

POLICY ISSUES PAPER – CONTROL SHEET

Title of Paper	Objections		
DA Issue Ref	BPD i03	Date:	31 May 2016
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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	Ofgem is currently undertaking a review of the policy in respect of domestic and non-domestic objections. We will publish our next steps on domestic and non-domestic objections in summer 2016.		
Dependencies	There is a dependency between Objections and Advance Registrations. This paper assumes that the position presented in BPDi35 (as drafted for EDAG on 18 April) is authorised by DA.		

Circulation	<p>Workstream Leaders / Design Team / User Group / EDAG /DA Huddle / Website</p> <p><i>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</i></p>		
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Issue	<p>This paper addresses the issue of objections to a prospective switch. The policy on whether or not Supplier A should be allowed to prevent a switch from proceeding (e.g. on the grounds of debt or fixed contract terms) is being addressed by Ofgem's Objections Team. This paper has been developed on the working assumption that objections will be retained: if this is not the case, we will need to revisit this area. It focuses on the operational approach to be employed in processing objections: specifically whether objections should be processed instantly or raised reactively in a compressed objections window.</p>		
Impacts Domestic?	Yes	Impacts Non-Dom?	Yes
Policy Objective (and reference to TOM v2)	<p>The central position advocated in the TOM was that – if objections are permitted – they should be 'pre-loaded'¹ by suppliers onto the</p>		

¹ So as not to constrain solution architecture options the term used in the TOM has been replaced in this document by 'instant' objections. This is explained in the paper.

	<p>CRS. This data would be used by the CRS to determine whether or not a registration request should be blocked. With pre-loaded objections, the CRS would not need to confirm with Supplier A if it wants to object. As a result a non-objected switch might be executed by start of next-day. In addition the TOMv2 considered an option for start of next-day switching whereby the current supplier would be required to respond and object to a pending switch notification from the CRS in near real time</p> <p>However, the TOM recognised that 'pre-loading' of objections might be costly to operate and retained 'reactive objections' as an alternative, albeit with a shorter window than currently permitted.</p>
Previous Positions on this/related Issues	<i>Summarise any previous Ofgem positions on this or related issues</i>
Summary of Recommendations	<p>Our preliminary recommendation is that the objections should be processed 'instantly' , principally because this is the only option that supports 'start of next day' switching and allows the customer to have their switch confirmed before they leave the point of sale. However we recognise that the relative costs of the two approaches are not fully understood and that the proposed position should be reviewed when cost data from the RFI becomes available.</p>

Internal and External Engagement	
Business Process Design	Author
Regulatory Design	
Delivery Strategy	Reviewed by Barry Coughlan
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Other Ofgem Teams	Reviewed by Andy McFaul and Consuelo Pacchioli
Meetings at which this paper has been discussed	
Workstream Leaders	Discussed out of meeting with RC and AB
User Group	Discussed at UG Meeting on 23 May 2016
EDAG	
Other External	
Ofgem Design Authority	

POLICY ISSUES PAPER – CONTENT

Issue

1. The current arrangements in both gas and electricity allow the incumbent supplier (Supplier A) to raise an objection which prevents the transfer of a meter point to a prospective supplier (Supplier B). The grounds for raising an objection are prescribed by Condition 14 of the Gas and Electricity Supply Licences with further obligations for microbusinesses set out in Condition 7.
2. Ofgem is currently undertaking a review of the policy framework covering objections. The review will lead to decisions on whether objections should continue to be permitted and, if so, what grounds for an objection should be allowed. The policy review – which is not part of the Switching Programme – is split into two parts covering the domestic and non-domestic sectors (micro and larger businesses). As set out in our Forward Work Plan, we intend to publish the next steps in relation to domestic and non-domestic objections in summer 2016.
3. This paper has been drafted on the working assumption that objections will be retained for both domestic and non-domestic customers. This is not an attempt to prejudge the outcome of the review but is a practical measure to understand how the objections process should work if it is retained, regardless of the bases for raising objections. Objections are, potentially, an important component of the switching process and there is a greater risk to programme delivery of having to incorporate an objections process at a later date if the decision is taken to retain objections.
4. If this working assumption proves to be false (i.e. the Ofgem work concludes that incumbents should not be permitted to object to a switch), the objections functionality discussed in this paper will be excluded from the scope of the Centralised Registration Service (CRS) and we will amend the business processes accordingly.
5. The policy review is focused on policy options and their implications for customers and suppliers. This paper focuses on the implications of objections for customers, the CRS and the systems and processes operated by suppliers.
6. In this paper the incumbent/original/losing supplier is referred to as Supplier A and the gaining supplier as Supplier B. The paper adopts the timing definitions used in the TOM where two options were discussed for 'next day':
 - a. Start of next day – a switch request processed on day D-1 would be executed at 00:00² on day D (i.e. the customer would see a new supplier ID and new tariff details on their smart meter when they get up the next morning)

² This assumes switching at midnight for electricity. For gas 05:00 should be inserted in place of midnight.

