loaded objections there is the possibility that a gaining supplier would need time after switch date to load an objection (e.g. if Supplier B had taken over a debt assigned by Supplier A, Supplier B will want to avoid the customer switching to Supplier C before an objection is raised). This issue will be discussed more fully in paper BPD i03 Objections although our working assumption is that Supplier B will be aware of the assigned debt when they raise the registration request and could encode the objection 'flag' onto the registration request, such that it becomes active when the switch is executed. It will be in Supplier B's interest to ensure that this 'flag' is raised promptly.

23. Thus we conclude that issues related to objections should have no bearing on decisions related to post-switch lock-out periods.

Erroneous Transfers (ETs)

24. ETs occur when a supplier submits a registration request for an incorrect metering point and the error is not detected until after the switch has been executed. Under current arrangements an ET may be detected when a customer receives a 'sorry to see you go' letter that they were not expecting or receives a bill from an unfamiliar supplier. A set of arrangements – involving multiple, timed steps – are then followed to unpick the ET and re-instate the customer with their original supplier. This is currently a manually-intensive process which involves prescribed workarounds (e.g. to re-imburse Supplier B for wholesale charges that should have been for the account of Supplier A). The process currently takes between [x and y] days.

[6] The grounds for raising objections and other aspects of processing objections will be set out in Issue Paper BPDi03. This will be informed by Ofgem's policy decisions on objections which are currently in the process of formulation and consultation.

25. In future the incidence and discovery of ETs will be influenced by:

    a. Smart metering: suppliers can use the CIN facility[7] to confirm that the metering point is in the home of the customer who has requested the switch – this should reduce the incidence of ETs
    b. Smart metering: display of the supplier name on the meter and/or IHD may allow customers to spot an ET earlier
    c. Next day switching: the switch is more likely to have been executed prior to the customer receiving a 'sorry to see you go' letter. Currently errors detected prior to the switch can be handled through a registration request withdrawal – in future there is a greater probability that the switch will have been executed prior to the error being detected

26. In general it is highly desirable to rectify errors as soon as they are detected. This would mean that ETs should not be subjected to material constraints imposed by any post-switch lock-out periods.

27. However, if the lock-out period is relatively short it is unlikely that detection and processing of the ET would be completed (i.e. customer fully re-instated with their original supplier) within the lock-out period. Furthermore if a lock-out period is justified as representing 'without undue delay' with regard to cooling off, the argument for using a deemed contract post cooling off might be eroded.

28. The processes for handling Erroneous Transfers under the new switching arrangements will be covered in Issue Paper BPD i13 Erroneous Transfers.

Transition Issues

29. The solution architecture supporting the new switching arrangements and the strategy for transitioning to that new architecture have yet to be decided. However at the point of cut-over to the new CRS there will be a significant number of traditional meters in both the domestic and non-domestic sectors so meter technical details will need to be exchanged. Furthermore it is quite plausible that though some participants will undertake major systems upgrades others may take a more incremental approach such that switching is still reliant on existing data exchanges.

30. It is also possible that the transition strategy will involve a phased transition to the new CRS with limited functionality installed initially with additions in subsequent releases.

[7] The CIN (Customer Identification Number) facility allows a 4-digit random number to be sent to both a smart meter and the user (e.g. a supplier). If the number read from the smart meter by the customer matches that received by the user, they can be confident that the correct meter has been identified.

31. Thus in the initial period of CRS operation there is a risk that the reliability of the data exchange process might fall before recovering and then improving. Provision of a lock-out period could mitigate this transitional risk.

Options

32. Four options for a lock-out period have been considered. In the interests of harmonisation, it is proposed that the options would apply equally for both gas and electricity:

    a. Option 1 – no lock-out period
    b. Option 2 – short lock-out period of (say) 3-10 calendar days
    c. Option 3 – lock-out period of 14 days
    d. Option 4 – longer lock-out period of (say) 28 days

33. In all cases the start of the lock-out period would be the Switch Date from Supplier A to B. During the lock-out period the CRS would reject a registration request from any other supplier, regardless of the Switch Date specified. The customer could still sign a contract with Supplier C during the lock-out period but C would need to delay submission of a registration request until lock-out had expired. In practice suppliers currently take a few days to process a contract and submit a registration request (e.g. to validate the meter point details and perform a credit check) although in future they may shorten this timescale.

