ISSUES PAPER – CONTROL SHEET

Title of Paper	**Cooling Off**		
DA Issue Ref	BPD i01	Date:	11 July 2016
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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	There is an inter-dependency between this issue and the issues of: lock out periods (Issue BPD i23) and erroneous transfers (Issue BPD i13)		
Dependencies	No dependencies external to the Programme		

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	TOM v2 sets a policy objective for customers who decide to 'cool off'. What are the implications of this policy in the context of faster switching and how should specific customer conditions be treated?		
Impacts Domestic?	Yes	Impacts Non-Dom?	No
Policy Objective (and reference to TOM v2)	The policy objective is to increase engagement by giving customers confidence that if they switch supplier, they will be able to change their mind within 14 days and be no worse off than if they had not switched in the first place. TOM v2 paras 8.21 to 8.23 proposed that the CRS would support a process for returning a domestic consumer to their previous supplier in the event of contract cancellation during the cooling off period.		
Previous Positions on this/related Issues	New issue		

Summary of Recommendations	On cancellation under cooling off with Supplier B the customer is advised that they can remain on the same terms with B for a 'period of grace' of 30 days: thereafter they will be moved to Supplier B's Standard Variable Tariff. Supplier B will advise the customer that they should enter a contract with a supplier and that their options are to (a) re-sign with Supplier A – in which case they will return to the terms that they would have been on with Supplier A if they had not switched to Supplier B or (b) sign-up with a new Supplier C. In either case Supplier B will bill the customer for the period that they were the registered supplier. The switch from Supplier B to A or to C will be treated under the new switching arrangements in the same way as any other switch.

Internal and External Engagement	
Business Process Design	Author
Regulatory Design	Email from JD 5/1/16
Delivery Strategy	Email from BC 5/1/16
Commercial Strategy	
DIAT	Updates from AW made on Sharepoint copy
Legal	Email from MC 30/12/15
PWC	Feedback from PWC on cooling off experience in other industries is included at Appendix 4
Other Ofgem Teams	
Meetings at which this paper has been discussed	
Workstream Leaders	6/1/16 and follow-up on 12/1/16: Agreed to seek further evidence on consumers' expectations when they cancel a contract in the cooling off period. . 15/6/16: Review of consumer research 'top line' feedback and agreement of recommended position in this paper 29/6/16: Agreed Option 5 to be recommended to User Group
User Group	25/1/16: Suppliers at the meeting advocated Option 2 (previously referred to as Option 4) on the grounds that this offers a universally applicable option which is simplest for them to operate and avoids the edge cases where return to Supplier A is complex. One attendee observed that management of Erroneous Transfers may require a return capability to be provided by the CRS that could also be used for cooling off. 11/7/16: Suppliers acknowledged the attraction of offering 'regretful switchers' an easy return to their previous supplier but highlighted practical issues facing Supplier A, under option 5, of re-patriating the customer under 'equivalent terms'.
EDAG	
Other External	2/2/16 At the Independent Supplier Forum there was a view that it may be difficult to switch back to the original supplier. Suppliers felt that if there were options, this may be difficult to explain to consumers. Some felt there should be rules to prevent consumers from constantly switching supplier in a short period of time.
Ofgem Design Authority	

ISSUES PAPER – CONTENT

Issue

1. Domestic customers have statutory 'cooling off' rights to cancel a services contract within 14 days of entering into that contract. TOM v2 set out as a policy objective that, following cancellation under cooling off, a customer should be returned to the original supplier on the terms they would have operated under had the switch not taken place.

2. This paper addresses the implications of this policy objective and considers how it can be delivered in a way that is simple and clear for consumers and in a way that can be managed robustly, and without undue cost and complexity to industry systems.

3. The paper covers domestic customers only. Non-domestic customers do not have cooling off rights although similar contractual terms can be offered to non-domestic consumers if the supplier chooses to do so. It is not proposed that the new switching arrangements should be designed to support arrangements for non-domestic customers that choose to exercise these contractual cooling off rights.

4. The cooling off arrangements discussed in this paper only relate to energy supply. For example if a contract provided gas and electricity supply, boiler maintenance and energy management services and the contract was cancelled under cooling off, only the energy supply elements of the contract are addressed by this paper. The other services would terminate from the date of cancellation or as defined by any cooling off arrangements particular to that service.

5. In this paper the original / losing supplier is referred to as Supplier A and the gaining supplier is Supplier B. If the customer wants to switch to a new supplier following cooling off this is referred to as Supplier C.

Essential Background

6. The Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 establish that a domestic customer can (in defined circumstances) cancel a services contract any time up to 14 days after the day on which the contract is entered into. This is referred to as the cooling off period[1]. It should be noted that the Contract Date may not be the same as the Switch Date (e.g. the customer may want the Switch Date to coincide with the end of an existing fixed term contract in x days time)[2].

