

POLICY ISSUE – UPDATE PAPER

Title of Paper	Customer Requested Objections (under RP2A)			
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Background

- During the Blueprint Phase we examined the processes for raising objections. This analysis was approached in the context of next day switching wherein Supplier A would have to respond instantly to an invitation to object or within a compressed window (proposed as 5hrs).
- 2. The Objections Policy Paper (BPDiO3) noted that the Supply Licence allows for:
 - a) co-operative objections: where Supplier B identifies an error and asks Supplier A to raise an objection, thereby blocking the switch and preventing an ET
 - b) for domestic customers only customer requested objections: where the customer becomes aware that an unauthorised switch has been initiated and requests Supplier A to block it from proceeding
- Given the timescales proposed for objections testing (instant or 5hrs) it was recognised that there would be insufficient time for co-operative or customer requested objections to be raised. However where a switch request was raised several days ahead of the switch date it would be feasible for:
 - a) Supplier B to recognise that an error had been made and to withdraw the switch request
 - b) The customer to contact Supplier B to request the switch request to be withdrawn
 - c) The customer to contact Supplier A to request them to instruct Supplier B to withdraw the switch request or to allow Supplier A to annul the switch request
- 4. The DLS Design Assumptions include a requirement that CSS should allow switch requests to be withdrawn at any time up to gate closure (by Supplier B). During Blueprint it was noted that the processes to address point (c) above would need to be considered further during DLS.

Issue

- 5. Under RP2A, Supplier A would be permitted a longer period (1-2WD) to raise an objection. In addition, for a transition period, there may be a minimum switching period, possibly set to 5WD (including the 1-2WD objection window). These extended periods could allow the customer to identify that an unauthorised switch had been initiated and take steps to prevent it being executed. In cases where the customer and supplier have agreed a longer notice period (e.g. to start the contract on the 1st of the month) there will also be an extended period during which an Erroneous Switch (ES) could be prevented.
- 6. In the situation where a switch takes, say, 3-5WD, issues arise as to whether:
 - a) CSS should be designed to accommodate customer requested objections if the customer states that they do not have a contract with the supplier requesting the switch
 - b) Customer requested objections should be permitted in the case of nondomestic customers (in addition to domestic customers as provided for by existing licence conditions)
 - c) CSS should be designed to allow Supplier A to annul a switch request on instruction from the customer. The sole purpose of this would be to avoid an ES where the customer had not entered a contract with Supplier B. The annulment could be processed during the objection window or at any time prior to execution of the switch

Context

- The RFI issued with the SOC sought information from suppliers on volumes of ETs, Registration Withdrawals, Customer Requested Objections (CROs) and Cooperative Objections. Respondents to the RFI identified a total of approximately 100,000 customer requested and cooperative objections during 2016, of which around two thirds related to non-domestic sites (i.e. assumed to be cooperative objections).
- 8. For a CRO to be raised under the current arrangements the following steps have to be completed:
 - a) The customer must discover that a switch request has been raised. This might occur as a result of:
 - i. the customer receiving a Sorry To See You Go (STSYG) letter/email/message from Supplier A, or
 - ii. the customer receiving a welcome pack, or similar, from Supplier B
 - b) The customer must contact Supplier A to enquire why a switch request has been raised. If Supplier A confirms that a switch request has been raised, the customer may then instruct Supplier A to block the switch (by raising an objection). Supplier A is required to keep evidence of the customer's request and inform Supplier B of the reason for blocking the switch

c) Both of the above steps a) and b) must be completed within the existing objections windows (up to 7 working days for gas and 5 for electricity). Without this intervention an ES will occur causing frustration to the customer and requiring remedial effort and cost from the two suppliers.

Analysis

- 9. Under RP2A a period of 1 or 2WD (domestic and non-domestic respectively) will be permitted for Supplier A to respond to an invitation to object. Even with 2WD the time available for the customer to discover the unauthorised switch (e.g. receive a STSYG letter/email/message or a welcome pack) and instruct Supplier A to raise an objection is much reduced from the current period (up to 7WD).
- 10. Depending on which variant of RP2A is adopted or whether transitional arrangements are mandated, there may be a further period of time between confirmation of the switch (when the objections window has expired) and switch execution. This period might initially be set at 2WD, reducing as confidence in the new arrangements is established.
- 11. Although the time available for the customer to detect a potential ES is less than that available currently, the scale of problems created by ESs is such that it is sensible to explore all approaches to avoiding an ES. The starting point is to recognise that if a customer becomes aware of an unauthorised switch request they may contact either Supplier A or Supplier B.
- 12. Given that the model for switching is 'gaining supplier-led' the most straightforward situations are those where the customer contacts Supplier B. The action to be taken would depend on the timing of that contact:
 - a) Prior to execution of the switch:
 - i. if Supplier B agrees with the customer that the switch request was raised incorrectly (e.g. supplier has input the wrong MPRN),
 Supplier B can process a switch withdrawal transaction in CSS.
 This process is already provided for in the DLS E2E Design
 - ii. if the switch had been authorised (i.e. Supplier B has evidence that the customer had entered a contract) – but the customer had not realised they had entered a contract or had changed their mind – the customer may invoke cooling off (assuming notification within the 14 day cooling off period) and Supplier B will again process a switch withdrawal
 - b) After the switch has been executed (i.e. after gate closure):
 - i. If Supplier B agrees with the customer that the switch request was raised incorrectly, Supplier B will have to liaise with Supplier A to arrange for repatriation under the ES procedure
 - If the switch had been authorised but the customer wishes to cool off, the customer will be offered the standard cooling off options (new switch to A or C, stay with B on a different tariff or stay with B until switching to another supplier)