34. An alternative approach would be to allow Supplier C to submit a registration request during the lock-out period but for a switch date after expiry of the lock-out. This is akin to allowing a second registration to be accepted after a first has already been confirmed[8] and presents similar issues with regard to checking for objections. For this reason this alternative is ruled out.

35. **Option 1 – no lock-out period**: if 'next day switching' is implemented literally this option would mean that a customer could switch supplier every day. All aspects of the switching arrangements would need to be designed to support repeated next day switching, meaning that suppliers, metering agents and other industry participants would need to operate their systems to support the prompt data exchange required to complete the switch (including obtaining metering information needed to bill the customer).

36. **Option 2 – short lock-out period**: a period of 3-10 calendar days could be used to mitigate the risk of data integrity issues arising, provide a window for collecting meter reads from traditional meters and allow the new supplier to pre-load an objection (in relation to the customer they have just gained). The operation of the switching process could be monitored and the lock-out period might be revised based on experience. For

[8] See paper BPD i35 Advance Registrations

example if there is a phased transition to full CRS functionality the lock-out period might initially be set at the higher end of this range and tightened over time. Similarly as smart meters become more prevalent there could also be arguments for reducing the lock-out period.

37. **Option 3 – lock-out period of 14 days**: a period of 14 calendar days might appear attractive as a way of aligning the lock-out period with the cooling off period. However the cooling off period commences at contract entry and the start of lock-out is triggered at Switch Date so a 14 day lock-out period will not automatically be aligned with cooling off. Also there are exceptional circumstances under which cooling off can be triggered beyond 14 days. A variant on this would be to measure the lock-out period from submission of the registration request but this is more complex to implement and is less straightforward to explain to customers (and it still fails to achieve alignment with cooling off due to the exceptions to the 14 day rule).

38. **Option 4 – longer lock-out period of (say) 28 days**: a longer lock-out period might be desirable if the credit risk associated with rapid switching were expected to be significant or if suppliers shunned potential customers because they judged that the costs of winning and initialising the customer's account might not be offset by the returns from a short contract. A month (order of magnitude £50 for an average customer) might make it attractive to win a customer and worthwhile to collect any debts.

Options assessment

39. As there is in practice no alignment between a 14 day lock-out period and the cooling off period, option 3 has been combined with option 4 in this assessment into a single 'longer lock-out period'. For the purposes of the assessment the team has taken 14-28 days as the illustrative period for this option which is referred to as Option 3/4.

40. **Option 1 – no lock-out period**: given the uncertainties surrounding transition, risks to data integrity are likely to persist for some time after the initial CRS launch.

41. Depending on the rate of smart meter installation it is also likely that a significant number of traditional meters will still be in use at CRS launch. As now it will be difficult to ensure that a meter reading for a traditional meter is taken to coincide with Switch Date and some flexibility will be needed. Without a lockout period there will be risk that Suppliers A and B have not agreed a 'switch read' before a switch to Supplier C. This will make it difficult for the suppliers to present accurate bills to the customer.

42. **Option 2 – short lock-out period**: a short lock-out period should offer mitigation against the following risks:

    a. Data integrity: it should allow industry parties to resolve any data exchange issues and to collect and agree a 'switch read' (albeit that the time allowed to agree a read might need to be reduced from the current duration)

b. Market stability: a short lock-out period offers some mitigation to the risk that a debt transfer under the DAP had not been concluded prior to a second switch. Although a short lock-out is not aligned with the 15 working days allowed by DAP, the current arrangements are also not aligned with DAP and this does not appear to present significant risk today

43. A short lock-out period should also minimise the risk that a customer who cancels under cooling off becomes frustrated that they are unable to switch to Supplier C because of the lock-out constraint. For example a customer might cancel with Supplier B 3 days after switching and sign a contract with Supplier C on day 4. Supplier C might complete their credit and other pre-contract checks on day 5 and submit a registration request. If 'next day' is set as the day after tomorrow, a lock-out period of 6 days would not constrain the registration and the customer would be unaware that a lock-out period exists. Even if the lock-out period were 10 days the customer would only be waiting for 5 days compared to the 2-3 weeks under today's arrangements.

44. **Option 3/4 – longer lock-out period of (say) 14-28 days**: a longer lock-out period would accommodate the current timescales for agreeing 'switch reads' between the suppliers and the DAP process and significantly mitigate the risks of data integrity being compromised. However a customer who cancels under cooling off and switches promptly to Supplier C could be frustrated at having to stay with Supplier B for the duration of this longer lock-out period. This could result in a legal challenge to the proposed arrangements for cooling off.