[1] Note that the customer may send a letter of cancellation within 14 days that the supplier receives a few days later. Hence the period within which a supplier must accept a contract cancellation may exceed 14 days. Under exceptional circumstances longer cooling off periods can also occur.

[2] The arrangements for Sales Contracts (involving the supply of a product) are different in that start of the cooling off period is linked to delivery of the product. A question was raised as to whether supply of an In Home Display as part of an energy service would bring the service under the Sales Contracts

7. For most service contracts, when a customer exercises their right to 'cool off' no further action is required as service provision is terminated. The supplier may make reasonable charges for services used but the customer has no further liabilities to the service provider. For example, the supplier may not charge termination fees that the contract might provide for in the event of cancellation prior to the end of a defined period (e.g. 12 months).

8. In the case of gas and electricity, the physical supply of energy is not generally affected by changes to the commercial relationship between customer and supplier (except for some prepayment services – see below). This is recognised in guidance on the legislation provided by BIS[3]. If a credit customer switches from Supplier A to Supplier B and cancels the contract during the cooling off period, energy continues to flow. Given this continuous supply of energy, it is necessary to specify in the switching arrangements which party is responsible for supply during the period between the switch date from Supplier A to B and the date of cancellation, and for the period thereafter.

9. Cancellations under cooling off are distinct from Erroneous Transfers (ETs). Cancellation under cooling off requires a customer who has entered a contract to make a conscious decision to terminate that contract in a manner that is compatible with the requirements of the Consumer Contracts Regulations. An ET generally arises when a customer notices that they have been switched to another supplier[4] without their authority. ETs will be addressed in Issue Paper BPD i13.

10. If a customer decides quickly after switching to Supplier B that they wish to terminate that contract (e.g. because they have received poor service or have spotted a better offer), they may just switch to another supplier without notifying Supplier B. This second switch – to Supplier C – would be treated in the same way as any other switch. Indeed unless the customer's contract with Supplier B includes exit fees or other restrictions it would be quite rational for the customer to initiate a new switch rather than have the hassle of contacting the rejected supplier. This will make it tricky to assess the volume of cancellations under cooling off.

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regulations. However unless an explicit payment is associated with provision of the IHD the arrangement is treated as a services contract.

[3] The guidance provided by the Department for Business, Innovation & Skills included the following: "Where services to which cancellation rights apply are delivered during the cancellation period (for example the provision of ... gas, electricity and district heating) the trader will need to take into account the nature of that service and the consequences of cancellation in that context in order to ensure that a consumer does not incur liability as a result of exercising the right to cancel. The obligations of the consumer in the event of withdrawal should not discourage the consumer from exercising his right of withdrawal"

[4] Currently customers often detect an ET on receipt of a communication from the new supplier - possibly the first bill - which may arrive after the 14 day cooling off period. In future, detection may occur earlier if the customer sees a new supplier name on their smart meter or IHD.

11. TOM v2 (paras 8.21 to 8.23) proposes that a customer should be returned to Supplier A on the terms that they would have been on if they had not signed up with Supplier B. This would normally mean either:

    a. The contract terms originally in operation with Supplier A; or
    b. If the terms had expired (e.g. at the end of a fixed term) then Supplier A's Standard Variable Tariff (SVT) or whatever tariff Supplier A would have applied had the customer not switched to Supplier B.

12. Using TOM v2 as the starting point we have identified a number of practical factors relating to the supply of energy and the workings of the retail market need to be considered in designing operational arrangements for cooling off:

    a. payment mode (credit or prepayment)
    b. wholesale charges
    c. traditional metering types and change of meter at switch of supplier
    d. smart metering
    e. simultaneous change of supplier and change of occupant (CoS/CoO)
    f. data exchange between suppliers
    g. objections
    h. other contractual terms

Payment mode

13. Customers can pay for their energy either on credit terms (e.g. by direct debit, payment plan, bill) or prepayment. Smart meters allow the payment mode to be changed remotely and when a smart meter is being operated in prepayment mode top-ups are made using a top-up reference code issued by the supplier. Traditional meters are single mode in that they either operate in credit mode or prepayment mode. The only way that a supplier can change the payment mode is by installing a new meter. Traditional prepayment meters are topped-up using a payment device (e.g. an electronic key) issued by the supplier.

14. A customer can elect to change payment mode at the time they switch to a new supplier (simple for smart meters but a site visit and meter exchange is needed with traditional metering). However each time that a customer changes supplier a new set of top-up arrangements (code for smart meter or electronic key for traditional) has to be issued.

15. For some models of traditional prepayment meter the old key cannot be used once the customer has topped up using the new device. For others (typically older) models, the keys from different suppliers can be used interchangeably. This means a customer can continue to use the old key after they have switched to the new supplier. However this has the potential to confuse the customer; could lead to the incorrect tariff being applied; and could generate mis-directed payments, a problem which is costly for industry to resolve. By contrast, smart meter top-up commands are specific to a meter / supplier combination. This avoids the problem of mis-directed payments and incorrect

tariffs but still presents a risk that the customer will be confused as to which top-up code to use.