- b. End of next day - a switch request processed on day D-1 would be executed at 00:00 on day D+1 (i.e. the customer would not see changes on their smart meter until the morning of D+1)

Essential Background

Reasons for objecting

7. The Electricity and Gas Supply Licences include conditions which confer the right for Supplier A to object to a switch under a certain circumstances. Suppliers are not obliged to raise an objection where the criteria are met but they provide a tool to manage risk (e.g. credit risk) which might otherwise lead to costs being socialised across all paying customers. The licence conditions distinguish between non-domestic and domestic customers and are summarised as follows:
 - a. Conditions 14.2 and 14.3 relate to non-domestic customers and allow Supplier A to object to a switch if:
 - i. There was a condition in the customer's contract which allows an objection to be raised by the supplier under specified circumstances (e.g. prior to the expiry of a fixed term or if charges are outstanding for more than a set period)
 - ii. Suppliers A and B agree that a registration request has been raised in error (i.e. a potential Erroneous Transfer has been detected ahead of the switch being executed)
 - iii. (Electricity only) The meter point is one of a set of Related MPANs (as defined by the MRA) where the other MPANs are not being switched on the same day
 - b. Conditions 14.4 to 14.11 relate to domestic customers. Points ii and iii from the non-domestic conditions also apply to domestic customers and, additionally for domestic customers, Supplier A may also object to a switch if:
 - i. The customer instructs Supplier A to block a switch because they have not entered a contract with the supplier requesting the switch
 - ii. Supplier A has charges outstanding³ from the customer
 - iii. (Electricity only) There are outstanding Green Deal charges
 - c. Condition 7 (non-domestic) and Condition 25 (domestic) oblige suppliers to conform to Standards of Conduct, which inter alia cover the customer switching process
8. As mentioned above, the grounds for objecting to a switch are being considered as part of the Ofgem policy review, separate from the Switching Programme. As a basis for

³ Detailed conditions are applied to the term 'charges outstanding' to determine whether an objection is valid.

exploring how various processes for handling objections might work, this paper uses two cases to illustrate the potential operation of objections:

- a. Case 1 - non-domestic customers: an objection in relation to fixed terms
- b. Case 2 - domestic customers: an objection in relation to outstanding charges.

9. With regard to the other reasons for objections:

- a. Registrations raised in error – if these are identified prior to the switch being executed Supplier B will be able to submit a Registration Withdrawal⁴. If such an error is only detected later it will need to be 'unpicked' by means of an Erroneous Transfer, which will be covered in Issue Paper BPD i13
- b. Customer requested objections – these are discussed below

The objections process

10. Under existing arrangements all objections are raised reactively: that is to say that when a registration request from Supplier B is processed, Supplier A is given an opportunity to prevent the registration proceeding. In both gas and electricity the registration agent (Xoserve or MPAS) administers the objections process and the relevant Codes specify the period available to Supplier A to react to a 'loss' notification. If Supplier A fails to respond within the prescribed period, the registration to Supplier B proceeds unhindered. The duration of the objection window is currently:

- a. Gas: objections must be submitted by Supplier A at least 3 working days prior to the switch date and within 7 working days of the loss notification being received. Withdrawal of an objection also takes place during this period
- b. Electricity: a period of 5 working days is allowed for Supplier A to raise an objection plus one working day to resolve (i.e. to remove) the objection after it has been raised.

11. When an objection is raised Supplier A is required to write to the customer explaining that an objection has been raised and, amongst other things, the reason for the objection and what action the customer can take to resolve the cause of the objection. The supplier(s) and customer may then take action to resolve the objection and allow a future registration request to proceed. For example, in the case of a prepayment customer with debt, the Debt Assignment Protocol may be followed to transfer the debt to Supplier B. In the case of an unexpired fixed term in a non-domestic contract the customer might agree to pay an early termination charge. In both these examples, Supplier B would re-submit the registration request and – as the reason for the objection had been resolved – it would proceed.

⁴ The Registration Withdrawal may be triggered by the customer instructing Supplier B to withdraw it (e.g. on receipt of a notice that they are about to switch to B) or by Supplier A notifying B that the customer has requested a registration withdrawal (if there is sufficient time before 'gate closure').