45. The longer lock-out period would offer suppliers certainty of a minimum level of revenue expected from any new customer. This may help to avoid writing off small debts which are not worth collecting.

46. An assessment of the options against the design principles is presented at Appendix 2.

47. At the BPD User Group meeting on 21 March 2016 a set of summary slides covering various aspects of switching were discussed, including lock-out. The slide presentation had not been circulated in advance. The initial reaction of the User Group was that a short lock-out period would be preferred (up to 14 days). Little support was voiced for the market stability argument – the main justification identified for a lock-out was to mitigate data integrity risks. However it should be stressed that this was an initial reaction to the presentation and different views may arise when members have considered the matter more fully.

Recommendations

48. In a future scenario where next day switching is defined literally (i.e. smart meters are re-configured by the time the customer wakes up next morning) and smart meters are universal, data integrity risks should be much reduced. In this scenario the principal argument for a lock-out period would be to support market stability. But as noted

above, initial reaction from the User Group suggests there is little stakeholder support for the market stability argument.

49. In this scenario the situation of non-domestic customers (especially those not using smart meters) may be different from domestic customers in that configuration or communications parameters relating to their traditional meters will still need to be exchanged. However these (generally) larger non-domestic customers typically switch at the end of fixed term contracts and are much less likely to use next day switching. Hence there should be time to resolve data exchange issues ahead of the switch date.

50. A more realistic scenario at the time of CRS launch is that there will be:

    a. A significant number of traditional meters in operation (for domestic as well as non-domestic customers)
    b. Legacy systems being operated by participants – CRS may or may not have superceded all the existing 'central' systems (MPAS, DTN, UKLink, ECOES, DES) but suppliers and metering agents may be relying on existing internal systems, adapted to interface to CRS as required
    c. Lack of familiarity with the new procedures, for example relating to objections and cooling off

51. To mitigate the risks identified in this paper and to address the realistic CRS launch scenario described above, the User Group is invited to comment on the team's proposed positions as follows:

    a. The same lock-out period should be applied to all customers (domestic and non-domestic, smart meter and traditional) and to both gas and electricity
    b. A short lock-out period should be applied (i.e. option 2) capped at 10 days. This will minimise the risk that a customer who cancels under cooling off is constrained from moving smoothly to Supplier C (or back to Supplier A if options 2 or 3 from the cooling off paper are adopted)
    c. The lock-out period will be a configurable value in the CRS system. The length of the lock-out period in force at any time (within the 10 day cap) should be reviewed periodically by industry in conjunction with Ofgem. Based on operational data collected by the Registration Agent (e.g. volumes of erroneous transfers, evidence of debt write-offs) the period may be adjusted between 1 and 10 days
    d. The initial value of the lock-out period should be determined later in the programme when there is greater certainty on the choice of solution architecture (i.e. thick or thin CRS and the coverage of agent arrangements) and when the expected penetration of smart metering at CRS go-live is clearer
    e. Monitoring activities performed by the Registration Agent should include analysis of 'high volume switchers'. This would provide quantitative evidence on whether suppliers are writing off amounts incurred by rapid switchers or requiring security deposits or prepayment arrangements to address the debt risk. There should

also be 'horizon scanning' to determine whether high volume switching is driven by market innovations which should be encouraged

f. As the lock-out period is being implemented to address the risk of data exchanges being compromised by very rapid switching, it is recommended that the lock-out period should apply even where there is a cooling off event
g. The need for a lock-out period where there has been an erroneous transfer will be addressed in BPD i13 Erroneous Transfers.

52. This lock-out arrangement is unlikely to be visible to customers. In the event of cooling off being invoked straight after Switch Date (which might be 3 or 4 days after the customer had entered a contract), Supplier C would advise the customer that switching would not occur 'next day' but after the lock-out period. If necessary they should explain that this delay of a few days is to ensure the reliability of switching for all customers (including that customer when they make their second switch). This issue does not arise under current arrangements as the speed of switching is much slower than the 'next day' timing being planned under CRS.