Wholesale charges

16. Suppliers are responsible for the wholesale and transportation costs of energy to each registered metering point as calculated by the settlement and network charging processes. Charges are calculated daily. If the customer were to return to Supplier A after cooling off and Supplier A provides 'continuous billing' (i.e. the energy consumed while the customer is with Supplier B is billed by Supplier A as if the customer had never switched), arrangements will be needed to transfer the wholesale charges incurred by Supplier B to Supplier A.

17. Alternatively if Supplier B is always responsible for collecting revenue from the customer for the period it is the registered supplier, revenue and costs are aligned.

Traditional metering types and change of meter at switch of supplier

18. Over time a wide variety of traditional meters have been installed, for example: multi-rate meters, twin element meters, teleswitch meters and half-hourly meters. Many of these types of meters were designed to support specific service offerings and tariffs. For example the Economy 7 meter was designed to support electric storage heating and provides cheap overnight energy (primarily to 'charge up' the storage heaters) and a separate daytime rate (for regular appliances and lighting).

19. In some circumstances Supplier B will install a new meter when they take responsibility for a customer. For example if a customer with an Economy 7 meter has replaced their storage heating with gas central heating they may switch to a single rate tariff – with a single rate meter – when they switch supplier. In this instance the TOM objective of reverting to Supplier A on the same terms as previously would not be possible without re-installing an Economy 7 meter.

Smart metering

20. Smart meters offer much greater flexibility than traditional meters in that they can be programmed remotely to support a wide range of tariffs. Smart meters include the capability to record energy consumption in programmable 'registers' corresponding to different time periods (e.g. peak, weekend, off-peak) and 'blocks' (e.g. the first x units at one price, the next x units at another, and so on). The registered supplier can re-programme the tariff at any time and updates can be made near-instantaneously or can be scheduled to occur at a designated future date.

21. This means that the introduction of smart metering should greatly reduce the incidence of meter changes at switch of supplier. However utilisation of the complex tariff features of smart meters introduces a new challenge to meeting the TOM objective of reverting to Supplier A.

22. At switching, Supplier B can re-programme the meter to match the tariff it has agreed with the customer. If both Supplier A and Supplier B are using complex tariffs involving time of use or consumption bands (or both) then a return to Supplier A with continuous

billing may present significant complexities for Supplier A's billing process. For example, even if Supplier B's tariff is similar in structure to that operated by Supplier A, specific details such as the time periods may differ (e.g. off-peak might start at 7pm rather than 8pm).

Simultaneous supplier switching and change of occupant (CoS/CoO)

23. Many incoming occupants do not want to stay with the incumbent supplier and arrange for a switch to coincide with moving into their new home. However in many other cases the new occupant fails to inform the existing supplier when they move in: in this situation the incoming occupant is placed on a deemed contract. The implications of these scenarios for cooling off are discussed below.

24. In the first scenario (new occupant arranges for Supplier B to start their supply on the date they move in), the new occupant would have had no relationship with the supplier (Supplier A) that was registered to the premises prior to their occupancy. If the customer decided to cancel under cooling off the action required would depend on whether the customer had already moved in and taken a supply (i.e. the switch had taken place):

    a. If the switch had not taken place the registration request could be withdrawn and the customer would need to contract with an alternative supplier before moving in (or be placed on a deemed contract)
    b. If the switch had been executed the contract with Supplier B would be cancelled. However it would seem inappropriate for the customer to be returned to Supplier A as they would have had no prior relationship with them

25. In the second scenario (occupant moves in but fails to appoint a supplier until, say, two weeks later) the customer would have had a deemed contract with Supplier A until Supplier B is appointed (and will receive a bill from Supplier A for the initial two week period). If the customer were to cancel the contract with Supplier B under cooling off they would have had a relationship with Supplier A (albeit a deemed contract) so a return to Supplier A could be justified.

Data exchange between suppliers

26. In many switching scenarios there is a requirement for data to be exchanged between Supplier A and Supplier B. This requirement is particularly significant in cases where traditional meters are installed as Supplier B will need to understand how the meter is configured. These data exchanges can be subject to errors and there is a general desire to reduce Supplier B's reliance on Supplier A and peer to peer data exchanges. The introduction of smart meters will facilitate this process as Supplier B will be able to retrieve asset and configuration data, and readings direct from the meter.

27. Under an option where – at cooling off – the customer is automatically returned to Supplier A and has continuous billing from A, there is likely to be an increased need for Supplier B to send data to Supplier A. For example Supplier A will need confirmation of the tariff (e.g. time of use and volume bands) in order to prepare an accurate bill for the period that the customer was with Supplier B. The introduction of this additional level of

data exchange presents an increased risk that the continuous bill prepared by Supplier A will be incorrect. This option is in practice the same process as that used for Erroneous Transfers and which requires significant manual intervention.