12. Data collected as part of the COSEG work in 2013 showed that the rate of objections in the domestic sector is relatively low and stable at around 6-8% of transfers. The rate of objections in the non-domestic market was around 25% for gas and 14% for electricity. We understand that a substantial proportion of these objections are in relation to microbusiness customers.

The approach adopted elsewhere

13. In considering the approach to be adopted for objections the team has looked at other energy markets and at other sectors for 'lessons learned'. A summary of our findings is presented at Appendix 1.

Change of Occupant

14. Objections raised by Supplier A relate to the circumstances of the customer at a meter point, not to those of the meter point itself. It therefore follows that if a new customer has moved into a property (a Change of Occupancy, or CoO, event) the new customer should not be blocked from switching energy supplier for reasons relating to the previous occupant. For this reason, registration requests can be coded with a 'CoO flag' which provides information to Supplier A that it should use when deciding whether to object.
15. The CoO flag (previously referred to as a Change of Tenancy or CoT flag) has been the subject of much debate as there has been concern that gaining suppliers, customers and brokers use it inappropriately to avoid an objection being raised. In electricity, this concern has been mitigated by placing a requirement on suppliers to retain the evidence they relied upon when deciding to encode a CoT flag. However some difficult areas remain – for example when multiple occupants in a property decide to switch the person acting as the account holder.
16. As the objections process relates to the circumstances of the customer and their relationship with the supplier, the need for a CoT/CoO flag will be carried forward to the new switching arrangements. We would expect to extend the requirement to retain evidence to gas.

Access to objections information

17. Data on objections is generally personal to a domestic consumer (e.g. that they have debt outstanding) or commercially sensitive to a non-domestic supplier (e.g. debt, contract expiry date or termination notice arrangements). For these reasons prospective suppliers are not permitted to enquire through the registration systems as to whether an objection would be raised in relation to a specific meter point. Supplier B would only learn of an objection when they request a switch. As signalled in TOM v2 (paragraph 8.17) these confidentiality requirements will be carried forward into the new switching arrangements.

Analysis

18. The following lines of enquiry have been analysed:

- a. What dependency exists between Advance Registrations and Objections?
- b. What are the implications of next-day switching on customer requested objections and co-operative objections?
- c. What timescales would be appropriate for reactive objections?
- d. What are the implications of adopting an 'instant' approach to objections?
- e. How should objections be anticipated and/or resolved?
- f. How might the customer experience be impacted by the choice of approach?

Interaction with Advance Registrations

19. Paper BPD i35 Advance Registrations proposes that Supplier B may submit a registration request up to 28 days in advance of switch date; that requests are validated and tested for objections when they are received; and that the existence of a confirmed registration request will prevent another registration request being accepted prior to switch date. If this position is modified (especially if the point at which a registration is confirmed shifts from 'at validation' to 'at gate closure') the process of testing for objections will need to be reviewed.
20. The implication of this (as discussed in BPD i35) is that if circumstances change after a registration request has been confirmed (which may be up to 28 days ahead of switch date), Supplier A will not be able to object to the switch. During this period it will however be possible for Supplier B to withdraw the registration request.

Customer requested and co-operative objections

21. Under the current arrangements in both gas and electricity, Supplier A is notified of impending loss when Supplier B submits a registration request. If no objection is raised⁵, Supplier A may send the customer a Sorry to See You Go (STSYG) letter. If the customer asserts that they have not entered a contract with Supplier B, and requests Supplier A to do so, Supplier A can object to the switch being executed. When Supplier B is notified of the objection they may contact the customer to understand what happened.
22. With faster switching, the time available to issue and respond to a STSYG letter will be reduced (excepting in cases where the customer has agreed with Supplier B that the switch should only happen at a pre-defined date, for example to coincide with a home move in 2-3 weeks). If the switch date is 'next day' it is likely that the switch will have been executed before the customer has had a chance to contact Supplier A. The STSYG letter could be replaced by a text message or other electronic medium but this depends on the supplier having the customer's current contact details and on the customer responding very promptly. A more likely scenario is that the error will only be detected after the switch and will need to be addressed as an Erroneous Transfer (this will be covered in Issue Paper BPD i13 Erroneous Transfers).

⁵ If an objection is raised, Supplier A sends a letter explaining why (see paragraph 11).