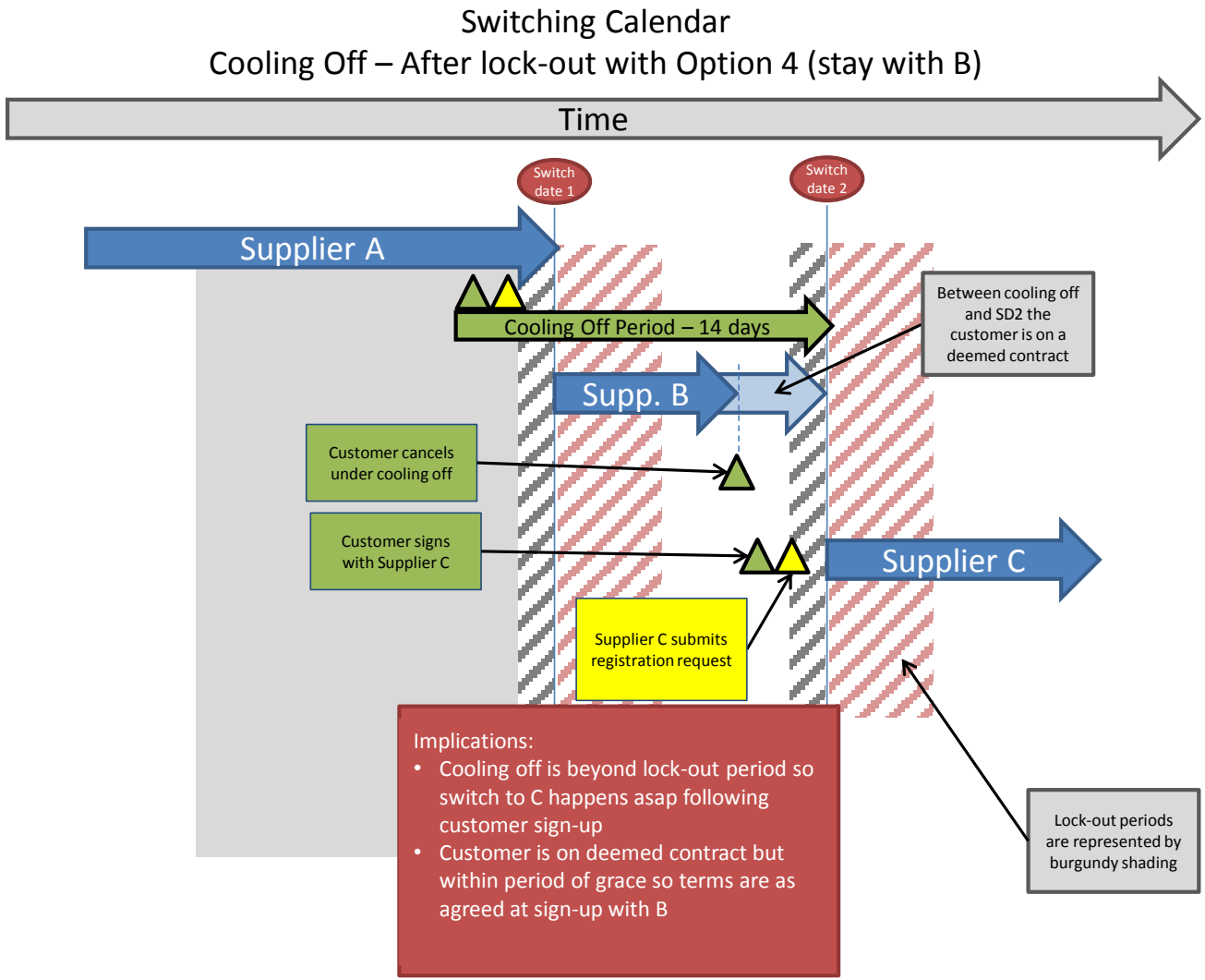
Justification

53. To be completed following engagement with stakeholders.

Appendix 1 - Options Evaluation

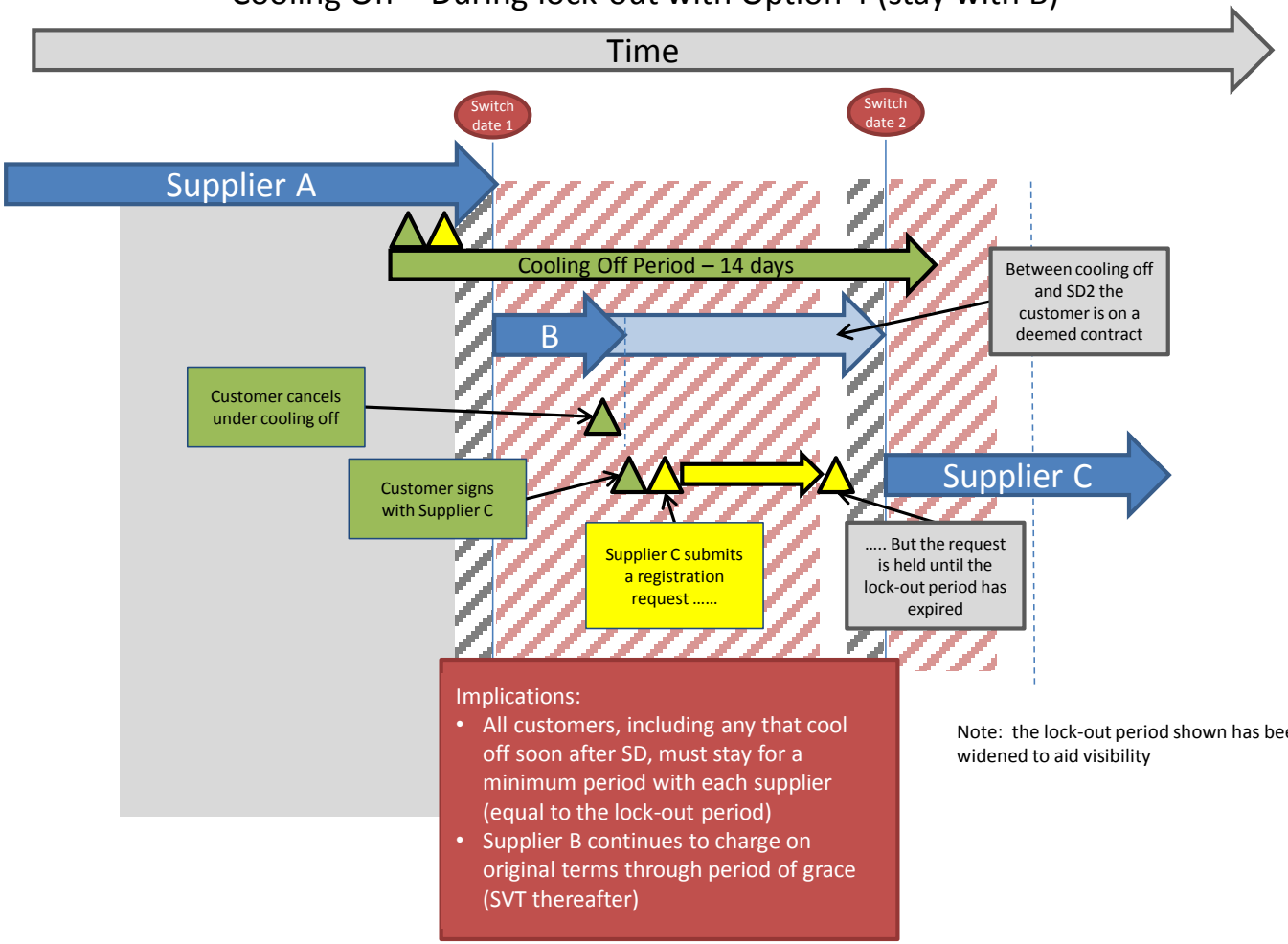
Design Principle	Option 1 – No Lock-out period	Option 2 – short lock-out period (3-10 days)	Option 3/4 – longer lock-out period (14-28 days)
Impact on Consumers			
1 Reliability for customers	Without universal smart metering there are significant risks that data integrity will be undermined and that customers will experience problems in switching (e.g. delays while issues are resolved or Erroneous Transfers)	Existence of a lock-out period should provide significant mitigation of data integrity risks	All data integrity issues should be capable of resolution within this extended lock-out period
2 Speed for customers	Fastest possible speed for rapid switchers	Short lock-out period should have no impact for almost all switching customers	Timescale is comparable to current arrangements which are deemed to be too slow
3 Customer Coverage	Applies to all customer segments		
4 Customer Switching Experience	Will not be visible to the vast majority of customers who switch		May impinge on some frequent switchers
Impact on Market Participants			
5 Competition	Some risk that suppliers might introduce unwelcome practices to manage credit risk or might decline business with customers who they judge will switch away again quickly. User Group members' initial reaction is that these risks are not significant		Indirect impact that if delayed switching after cooling off attracts attention, customers may lose confidence in switching
6 Design - simplicity	All options are simple to design and the length of the lock-out period can be parameterised		
7 Design – robustness	No differential impact identified		
8 Design – flexibility	Use of parameterisation to set lock-out duration will provide flexibility		
Impact on Delivery, Costs and Risks			
9 Solution cost/benefit	Could be more expensive especially if participants have to re-develop their systems to operate within shorter timescales	Inclusion of a lock-out facility will add minor cost to CRS but no significant additional cost identified for participants	
10 Implementation	No differential impact identified		