Objections

28. The arrangements relating to objections are addressed in Issue Paper BPDi03. However it is important to consider whether a savvy customer could use a combination of objections and cooling off to 'lose' a debt. For example, if a customer with a debt attempts to switch from Supplier A to B an objection may be triggered and the Debt Assignment Protocol (DAP) invoked. Assuming that the debt is transferred and the (now un-objected) switch is executed within the cooling off period, there is the possibility of the customer cancelling under cooling off and signing a new contract with Supplier C.

29. Under current arrangements the DAP process takes longer than 14 days so it is not feasible for the customer to cancel under cooling off before the debt has been assigned to Supplier B. However the interaction between cooling off, DAP and objections will need to be re-considered if the DAP timetable is accelerated.

Other contract terms

30. The cooling off process may be further complicated by the presence of other contract terms such as termination fees and security deposits. However we would expect these issues to be addressed by suppliers in the same manner as for all other switching transactions and do not consider that they place any specific requirements on the switching arrangements.

Analysis

31. The Programme (building on work undertaken by Energy UK in 2015) has analysed the timescales associated with cooling off if cancellation occurs either before or after the switch has been executed (see Appendix 1). One area of uncertainty concerns the proportion of customers that might cancel before and after Switch Date. With 'next day' switching, cancellations under cooling off are more likely to occur after Switch Date and will therefore be subject to the options discussed below. However if significant numbers of customers choose not to switch 'next day' and set a later Switch Date (e.g. at the end of a fixed term contract or when they move to their new home) it is more likely that cancellation would be triggered ahead of Switch Date. In these situations Supplier B would process a 'registration withdrawal' rather than invoke one of the options discussed below.

32. In addition, the programme commissioned a survey to analyse customers' expectations in the event of cooling off (see summary of survey results in Appendix 3). The key findings from the survey were:

    a. Some customers considered that returning to Supplier A would be attractive on the grounds that it would be returning to something familiar, while others commented that they might have become disaffected with Supplier A and would therefore want to move to Supplier C if they cooled off with B

b. Respondents instinctively opted for the approach which gave them choice – in the survey, the choice of returning to Supplier A or moving to Supplier C

33. We have also reviewed how cooling off is addressed in other industries (see Appendix 4). This analysis recognises that the regulations differ between the provision of services (where the cooling off period starts when the contract is entered into) and the provision of products (where the start is triggered by delivery of the product). This distinction presents some interesting situations where both a product and a service are supplied (e.g. provision of a phone with a mobile communications contract).

34. The legal implications of reverting to the previous supplier (Supplier A) have been reviewed with Ofgem Legal. Legal has confirmed that this is possible and that it may be prudent to amend the supply licence to require a supplier to include within its contact a term that keeps the contract open in the event that the customer switches and then cancels a contract with Supplier B. We think that there are likely to be arguments for this to be time bound to allow suppliers to close down customer accounts.

Options

35. With regard to the potential routes that the customer would follow at cooling off, the options under consideration are described below and summarised in the following table[5]:

Option	Automatic return to Supplier A	Customer free to choose between all suppliers	Billing responsibility	Obligation on A to offer 'equivalent terms'	Party initiating the switch away from Supplier B
1	Yes	-	B bills for the period they are the supplier	Yes	Supplier B
2	-	Yes	B bills for the period they are the supplier	No	Customer (with new supplier)
3	Customer chooses between (1) returning to A and (2) seeking best offer (default is return to A)		B bills for the period they are the supplier	Yes	(1) Supplier B or (2) Customer (with new supplier)
4	Yes	-	Continuous billing by Supplier A	Yes	Supplier B
5	-	Yes	B bills for the period they are the supplier	Yes	Customer (with new supplier)

[5] Note that the sequence of the options has been changed since the original draft of this paper to align the option numbers with those used in the consumer research

36. Under all options, the first step in the process would be for the customer to make contact with Supplier B by phone, website, email or mail to advise that they are cancelling the contract under cooling off. Supplier B would be required to notify the customer of the steps that would follow and of the options available to them.

Option 1: Automatic return to Supplier A, without continuous billing

37. Supplier B would notify the Registration Agent of the cooling off event and the Registration Agent would notify Supplier A who would raise a registration request to initiate the return. Supplier B would bill the customer for the period that they were the registered supplier.

38. Supplier A would be required to accept the returning ~~customer on~~customer on the terms that would have applied had the customer not switched to Supplier B (i.e. 'equivalent terms'). If the customer had been on a fixed term contract that had expired during the period with Supplier B, Supplier A would be required to follow the Standards of Conduct set out in Condition 22 of the Supply Licence. Supplier A would need to explain to the customer the tariff and other terms that would apply to their supply and to confirm to the client how they will be billed through the switch/return period, potentially comprising:

    a. A closing bill from Supplier A for supply prior to the switch to Supplier B
    b. A bill from Supplier B for the period that they were registered
    c. Ongoing bills from Supplier A for supply following the cooling off

39. If the customer had incurred an exit fee when they switched to Supplier B (i.e. because they had terminated a fixed term contract with Supplier A prior to expiry of the fixed term), re-opening[6] the customer's account with Supplier A would include crediting the account with the exit fee that had been charged previously. This would apply to all options involving 'equivalent terms'.