23. If there is sufficient time for the customer to identify that an unauthorised registration request has been submitted they can instruct Supplier B to withdraw the registration request. It would also be desirable to allow the customer to contact their existing supplier, Supplier A, and request that Supplier A:
- a. instructs Supplier B to withdraw the request, or
 - b. instructs the CRS to withdraw the request
24. The feasibility of these approaches will depend on timing and will need to be considered further during the Detailed Level Specification phase.

Reactive objections – with a compressed objections window

25. The current objections process results in all switches being constrained by the duration of the objections window (up to 7 working days for gas and 5 + 1 for electricity) even though some 95% of switches are not objected to. The first approach to be considered is whether an objections window could be retained – thus allowing suppliers to apply discretion in deciding whether or not to object – but be shortened considerably to allow an ‘end of next day’ switching timetable to be achieved.
26. For ‘end of next-day’ switching to be achieved the losing supplier might be allowed an objection window of, say, 3-5 hours (within a defined working day). If no objection is raised the registration request would be confirmed, CRS would issue confirmation notices to interested parties and the switch would be executed.
27. Suppliers (acting as Supplier A) would design their internal systems and processes to comply with this compressed objections window. They could decide to automate this process and generate responses to CRS relatively quickly or to set criteria which would require some registration requests to be reviewed by the supplier’s Customer Service Agent. This could allow, for example, a greater proportion of non-domestic customers to be subjected to manual intervention. Alternatively small (or new entrant) suppliers might decide to invoke manual intervention for all cases.
28. The steps to be undertaken during the objections window would be:
- a. CRS validates a registration request and sends a ‘loss notice’ to Supplier A
 - b. Supplier A reviews the customer’s circumstances and decides whether or not to object
 - c. If Supplier A decides to object they send an objection notice to the CRS
 - d. CRS notifies Supplier B that the request had been objected to
 - e. If CRS does not receive a response from Supplier A within the designated time the registration request would be confirmed and interested parties would be advised accordingly

Instant objections based on pre-set criteria

29. The radical approach proposed in TOMv2 was to change from a process in which objections are raised reactively when a registration request is raised to one where the CRS is always informed as to whether an objection would be raised if a registration

request is received. This 'pre-loaded' approach would eliminate the delay that arises while waiting for Supplier A to decide whether to object.

30. In developing this paper we wish to separate policy options from solution architecture options. The 'pre-loaded' approach described in TOM v2 was designed to determine immediately whether a switch would be objected to and illustrated this with a solution which involved maintaining an up-to-date database of meter points which would be subject to an objection. We recognise that this is only one solution to achieving an instant response to the question of whether a switch would be objected to: another option would be for supplier systems to respond to a loss notice in real time. To achieve this timetable, supplier systems would have to be automated to apply pre-set criteria to determine whether to raise an objection.
31. Accordingly, we have replaced the term 'pre-loaded objections' with 'instant objections based on pre-set criteria', or 'instant' for short. Thus the policy options become:
 - a. Reactive objections with a 'compressed window' – as discussed earlier
 - b. 'Instant' objections – discussed in the remainder of this section
32. Under the 'instant' approach objections could be identified as:
 - a. 'Date to' objections (i.e. Supplier A objects to any switch taking place prior to a specified date): this would be appropriate for contracts with terms that are fixed until a specified date⁶. After this date the objection would lapse
 - b. 'Indefinite' objections (i.e. Supplier A objects to the switch taking place). Under this method Supplier A would object when, for example, debt criteria are met and would lift the objection as soon as the debt is settled
33. The timing implications of adopting the 'instant' approach are significant:
 - a. With the objections test being completed immediately it should be possible for customers which are not subject to an objection to complete the customer journey from quotation to confirmed switch whilst at the point of sale (e.g. a single phone conversation with a supplier's sales agent or in a single interaction with a supplier website or price comparison website)
 - b. With no need for an objections window, confirmed registrations could be executed for 'start of next day'
34. Some suppliers have suggested that implementing and operating the 'instant' approach would be complex and expensive. It is therefore worth noting where comparable criteria are applied in real-time in other sectors:

⁶ When a registration request is subject to a 'date to' objection, Supplier B would be informed of the expiry date of that objection.