Appendix 2 – Illustrative cases to demonstrate operation of a lock-out period



Switching Calendar

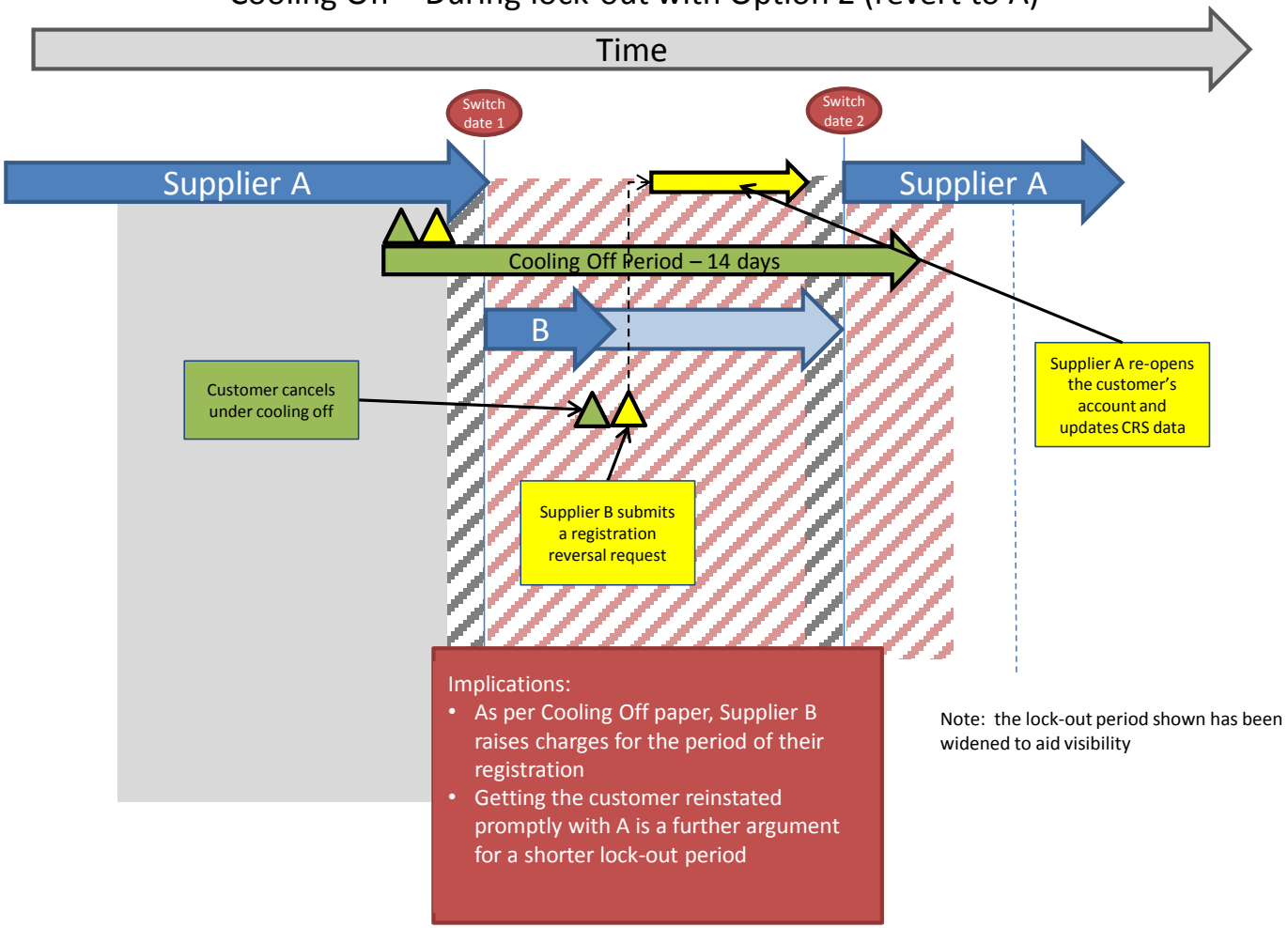
Cooling Off – During lock-out with Option 4 (stay with B)



Note: the lock-out period shown has been widened to aid visibility

Switching Calendar

Cooling Off – During lock-out with Option 2 (revert to A)



Note: the lock-out period shown has been widened to aid visibility