Option 2: Customer stays with Supplier B until they switch to Supplier C

40. On being notified of the cooling off event, Supplier B would need to confirm that their contract has been be cancelled and that they need to sign up with a new supplier (Supplier C – which could be the same supplier they were with previously i.e. Supplier A). The customer would also be informed that they will continue to be registered to Supplier B until the switch to Supplier C is executed and that they will be on a deemed contract until that time. The switch from Supplier B to C would be treated in the same manner as any other switch.

41. The terms of the deemed contract would be governed by the Standard Licence Conditions. To mitigate the risk that the deemed contract could be judged to be detrimental to the customer, it may be appropriate to specify a 'period of grace' during

[6] Suppliers would need to decide how to manage returning customers, for example whether to set up a new account or to re-activate their previous account. The term 're-opening' is used in this paper as a shorthand for these options.

which suppliers are required to demonstrate that the customer has not suffered detriment as a consequence of cooling off. This might require Supplier B to continue to raise charges using the tariff the customer signed up to when switching from A, for a minimum period of 30 days. If the customer had still not switched to Supplier C at the end of the 'period of grace' the terms of the contract might be changed to the supplier's Standard Variable Tariff (SVT)[7]). This could also avoid the customer being confused by having the tariff on their smart meter changed repeatedly and minimise the administrative burden on suppliers from making multiple tariff changes in their billing and smart metering systems. Arrangements regarding the period of grace would need to conform to requirements relating to the period of notice given in relation to price increases.

Option 3: Customer is given the choice between Options 1 and 2

42. Under this option the customer would be notified by Supplier B that they have the choice of either returning to Supplier A or staying with B until the switch to a new Supplier C. In the event that Supplier B was unable to make contact with the customer to discuss these options (e.g. if the customer had sent the cooling off request by letter or email and did not respond to phone calls) the default would be to return the customer to Supplier A.

Option 4: Automatic return to Supplier A with continuous billing

43. As with Option 1, Supplier B would notify the Registration Agent of the cooling off event and that the customer should be switched back to Supplier A. The Registration Agent would notify Supplier A who would raise a registration request to initiate the switch.

44. Under this option the objective would be that – from the customer's viewpoint – it was as if the switch from Supplier A to B had not taken place: they would have continuous billing from Supplier A and would receive no bill from Supplier B. The wholesale energy and transportation costs incurred by Supplier B for the period it was the registered supplier would be transferred to Supplier A. This procedure is comparable to that which would be followed if the customer had been switched in error (an Erroneous Transfer or ET).

Option 5: Customer switches to Supplier C (as Option2) but A is obliged to offer 'equivalent' terms

45. On being notified of the cooling off event, Supplier B would need to advise the customer that their contract will be cancelled and that they need to sign up with a new supplier. This is the same as for Option 2. The difference is that, additionally, Supplier B would advise the customer that Supplier A is obliged to accept the returning customer on the terms that would have applied had the customer not switched to Supplier B. The customer could then contact Supplier A to confirm the terms that would apply, consider offers available from other suppliers, and choose which supplier to contract with.

46. The obligation to offer 'equivalent' terms to a returning customer would need to be set out as a licence condition.

[7] The choice of tariff would be governed by the Standards of Conduct set out in Condition22

47. Supplier B would bill for the period that they were the registered supplier. Arrangements relating to the deemed contract period following cooling off would be as described for option2.

Options 1, 3, 4 and 5 – Supplier A to re-open the customer's account

48. Under these options the customer may return to Supplier A: under options 1 and 4 the return is automatic under options 3 and 5 it would be as a result of customer choice. In all four cases Supplier A would be required to accept the returning customer on the terms that would have applied had the customer not switched to Supplier B. Suppliers would need to ensure that their systems and processes were capable of re-opening accounts for returning ~~customers .~~ customers.

49. Under options where the customer can return to Supplier A on equivalent terms or choose another supplier (i.e. options 3 and 5), the position will be more complex. Firstly the customer may require assistance from Supplier A to compare the 'equivalent terms' with those currently offered by Supplier A and with other suppliers (the 'equivalent terms' may be from a tariff no longer offered by Supplier A and therefore not available for comparison via a Price Comparison Website). Secondly if the customer's account was re-opened less than 30 days in advance of a change of terms (e.g. expiry of a fixed term contract or date of a price increase), the date on which termination arrangements or price increases should be notified would have passed and special arrangements will need to be established. Members of the User Group advised that these complexities would require returning customers to be supported by a specialist on-boarding team within their sales team. It would be difficult to handle these returnees using standardised e-processes.