- a. Oyster cards update account balances each time a passenger swipes their card on a bus or at a tube station and – where an automatic top-up has been programmed – a top-up from the customer’s bank account is activated when the Oyster balance falls below a predefined threshold (e.g. £10)
- b. Clearing house systems constantly monitor client balances as trades are processed and assets are marked to market. As the balances change so the clearing house issues margin calls/releases to ensure that they are holding the appropriate collateral against counterparty default
- c. Systems operated by retailers constantly adjust in-store stock levels based on deliveries and sales recorded by point of sale devices. Distribution and ordering systems use this data – together with constraints such as pallet and outer sizes and minimum order quantities – to determine shipments from depots to stores and to optimise re-ordering

Anticipating and/or resolving objections

35. The methods of anticipating and/or resolving objections are aligned to the reasons for objecting and are therefore dependent on the Ofgem policy review of objectives. In assessing the alternative approaches for processing objections it is useful to consider ways in which the customer experience of switching might be enhanced.
36. The first way in which the customer experience might be improved would be by avoiding the need for the follow-up contacts that are triggered by an objection. If the gaining supplier can determine at point of sale if objection conditions might apply they can take steps to resolve them prior to a registration request being submitted. For example, by asking whether a PPM customer has a debt balance on their meter Supplier B could determine whether the Debt Assignment Protocol might need to be invoked and confirm with the customer that they wish to switch if the debt is transferred. Supplier B can then arrange the debt transfer from Supplier A, agree that A will allow the transfer to proceed and then submit the registration request (which should proceed without objection).
37. If an objection cannot be anticipated there will be a need for suppliers to develop procedures for resolving it such that the switch can proceed. There are two parts to the resolution process:
- a. Resolving the circumstances that gave rise to the objection: for example, for a non-domestic customer with an objection related to a fixed term contract, the action may be for the customer to pay an early termination fee
 - b. Allowing the switch to proceed: once the resolution steps had been completed Supplier B would re-submit the registration request and it should proceed unhindered. Under both approaches (‘instant’ and ‘compressed window’) mechanisms would be required to ensure that where resolution involved Supplier B (e.g. debt assignment) a request from B would be allowed to proceed whereas one from Supplier C would be objected to.

38. Given the additional steps involved in anticipating and/or resolving an objection it should be recognised that switches subject to objection conditions are unlikely to be completed within 'next day' timescales.

Impact on the customer's experience

39. Increasingly customers expect that they will be able to complete and confirm transactions at the point of sale. For example, when someone makes a purchase on Amazon they expect confirmation that the product is in stock and that it will be delivered within a specified window of time. It is therefore appropriate to consider whether such expectations could be met in the energy sector, recognising that individual suppliers will want freedom to decide the level of service they wish to offer.

40. In the case of 'compressed window' objections a period of several hours will be allowed for Supplier A to respond to a loss notice. Under this approach, it would be necessary for the customer to initiate the switch, leave the request as 'pending' and receive confirmation later (e.g. by email) that their switch will proceed (or to contact the supplier if there is an objection).

41. In contrast, with the 'instant' approach it should be possible to confirm the switch at the point of sale⁷. For example, the customer could proceed through a series of steps on the supplier's (or a TPI's) website in a similar fashion to the steps that customers are familiar with when purchasing insurance online:

- a. Step 1: the customer enters details to identify the address / metering point and (possibly) their level of consumption
- b. Step 2 (optional): a CIN test⁸ is run to validate the smart meter point
- c. Step 3: the supplier offers terms and asks for customer acceptance and for payment details
- d. Step 4: the supplier submits a registration request which triggers the check for objections
- e. Step 5: if there is no objection (and all other details are valid) the customer receives confirmation that the switch will go ahead on the specified date. If an objection is raised the customer is invited to contact the supplier via phone or an online chat to explain the ways of overcoming the objection

42. Currently around 95% of domestic switches proceed without an objection being raised. Adopting the 'compressed window' approach could deny this significant majority of customers the benefit of confirming their switch in a single interaction with their supplier or TPI.

⁷ Although it would be for individual suppliers to decide whether or not they wish to offer this level of service to their customers.

⁸ The CIN test uses the Customer Identification Number test that is available with smart meters to send a random number to the meter, enabling the customer to validate the location details they have provided

