## SUMMARY POLICY ISSUE PAPER – FOR DA DISCUSSION

| Title of Paper | **Standstill Periods** | | |
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| Issue Ref | BPD i23 | Date: 3 August 2016 | |
| Issue Owner / Author | Jenny Boothe / Colin Sawyer | | |
| Discussed at User Group | 25 April 2016 | Discussion at EDAG Group | Ex-committee – feedback by 23 May and discussion on 16 June 2016 |
| Issued to DA | 27 June 2016 | Discussion at DA | 4 July 2016 |

## Summary and recommendation

1. The issue addressed by this paper is whether customers should be required to take an energy supply with a supplier for a predefined minimum period – a post-switch standstill[1] period – before being permitted to switch again.  Registration requests submitted during the standstill period would be rejected.[2]

2. By default the current arrangements provide a standstill period in that it takes 2-3 weeks to switch energy supplier.  This provides adequate time for all the data exchanges associated with a first switch to be completed before the customer can make a second switch.  With faster (e.g. 'next day') switching there is a risk that data exchanges (including closing/opening meter reads, agent appointments, debt assignment, PSR information) will not have been completed and validated before the second switch occurs.  This could result in:

   a. Errors in opening or closing bills or in assigning debt
   b. Difficulties in setting up the customer's account due to the lack of meter configuration information being received from a previous meter operator (mainly in electricity)
   c. Additional costs being incurred by suppliers to resolve errors in the data exchange process

3. To mitigate these risks we invite DA to authorise the following recommendations :

   a. A short standstill period (up to 10 calendar days) is set as a configurable parameter in the CRS.  The exact period chosen should be as short as possible, consistent with the aim of mitigating data integrity risks
   b. This standstill period should apply to both gas and electricity and all types of customer

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[1] The term standstill has been used in preference to 'lock-out' which was used previously.
[2] During the DLS phase the programme will need to define what information can be made available to the gaining supplier at rejection – for example when the standstill period ends.  Similar considerations will need to be made in relation to registration requests which are rejected due the presence of an Advance Registration.

c. The value of the standstill parameter should be set later in the programme when factors such as the transition strategy and the penetration of smart meters at CRS go-live will be clearer. For the purposes of the Request for Information in the Blueprint Phase we will set a working assumption that the period is 5 calendar days[3].

d. The Registration Agent (e.g. DCC) should be required to monitor and, periodically, report on the operation of the standstill arrangement. Based on DCC's reports, parties could propose changes under Code governance

e. The standstill period should apply in cases of cooling off (the use of lock-out with erroneous transfers will be considered separately)

4. The recommendations in paragraph 3 were as submitted to EDAG. Following further discussions we recommend that a formal review of the standstill period be triggered when the number of smart meters installed reaches a pre-set threshold (perhaps 85% of domestic installs). Based on the outcome of this review, the Code Panel would be invited to cut the standstill parameter, ideally to zero.

5. The standstill period is unlikely to be noticed by the vast majority of customers. All customers will be able to achieve a next-day switch from Supplier A to B (subject to any objections that need to be resolved). The standstill period will only become apparent when a customer who has switched from Supplier A to B then wishes to switch very quickly to Supplier C or back to Supplier A. Where the standstill period constrains a customer from making a second switch as quickly as desired, suppliers should explain that the standstill period is designed to ensure that the switching process offers a reliable service to all customers.

## Analysis

6. In TOMv2 we stated that standstill periods should only be applied where necessary and that their duration should be minimised. Against that background, we considered whether a standstill period is needed at all and, if yes, then whether it should be of short duration (up to 10 days), longer to align with cooling off (14 days) or longer still (up to 28 days) to mitigate the risk that debt write-offs increase as a result of rapid switching. All options were assessed against the Programme's design principles (see appendix in supporting document).