Options assessment

Option 1: Automatic return to Supplier A, without continuous billing

50. Our consumer research indicated that this option would be attractive to customers who decided that they had made a mistake in switching to Supplier B and wished to return to the familiarity of Supplier A. However other respondents suggested that if they had switched from Supplier A to B they would have done so for a reason and, therefore would not welcome being transferred back again. Some also voiced concern that Supplier A might 'punish' them by giving poor customer service.

51. This option also presents practical challenges under the following circumstances:

    a. Prepayment: although there are no complications from continuous billing, Supplier A would need to re-issue top-up instructions and/or devices. This would impose a nugatory cost on Supplier A if the customer's real goal was to switch to Supplier C and they only stay with A for a short period before switching again
    b. Meter change: in the event that a different type of traditional meter had been installed on the switch from Supplier A to B it could be impossible for Supplier A to re-open the customer's account on the original terms. For example if the

customer was on an Economy 7 tariff with Supplier A and switched to a single rate meter with Supplier B, re-activation of the Economy 7 tariff could only be achieved if an Economy 7 meter was re-installed

c. CoS/CoO: as noted above this could result in the incoming occupant being placed on a deemed contract with Supplier A (the supplier to the previous occupant). Given this customer has had no prior relationship with Supplier A it seems likely that the customer would quickly switch again. This would impose a cost on Supplier A over which they would have no control.

Option 2: Customer stays with Supplier B until they switch to Supplier C

52. This is a straightforward option to implement because the switch from Supplier B to C is identical to all other switches. Our consumer research showed that some customers would welcome this option as they would not wish to return to Supplier A.

53. This option does however involve placing the customer onto a deemed contract until they switch to Supplier C, which could lead to an unwelcome rise in the number of customers on deemed contracts. However the mitigating actions proposed in the option description (i.e. period of grace and obligations on the supplier to advise the customer of changes to their terms) might be extended to requiring the supplier to issue reminders once the period of grace had expired.

Option 3: Customer is given the choice between Options 1 and 2

54. This was the favoured option from our consumer research and satisfies both groups of respondents: those keen to re-establish a relationship with a familiar supplier and those who want to move on to Supplier C having had negative experiences with both A and B.

55. However, it would be necessary to define a default option (Option1 is proposed) in the event that Supplier B is unable to secure a choice from the customer and this could be viewed negatively if those wishing to move on became subject to the default.

Option 4: Automatic return to Supplier A with continuous billing

56. This option involves trying to re-create the previous relationship between the customer and Supplier A as if the switch to Supplier B had not occurred. It is comparable to an Erroneous Transfer (ET).

57. ETs can be relatively straightforward to process in cases where both Supplier A and B have applied a single rate tariff. However in other cases the return to Supplier A with continuous billing can become highly complex: for example:

    a. Prepayment: if the customer has received new top-up details from Supplier B and made top-ups prior to cooling off, return to Supplier A would require issuing a new set of top-up instructions, re-calculating amounts due and transferring top-up payments from Supplier B to A. This would be even more complex in the event that there was debt on the meter
    b. Complex tariffs on smart meters: if Supplier B had re-configured the meter with different time of use or volume bands it may only be possible to calculate a correct bill by examining the profile data log and assigning the half hour usage

amounts into the tariff bands used by Supplier A. As the data in the smart meter cannot be adjusted it may be impossible to align the historic data presented on the In Home Display with amounts on the customer's bill

c. Meter change: as described in Option 1
d. CoS/CoO: as described in Option 1
e. Data exchange: given the points described above there is significant risk that data exchanges between Suppliers A and B will be subject to errors, thereby undermining the accuracy of the customer's bill and their confidence in the switching process

58. We recognise that the ET procedure will need to address the challenges described above, noting that – currently – ETs involve significant levels of manual intervention and do not currently have to address issues relating to complex tariffs on smart meters.

59. The level of ETs is currently around 1% of all switches. Suppliers have commented that at this level a manual process is laborious but manageable. By comparison the incidence of cooling off events has been estimated at between 1.5% and up to 7% of all switches. Even at the mid-point of this range the administrative burden could become such as to undermine the delivery of a reliable switching process.

Option 5: Customer switches to Supplier C (as Option 2) but A is obliged to offer 'equivalent' terms

60. This option is designed to provide a simple and reliable process while offering a route back to the familiarity of Supplier A for regretful switchers. The process is reliant on Supplier B advising the customer that Supplier A is obliged to offer the terms they would have been on if the switch to B had not taken place. It could be challenging to establish whether suppliers were implementing this obligation diligently.

61. The options identified above are assessed against the Design Principles in Appendix 2.

Recommendations

62. The User Group is invited to comment on the team's recommendation that Option 5 is adopted in the new switching arrangements. This option is straightforward to implement yet offers customers a route back to Supplier A in the event that they regret making the switch from Supplier A to B.