- 13. The situations which were not explicitly catered for in the DLS Design Assumptions (because they are not relevant under RP2 with instant reactive objections) are those where the customer contacts Supplier A to enquire why a switch request had been raised without their authorisation:
 - a) Prior to expiry of the objections window Supplier A could block the switch either by raising an objection in a similar manner to the current CRO process or by using a new annulment process
 - b) Between switch confirmation (i.e. the end of the objections window) and switch execution – no procedure is currently provided within the DLS Design Assumptions: options for a annulment process are discussed below
 - c) After switch execution Supplier A will have to liaise with Supplier B to arrange for repatriation under the ES procedure
- 14. As set out in SOC, suppliers may submit switch requests in a group and specify that if one request fails, all the other requests in that group also fail (i.e. OFAF). The OFAF requirement is applied at all stages of the switching process so if a switch request is withdrawn or annulled all the meter points covered by that switch request ID would be withdrawn / annulled.

Options

- 15. Ways in which these 'Supplier A presented' cases might be addressed are as follows:
 - a) Option 1: Supplier A raises customer requested objection
 - b) Option 2: Supplier A raises an switch annulment transaction on CSS
 - c) Option 3: Supplier A informs the customer that only Supplier B can raise switch withdrawal commands and that the customer must contact Supplier B to arrange for this to happen
 - d) Option 4: Supplier A advises Supplier B that the customer has informed them of an unauthorised switch. Supplier B is then required to seek reauthorisation of the switch from the customer or submit a switch withdrawal

Option 1: Supplier A raises customer requested objection

16. This option allows the customer to block the switch by making one call to Supplier A. It is consistent with the existing licence conditions but it can only be performed within the objections window. While the overall time taken to switch remains at, say, up to 5WD there are likely to be many occasions where the customer contacts Supplier A after the objections window has closed but before the switch has been executed. This solution will not prevent ESs in these cases.

Option 2: Supplier A annuls

17. This option allows the customer to block the switch from happening by making one call to Supplier A who would raise an annulment transaction in CSS. However the provision of an annulment command could allow suppliers to, in effect, ignore the objection window and annul a switch at any time up to switch execution at gate closure. This risk could be mitigated by placing additional obligations around use of the annulment command such as maintaining evidence of the customer's request and the reasons for it (as currently required in SLC14.10 for CROs) and informing Supplier B of the reasons.

Option 3: Referral to Supplier B

18. This option does not require the development of additional functionality within CSS. However when the customer contacts Supplier A they would be told that the only way of stopping the switch is to contact Supplier B and request that they raise a switch request withdrawal. If the switch request arose from 'slamming' behaviour by Supplier B (i.e. supplier wilfully registering customers with who they have no contract), the customer will not have had previous dealings with Supplier B and probably has no wish to contact them. This option also requires the customer to explain to two suppliers why the switch was unauthorised: in the discussion with Supplier B it is possible that the customer will be made to feel that they have to justify their view, rather than the other way around.

Option 4: Supplier A invites Supplier B to reconsider

19. This option removes the obligation from the customer to speak with Supplier B. Instead, Supplier A would notify Supplier B that the customer had claimed that the switch was unauthorised. Supplier B would then be required to seek reauthorisation from the customer or withdraw the switch request. This option places the onus on Supplier B to ensure that the switch is authorised and they may, for example want to verify this with the consumer. However, if gate closure passes while this exchange of data and verification work is underway the switch will proceed and an ES may result.