7. The long option (28 days) was tabled to explore whether there is a need to support market stability. However, suppliers did not consider that the threat of writing off debts for short periods of supply would justify a standstill period of this duration and suggested that smart meters (which can be configured remotely into prepayment mode) would provide a more appropriate tool for managing credit risks.

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[3] A general decision is required at Programme level on whether durations should be specified in calendar or working days. This paper uses calendar days to indicate the length of the lock-out period under different options. A proposal on whether to use calendar days or working days for all switching operations will be presented to DA in due course.

8. We also considered whether a standstill period might be aligned with cooling off. However, such alignment is illusory as the start points for the two periods are different (cooling off at entry of contract, standstill at date of first switch) and there are exceptions to the 14 days for cooling off.

9. As the current de facto standstill period is quite long (2-3 weeks) we have no empirical evidence to justify a shorter standstill period. The option of not including the functionality in the CRS for a standstill period was however rejected as numerous anecdotal reports were presented at the User Group and in bilateral meetings of situations where data integrity failures have resulted in poor customer experiences.

10. On balance, we concluded that a short, parameterised standstill period of up to 10 calendar days would provide mitigation against the data integrity risks while allowing industry – with Ofgem involvement – flexibility to adjust the duration of the standstill as evidence accumulates. The data integrity risks are judged as being more significant with traditional metering than with smart metering. We expect that the initial value for the standstill period would be set during the Design, Build and Test Phase.

## Summary of key points from stakeholders

### Business Process Design User Group

11. Overall the recommended approach of a parameterised value for a standstill period was supported, with the expectation this would be set in the range 0-10 calendar days. Standstill would be monitored by DCC and the number of days could be modified under Code governance.

12. The User Group highlighted that the Debt Assignment Protocol allows suppliers up to 15 working days to resolve such cases and that, in practice, it can take significantly longer before the debt is applied to the customer's new account and the debt balance is updated on their meter. They suggested that the Debt Assignment Protocol should be streamlined to align it more closely with the proposed standstill period[4].

### External Design Assurance Group (feedback received via email and during 16 June meeting)

13. The recommendations set out in paragraph 3, including a parameterised standstill period of 0-10 days, were supported by EDAG. Specific points raised included:

   a. One large supplier proposed that the parameter should initially be set to 10 days and only reduced when supported by evidence. Another large supplier queried the rationale for using 5 days in the RFI, implying that they would prefer to start with a period closer to 10 days. However, this position was not universally supported: the majority of respondents advocated a shorter standstill period

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[4] The DAP is being reviewed by Ofgem's Vulnerable Strategies team.

b. One small supplier disagreed with applying the standstill period to cooling-off events. However this view was predicated on a 'return to supplier A' option for cooling off which is not our current lead proposal. One large supplier said that standstill should be applied to cooling off but not to Erroneous Transfers

c. One large supplier noted that it is currently not possible to assess the market stability risk (para 7)

d. One supplier suggested that different periods should be applied to different types of meters and/or customers.

*PWC feedback*

14. In their role as an external challenge to the Programme, PWC questioned whether a standstill period is needed and, if it is, then whether the proposed arrangements for varying the duration of the period would be effective. For the reasons set out above we continue to support the inclusion of a standstill period.

15. However, we recognise the risk that – once established – the parameter might not be changed and have proposed that a formal review of the standstill arrangements is undertaken once a target level of smart meter installations has been achieved. The need for data exchange – and hence the threat to data integrity – is significantly reduced with the introduction of smart meters.

## DA Decision Log

| Date of DA Meeting | 4 July 2016 |
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| Decisions (from Ofgem website) | Approved as baseline. The DA agreed that functionality for a configurable standstill period in the CRS, covering all meter points in the gas and electricity market, should be included in the design. The design should allow for different standstill periods for smart or traditional meters. A working assumption of 5 calendar days was appropriate for the purpose of the RFI |
| Notes | A requirement should be included in the Code to trigger a review of the duration of the standstill parameters (e.g. when smart meters have achieved a penetration of x% of the target population). |