63. The User Group is also invited to agree that suppliers should be obliged to provide a minimum standard of communications to customers at:

    a. Sign-up by Supplier B: Supplier B should advise the customer how they will be treated in the event that they decide to cancel under cooling off and how they can invoke the cooling off arrangements
    b. Cancellation under cooling off: Supplier B should advise the customer that:
        i. They will receive a bill from Supplier B for the period that they are with them
        ii. They need to sign up with and switch to a new supplier

iii. Supplier A is obliged to accept the returning customer on the terms they would have been on had they not switched to Supplier B, but the customer is not required to accept this offer – they can survey the market and are free to choose any supplier or seek to get a better deal from Supplier A

iv. They will be on a deemed contract from the point of cooling off to the date when they switch to a new supplier. Supplier B will also need to advise the customer of the terms that will apply under the deemed contract (i.e. same tariff for the period of grace) and what will happen at the end of the period of grace (e.g. revert to Standard Variable Tariff)

c. Re-appointment of Supplier A: If the customer chooses to return to Supplier A, Supplier A should advise the customer of the contract terms that apply (e.g. whether they will continue on their original terms or, if those terms have expired, the new terms that will apply)

d. Extended period on a deemed contract: at specified intervals, Supplier B should remind customers that they are on a deemed contract and the options available to them.

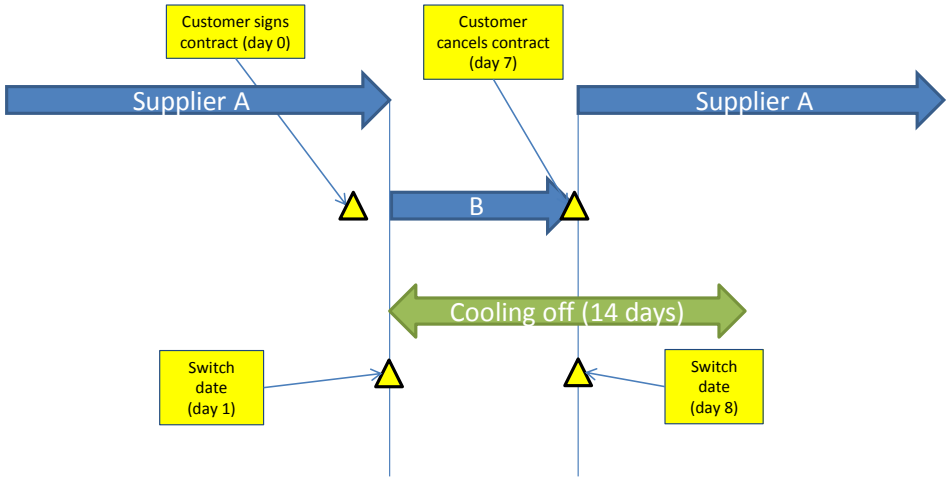
Justification

64. *To be completed following engagement with the User Group and/or EDAG / DA review of this issue.*