Options

43. In developing a set of options for assessment we have noted that several stakeholders have drawn attention to differences between domestic and non-domestic customers:
- a. The grounds for objecting are different (although this is subject to the Ofgem review of objections)
 - b. The level of complexity of non-domestic switches is said to be significantly greater – for example if a customer has multiple meter points which are all to switch on the same day
 - c. Non-domestic customers (especially the larger ones or those with multiple sites) are far less likely to request next-day switching
44. Given these observations the options that have been considered are as follows:
- a. Option 1: domestic and non-domestic customers would be subject to the same objections process – ‘instant’
 - b. Option 2: domestic and non-domestic customers would be subject to the same objections process – ‘compressed window’
 - c. Option 3: employ the ‘instant’ approach in the domestic market and the ‘compressed window’ approach in the non-domestic market
 - d. Option 4: allow Supplier A to specify for each meter point whether it should be treated as ‘instant’ or ‘compressed window’
45. Option 1: The switching arrangements would be designed to support the ‘instant’ approach and all customers / meter points would be handled in the same manner. This option would allow the ‘start of next day’ timetable to be achieved for all customers.
46. Option 2: When CRS has validated a registration request it would send a notice to Supplier A asking whether it wished to object to the switch. To meet the ‘end of next day’ timetable it is assumed that Supplier A would have a few hours (perhaps 3-5) to raise an objection. If by the end of that time no response is received from Supplier A, the registration would be confirmed.
47. Option 3: The choice of approach to handling objections would be governed by the customer type (‘instant’ for domestic and ‘compressed window’ for non-domestic). Both the CRS and supplier systems would need to be designed to support both approaches (except in the case of suppliers specialising in only one customer segment). One implication of this option is that suppliers would need to maintain an indicator as to whether each meter point is classed as domestic or non-domestic⁹.

⁹ Currently there is a dom/non-dom flag for gas meter points and the customer type of electricity meter points is inferred from profile class. The latter approach may not be appropriate when smaller non-dom sites have smart meters installed, with HH settlement.

48. Option 4: Supplier A would nominate for each meter point whether it should be treated as 'instant' or 'compressed window' with respect to objections. This would allow suppliers the flexibility to choose how to manage objections for their meter points but would require CRS to support both sets of functionality. For example, individual suppliers could select to build only one approach into their systems (e.g. they might implement an 'all compressed window' policy).

Options assessment

49. Option 1 provides a universal approach to processing objections and a high level of predictability. CRS will provide instant feedback to Supplier B that a registration has been confirmed or that an objection exists. Supplier B can forward the confirmation on to the customer and – in the event of an interactive sales process (e.g. web or phone) – the customer will receive confirmation at point of sale. Option 1 allows the switch to be executed by the 'start of next day'.

50. Option 2 also provides a universal approach and predictability that a registration request will either be confirmed or objected to within a defined time period. Option 2 allows the switch to be executed by 'end of next day'.

51. Option 3 is relatively straightforward to operate as there would be a single approach in each market sector (domestic and non-domestic). It would however be more expensive to develop both the CRS and the systems of suppliers who operate in both domestic and non-domestic markets (although less expensive for those suppliers who only operate in one market). The additional cost arises as suppliers' systems would need to be developed to handle both approaches and would need to determine which approach is applicable to the specific meter point being processed. It would allow domestic customers to complete the switch by 'start of next day' and non-domestic customers to switch by 'end of next day'.

52. Option 4 provides flexibility for Supplier A to decide which objections approach should apply to each meter point. However, for Supplier B this option would be less straightforward as it would be necessary to enquire¹⁰ how each meter point is being treated by Supplier A. In the situation where a Supplier B is submitting a set of registration requests (e.g. for a chain of convenience stores) which have a variety of Supplier As, this could result in some meter points being processed under the 'instant' approach while others are subject to the 'compressed window' approach.

53. Option 4 (where the objections approach is set for each meter point by the incumbent) presents extra complexity to develop and implement. Most significantly though it means

¹⁰ This enquiry would allow Supplier B to see the objections approach taken by the incumbent for that meter point (i.e. whether it was being treated as 'instant' or 'compressed window') but would not allow Supplier B to see whether an objection was present (for sites designated as 'instant'): the presence of an objection would only become apparent when Supplier B attempted to register the meter point.

that Supplier B cannot predict which approach will be applied to each meter point (e.g. one approach for domestic the other for non-domestic) without enquiring into each meter point record.

54. An assessment of Options 1-4 is presented at Appendix 2.

Recommendations

55. The User Group is invited to comment on the team's conclusions as follows:

- a. Option 4 introduces a lack of predictability for Supplier B (and therefore for customers) and would be more expensive to develop and operate and should therefore be ruled out
- b. The ability of customers to receive confirmation of their switch at point of sale is a very attractive feature (especially for domestic customers) and one that would enable 'start of next day' switching. These features are only available with the 'instant' approach (Option 1)
- c. Universal application of the 'compressed window' approach (Option 2) will not support 'start of next day' switching but can meet the 'end of next day' timetable and allows suppliers to apply discretion over the decision on whether or not to object
- d. Option 3 offers a measure of compromise by applying the 'instant' approach for non-domestic customers while allowing manual intervention for non-domestic customers. However given that the non-domestic category includes a large number of micro-businesses it is likely that automation will be required for Supplier A to respond within the few hours that would be available within the 'end of next day' timetable

56. Our preference is for the 'instant' approach and that it should be applied to all meter points. This is the only approach that allows customers to receive confirmation while at the point of sale.