Conclusions

- 20. None of the options identified above is without negative aspects. The table at Attachment 1 presents the merits of each option. These conclusions are summarised below.
- 21. Option 1 Supplier A raises customer requested objection: this has the benefit of only requiring the customer to contact Supplier A and does not require additional functionality to be developed within the CSS. However this option does not prevent ESs in cases where the customer is unable to notify Supplier A of an unauthorised switch request within the objections window. If the time available after the objections window closes is minimal this option is attractive (because it does not require any additional functionality in CSS) but if there are a few working days between expiry of the objections window and gate closure this option will allow an unauthorised switch to proceed and become an Erroneous Switch.
- 22. Option 2 Supplier A annuls offers the highest level of certainty that if a customer contacts Supplier A prior to gate closure the switch request can be annulled and an ES will be avoided. The potential for suppliers to mis-use this facility is however a worry: regulatory and reporting provisions will need to be developed to ensure that annulment is only used sparingly and in the

circumstances for which it is designed. This option will require an additional element of functionality to be developed within CSS but, if included in the design, this is not expected to be material to the overall development cost.

- 23. Option 3 referral to Supplier B: this has the obvious shortcomings of a poor customer journey and a significant risk of the switch proceeding if the customer has not convinced Supplier B to withdraw the switch request ahead of gate closure. For these reasons this option is ruled out for domestic customers but is retained for non-domestic customers.
- 24. Option 4 Supplier A invites Supplier B to reconsider: also presents a risk that internal administration delays mean that gate closure passes and the switch is executed by default. This could be mitigated by subjecting miscreants to enforcement actions but as the switch window becomes shorter the time available to Supplier A to issue a notification and for Supplier B to action it will be squeezed and it will be increasingly difficult to for suppliers to operationalise. The result will be an erroneous switch which generates additional cost to both suppliers and unwelcome hassle and frustration for the customer. This option is ruled out for all customers.

Recommendations

25. TDA is recommended to adopt the following policy positions:

- a) Option 2 is implemented for domestic customers this offers the best customer experience and maximum opportunity of avoiding an ES
- b) Option 3 is implemented for non-domestic customers generally these are more sophisticated customers and they typically specify a longer advance registration period. Hence the risk of driving up the volume of ESs is less significant and they will better understand the need to interact with the supplier that has raised the switch request.
- 26. If Option 2 is adopted for domestic customers there will be a need to develop performance assurance requirements from both a regulatory and solution design viewpoint, for example:
 - a) The need for Supplier A to maintain evidence to support annulment and notify Supplier B of the reasons for annulling a switch
 - b) The need to clearly segregate between objections raised in relation to debt and an annulment raised because the customer has not authorised the switch. The CSS will need to be capable of reporting on the volume of these different transactions, analysed by supplier and by domestic / nondomestic.

Attachment 1 – Analysis of Options

	1 – Customer Requested Objections	2 – Supplier A Annuls	3 – Referral to Supplier B	4 - Supplier A invites B to reconsider
Customer Journey	 Customer only has to contact Supplier A Switch can only be blocked if customer contacts A before objection window closes 	 + Customer only has to contact Supplier A + Switch can be annulled at any point up to gate closure 	 Customer has to contact both Supplier A and Supplier B to have switch withdrawn Higher probability that time runs out before customer is able to complete both contacts 	 + Customer only has to contact Supplier A - Once responsibility has been passed to Supplier A, customer will be uncertain as to whether switch has been withdrawn prior to execution
Probability of Erroneous Switch	Depends on length of time between end of objection window and gate closure but could be significant	Lowest	Depends on how quickly the customer is able to contact both suppliers	Depends on how quickly Supplier A refers the matter to B and how quickly B then acts
Legal Risk	Supplier A is blocking a switch raised by B on the grounds that no contract was entered into between B and the customer. The fact this is permitted by existing licence conditions (subject to collection of evidence etc.) indicates this is an acceptable arrangement	In effect this is the same as Option 1 in that Supplier A would only be permitted to annul the switch where the customer can present evidence that no contract had been entered into	No risk. If convinced by the customer, Supplier B would be withdrawing a switch request that it had previously raised in error	No risk. Supplier A would be acting as a postman, passing information to Supplier B. As in Option 3 it would be Supplier B withdrawing a switch request that it had previously raised in error
Development Cost	No additional cost for CSS or supplier systems	Small incremental cost to develop functionality in CSS to allow annulment and also to allow supplier systems to enter annulments and process annulment notices	No additional cost for CSS or supplier systems	No additional cost for CSS or for supplier systems other than a small incremental cost to suppliers to allow Supplier A to notify B of a customer request to annul
Possibility of Mis-use	Possible – similarity with existing arrangements should mean mis-use is only at a similar level to today	Possible – if conditions around use and requirements for evidence etc. are similar to existing CRO process this should be similar to Option 1	None – withdrawal process is controlled by Supplier B	None – withdrawal process is controlled by Supplier B