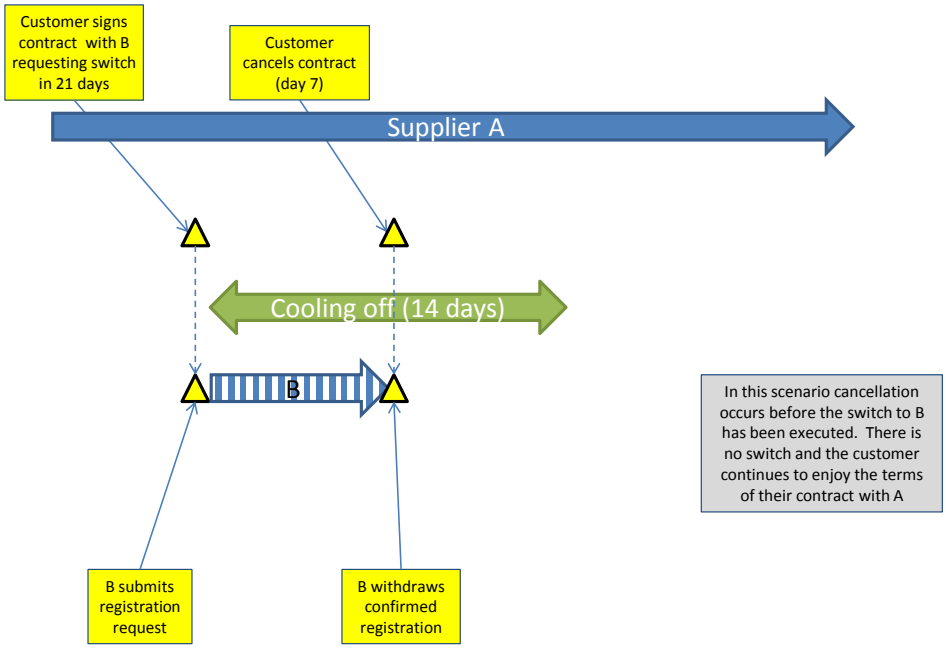
Appendices

Appendix 1 – Timelines

Timelines for cooling off activities
Scenario 1 – Next Day Switch



Timelines for cooling off activities
Scenario 2 – Advance Registration



Appendix 2 - Options Evaluation

Design Principle	Option 1: Automatic return to Supplier A without continuous billing	Option 2: Customer stays with B until they switch to Supplier C	Option 3: Customer chooses between Options 1 & 2	Option 4: Automatic return to Supplier A with continuous billing	Option 5: Switch to Supplier C but A is obliged to offer 'equivalent' terms
Impact on Consumers					
1 Reliability for customers	Clear route for all customers. For customers who really wished to switch to C this is likely to generate another switch and hence some risk to reliability	As reliable as all other switches	Depends on which option the customer chooses	Under certain conditions this will be problematic. Manually intensive process may lead to errors. For customers who really wished to switch to C this is likely to generate another switch and hence some risk to reliability	As reliable as all other switches
2 Speed for customers	Could delay switch to C for cases where customer does not wish to return to A	Customer decides how fast to proceed	Depends on which option the customer chooses	Could delay switch to C for cases where customer does not wish to return to A	Customer decides how fast to proceed
3 Customer Coverage	All customers covered	All customers covered	All customers covered	Certain categories of customers cannot easily be handled	All customers covered
4 Customer Switching Experience	Simple process – customer makes one call. Likely to be welcomed by customers who regret switching to B but could cause frustration to customers who wish to switch to C and have to go via A. This will lead to multiple small bills from A, B, A then C	Simple process – customer makes one call to cool off. Customer then has to review the market to select a new supplier and enter a contract with them. Likely to be less appealing to customers who wanted to return to the familiarity of A	Simple process – customer makes one call to cool off. Customer then has to review the market to select a new supplier and enter a contract with them but has the option of returning to A if they wish	Simple process – customer makes one call. Likely to be welcomed by customers who regret switching to B but could cause frustration to customers who wish to switch to C and have to go via A.	Simple process – customer makes one call to cool off. Customer then has to review the market to select a new supplier and enter a contract with them but has the option of returning to A if they wish
Impact on Market Participants					

Design Principle	Option 1: Automatic return to Supplier A without continuous billing	Option 2: Customer stays with B until they switch to Supplier C	Option 3: Customer chooses between Options 1 & 2	Option 4: Automatic return to Supplier A with continuous billing	Option 5: Switch to Supplier C but A is obliged to offer 'equivalent' terms
5 Competition	Option of returning to A may attract hesitant customers to enter the market	Lack of easy way back to A my inhibit some customers from entering the market	Provides options for customers who want to return to A and those who wish they had gone to C	Option of returning to A may attract hesitant customers to enter the market	Option of returning to A may attract hesitant customers to enter the market
6 Design - simplicity	Suppliers need to be able to re-open accounts. CRS needs additional function to trigger registration request from A	No additional functionality required in CRS or supplier systems	Suppliers need to be able to re-open accounts. CRS needs additional function to trigger registration request from A	Suppliers need to be able to re-open accounts. CRS needs additional function to trigger registration request from A	Suppliers need to be able to re-open accounts
7 Design – robustness	Spells with each supplier are treated as separate accounts so no complications from re-opening accounts	Spells with each supplier are treated as separate accounts so no complications from re-opening accounts	Spells with each supplier are treated as separate accounts so no complications from re-opening accounts	Process is reliant on exchanges between suppliers and is likely to require manual intervention	Spells with each supplier are treated as separate accounts so no complications from re-opening accounts
8 Design – flexibility	All cooling off events treated in the same manner	All cooling off events treated in the same manner	Systems have to cater for two options	Process needs flexibility to cater for problem cases but these will be difficult to predict and design	All cooling off events treated in the same manner
Impact on Delivery, Costs and Risks					
9 Solution cost/benefit	Some additional cost from having to re-open contracts	Lowest cost	Some additional cost from having to compare 'dead' tariffs with current ones and re-open contracts	Most expensive. Functionality will be required to handle ETs but operational costs will be higher due to potential volume of cooling off events	Some additional cost from having to compare 'dead' tariffs with current ones and re-open contracts
10 Implementation	Additional effort to develop licence condition to oblige A to re-open on equivalent terms	Simplest	Additional effort to develop licence condition to oblige A to re-open on equivalent terms	Additional effort to develop licence condition to oblige A to re-open on equivalent terms with continuous billing	Additional effort to develop licence condition to oblige A to re-open on equivalent terms

Appendix 3 – Report from the Consumer Survey

An early draft of the Preliminary Findings report is embedded below

Cooling off - topline v1.docx

Appendix 4 – PWC paper on cooling off in other industries

PwC comments on cooling off issues pape