57. **Our preference for Option 1** is primarily on grounds of customer experience and speed. However we recognise that we do not currently have detailed information on the relative costs of the different approaches. Accordingly our recommended position is that Option 1 should be treated as the preferred approach subject to the analysis of costs collected through the RFI exercise later in the Blueprint phase.

58. Another area for further analysis is whether the choreography of managing the resolution of objections should be included within the scope of CRS. For example, should new, automated processes be implemented to manage the exchanges of information between suppliers to handle the assignment of debt. There are a number of functions where such 'workflow management' might be implemented in association with the CRS: other cases include Erroneous Transfers and Agent Appointments. A separate paper will be presented on workflow management which will consider the justification for implementing this technology in each area.

Customer impact

59. The choice of approach to objections will not be visible to customers. If an objection is detected by a prospective Supplier B (under either approach) the customer will be contacted by one of the suppliers to advise them of the situation and options available to them, for example:
- a. For a domestic customer with debt the customer could be presented with the option of transferring the debt to a new supplier
 - b. For a non-domestic customer with a fixed term, Supplier A will need to advise the customer of early termination terms that would be applied
60. Once the customer and supplier(s) had resolved the reasons that gave rise to the objection, Supplier A would lift the objection and Supplier B would submit a new registration request. This process is depicted in Appendix 3.
61. One difference from the current arrangements – from a customer viewpoint – would be that the current process for ‘customer requested objections’ would be superseded by a registration withdrawal procedure. Under the proposed approach a customer who realised that they were about to be switched to Supplier B incorrectly would need to instruct that supplier (either directly or via Supplier A) to withdraw the registration request.
62. It should of course be noted that if the switch has been requested as ‘next day’ it is unlikely that the customer will become aware of an error prior to the switch being executed. In such circumstances it will be necessary to invoke the Erroneous Transfers procedure which will be covered in Issue Paper BPD i13.
63. A further area of potential customer impact is that of data protection which the Programme will address through a Privacy Impact Assessment. With regard to objections it should be noted that even if the CRS does not hold a pre-loaded objections flag (or the reason for an objection) the CRS will be processing personal data (i.e. it will be passing notification of an objection from Supplier A to Supplier B). Accordingly the CRS will need to ensure that it processes personal data in a manner that is consistent with the data protection regime. In relation to objections, this would include ensuring that any personal data held is strictly necessary and that it is accurate and up to date.

Justification

Summarise the rationale that Ofgem can use in the Blueprint consultation or elsewhere to justify the recommendations that DA is being invited to agree.

Generally this will be completed following engagement with the User Group and/or EDAG / DA review of this issue.

Appendix 1 – Lessons learned from other markets

Energy Markets

Ireland

Changes made in February 2016 to the market in Republic of Ireland (ROI) do not allow Supplier A to object to a switch because of indebtedness. In ROI, Supplier A can flag the existence of debt (>€225 outstanding for at least 60 days) and Supplier B can use this in deciding whether to accept the customer and, if so, on what terms. Suppliers can voluntarily agree to transfer a debt at switching but there is no equivalent of the Debt Assignment Protocol. CER states that it wishes to promote innovation in the market and to allow suppliers freedom to develop credit risk management measures as an integral part of their market offerings. CER stresses that its approach:

“... maintains a retail market model that is structured around a customer dealing exclusively with the supplier they wish to switch to and a retail market model that ensures that the losing supplier does not have any inappropriate powers to veto or delay a customer switch away from them.”¹¹

Australia

Objections are managed centrally - incumbent suppliers can raise objections if customers have outstanding debts over \$120, or due to technical issues. In Victoria, incumbent suppliers can raise an objection on the grounds of debt (if it exceeds \$120) within 5 business days. There is a resolution period of 20 days after the objection is raised.

New Zealand

Incumbent suppliers can object to the switch by applying for a “switch withdrawal” provided it is in line with one of the EA’s published “switch withdrawal advisory codes” which cover errors and customers wanting to switch back.

Singapore

Incumbent suppliers have the ability to object within the initial 3 day “waiting period”. If an objection is made the waiting period is increased by 3 days whilst the Market Support Service Company (Singapore Power Services) reviews the objection.

Other sectors

UK Banking

Under the Current Account Switch Service, one of the reasons why a customer may be prevented from switching their current account is if there is an overdraft facility on the account outside of the new bank’s normal lending criteria. If the new bank cannot help with the overdraft, then the customer must make separate arrangements to repay the old bank before they can switch away. There are no pre-determined arrangements in place, the ability to switch whilst in overdraft is at the discretion of the incumbent provider. If a customer is rejected by the new bank it can also impact their credit rating, particularly if the

¹¹ CER Decision Paper CER/16/014, published 19 February 2016

customer has tried to open a number of accounts in a short space of time (as applying for a new account requires a credit check for the overdraft).

UK Mobile Communications

The UK Industry Manual sets out the specific rules operators are expected to follow when they receive a switching request. The Manual is operated and maintained by industry, although Ofcom has in the past requested operators modify the guidelines where we considered it necessary.

The guidelines were recently changed to ensure that outstanding debt was not a valid reason to refuse a PAC request. The Industry Manual states that once a consumer has requested a PAC, they must be provided with one unless:

- the number does not belong to an account held with the donor operator;
- the account has been terminated (i.e. the consumer is no longer active on the account or has ended the contract prior to their request to port);
- the account holder is deceased;
- the donor operator has already issued a PAC that is still valid; and/or
- the consumer fails to provide adequate identification to confirm that he or she is the legitimate account holder.

The existing provider cannot refuse a switch even if the customer has outstanding bills or charges to pay. These charges should be included in the final bill after the port has taken place and need to be settled as per the contract.

Appendix 2 - Options Evaluation

Design Principle	Option 1: The 'instant' approach is adopted for all meter points	Option 2: All meter points operate a 'compressed window' for objections	Option 3: Domestic meter points operate 'instant' objections and non-domestic ones use 'compressed window'	Option4: Supplier A specifies the objection approach for each meter point
Impact on Consumers				
1 Reliability for customers	Reliant on supplier systems to apply the criteria and either pre-load objections or respond in real time to a loss notice	Reliant on supplier systems & processes to respond correctly	As for 1 for dom and 2 for non-dom	Could be confusing (especially for portfolios) as Supplier B cannot provide predictability to customer
2 Speed for customers	Registration will be confirmed instantly (unless objected)	Confirmation will be delayed for several working hours pending response from incumbent	As for 1 for dom and 2 for non-dom	Mixed – depending on the choice of approach adopted by the incumbent for the specified meter point
3 Customer Coverage	Consistent approach across all customers		Separate approaches for dom and non-dom but consistent within class	Applies to all meter points but Supplier B cannot predict approach without enquiry
4 Switching Experience	Smooth (unless objected) and in c.95% of cases switch can be confirmed at point of sale	Smooth (unless objected) – but cannot be completed in a single engagement	As for 1 for dom and 2 for non-dom	Could be confusing
Impact on Market Participants				
5 Competition	Could offer opportunities to incumbents to set criteria in a cautious manner that leads to more objections being raised	Incumbent should have no excuse for raising objections inappropriately	As for 1 for dom and 2 for non-dom	Lack of predictability may deter some customer from engaging in the market

Design Principle	Option 1: The 'instant' approach is adopted for all meter points	Option 2: All meter points operate a 'compressed window' for objections	Option 3: Domestic meter points operate 'instant' objections and non-domestic ones use 'compressed window'	Option4: Supplier A specifies the objection approach for each meter point
6 Design – simplicity	Simple to design – one process applied to all meter points		More complex as CRS and supplier systems must provide functionality to support both approaches	More complex than 3 in that functionality is required that specifies which approach applies to each meter point
7 Design – robustness	Robustness of the design is reliant on the systems developed by suppliers to automate the identification of objections			
8 Design – flexibility	A modification to include 'compressed window' objections would require new functionality to be developed	A modification to include 'instant' objections would require new functionality to be developed. A benefit would be that a parameterised objections window could be modified in the relatively short-term	Both sets of functionality would be included and could be extended to other customer classes	High level of flexibility to select the objections approach suitable to a customer class and supplier policy
Impact on Delivery, Costs and Risks				
9 Solution cost/benefit*	These design principles will be assessed when responses to the RFI have been analysed			
10 Implementation				

* Although the analysis of costs has been deferred until responses are received to the RFI it should be noted that – depending on the choice of solution – the 'instant' approach could require suppliers to monitor all their customer accounts and determine any changes in the objections status each time a transaction is posted. With the 'compressed window' suppliers will only need to test the objections criteria as and when a 'loss' notice is received. This means that the volume of processing by suppliers may be lower with 'compressed window' objections.

Appendix 3 – Overview of Objections process (using the ‘pre-loaded’ model from TOM to illustrate the process)

