



Rachel Clark,
Switching Programme,
Ofgem,
9 Millbank,
London,
SW1P 3GE

1st November 2017

Dear Rachel,

Consultation on the proposed new switching arrangements

Thank you for the invitation to respond to the above consultation. Bristol Energy is an independent supplier of electricity and gas with a business model that has a regional focus on the South West of England, although we supply customers across Great Britain. We have mission to fight fuel poverty and be a force for social good.

Executive Summary

Bristol Energy welcomes Ofgem's proposals to improve the switching process. The current process was designed 20 years ago in a market of that was significantly different from that of today and where key assumptions and processes have not stood the test of time.

We are, of course, concerned at the cost of the change, especially as it is layered onto other costly changes such as the smart metering roll out and market wide HH settlements. Whilst recognising the overall benefit which Ofgem has set out we believe Ofgem must address the ability of a majority of the market players to fund and resource the transition in the short term.

We also call on Ofgem to consider whether the right to object should remain part of the switching process. The use of objections continues to prevent fuel poor households from obtaining a better deal by switching from an incumbent supplier to a new independent supplier, and adds a layer of complication into the design of the new switching arrangements. If the objection process could be removed, then we believe this could result in a cost saving to the programme and a better deal for vulnerable customers.

With regards to erroneous transfers we support the view that a new robust CSS database should reduce, but not eliminate erroneous transfers, so we believe that an enduring process should be built into the switching process for returning erroneous transfers with the premise of making them hassle free for those customers for whom they occur.

We have answered your specific questions below, expanding our response where necessary.

Q1. Do you agree with our assessment that RP2a provides the best value option to reform the switching arrangements for consumers, and with the supporting analysis presented in this consultation and the accompanying IA? If not, please provide evidence.

Of the options presented, we believe option RP2a is the most cost effective option although we are concerned that the transitional costs across all options presented are mainly fixed and fall disproportionately on smaller suppliers. This, added to other major reform packages such as smart metering and mandatory HH settlement

Bristol Energy & Technology Services (Supply) Limited

1 Temple Quay, Temple Back East, Bristol BS1 6DZ www.bristol-energy.co.uk
Registered in England and Wales No. 09135084 VAT No. 220 428 253

Bristol Energy is a trading name of Bristol Energy & Technology Services (Supply) Limited.
A company controlled by Bristol City Council under the relevant legislation.



may lead to a reduction in the number of active suppliers and therefore reduce the competitive element that Ofgem believes will limit the pass through of costs to consumers.

Q2. Do you agree that CSS should include an annulment feature which losing suppliers can use to prevent erroneous switches? Please provide evidence alongside your response. If you are a supplier, please support your answer with an estimate of the number of occasions over the last 12 months when you might have used such a feature.

Erroneous transfers occur where the wrong supply address is taken, or the customer disputes they have entered into a contract. At the moment, if this is highlighted in the 5 working day objection window, then a customer requested objection is used to prevent an erroneous transfer occurring.

In the present market therefore, erroneous transfers are the incorrect change of supplier events that come to light after the five WD objection window, and can take several weeks to become apparent. The benefit of an annulment feature would therefore be dependent on the length of time the annulment window is open. Without it, then the number of erroneous transfers will increase due to the shortened objection window not allowing time for customer requested objections. That said, it will not reduce the number of ETs below the present level unless the annulment feature can be used for a period well beyond the current 5-day window.

If the feature is used, then to prevent abuse it may be that any annulment feature could be triggered by either supplier, but require the other supplier to agree the annulment for it to take effect. Any dataflow requesting annulment should have a free text field to allow the requesting supplier to justify the request.

The number of customer requested objections we process is minimal and if the annulment feature was only for 5 days we are very unlikely to have used it had it been available in the last 12 months. Without knowledge, as to how long the annulment window would be if longer than 5 days we are unable assess how many erroneous transfers it would have prevented.

Q3. Do you agree that CSS should always invite the losing supplier to raise an objection, even where the Change of Occupier (CoO) indicator has been set by the gaining supplier? If you are a supplier, please support your answer with evidence of the number of times in the past 12 months that you have raised an objection where the Change of Tenancy(CoT) flag has been set.

As a policy, Bristol Energy objects to a loss notification only in exceptional cases and would actually support the abolition of the objection process from the switching regime, as it just complicates the process and leads to customer detriment.

The CoT indicator is relevant when objecting on the grounds of debt, but not where there are related MPANs or is customer requested. So if objections remain part of the process, then the right to object on these grounds even if there is a CoO indicator remains relevant.

Q4. Do you agree that the use of the annulment and CoO features should be backed by a strong performance regime? Please comment on ways in which such a regime could be made most effective, and back up your response with evidence.

We support the view that these features should not be abused by suppliers, but interpret the phrase strong performance regime as meaning excessive reporting on performance. We believe that monitoring should be on a risk assessed basis and the CSS should capture instances of use of annulment feature and objections where

Bristol Energy & Technology Services (Supply) Limited

1 Temple Quay, Temple Back East, Bristol BS1 6DZ www.bristol-energy.co.uk
Registered in England and Wales No. 09135084 VAT No. 220 428 253

Bristol Energy is a trading name of Bristol Energy & Technology Services (Supply) Limited.
A company controlled by Bristol City Council under the relevant legislation.



a CoO is indicated. Any supplier who deviates significantly beyond average use on a number of incidences per thousand switches should then be subject to audit, and action by Ofgem if appropriate.

As stated above, we also believe requiring both suppliers to agree to an annulment would reduce the incidences of abuse of the process.

Q5. Do you agree with our proposal to require DCC to competitively procure the communications network capability required to deliver the new switching arrangements?

Whilst we are supportive of a competitive tender process to deliver the appropriate communications network capability, but feel it would be detrimental to industry and customers if the result is another communications network for industry parties to use alongside existing ones. To this end we believe Electralink should be engaged to incorporate the necessary requirements and capability into the DTN competitive tender for 2019/20. This would have the added benefit of allowing the enhanced DTN network to be under the Governance of the new retail code.

Q6. Do you agree with our proposal to have a three-month transition window (aiming to protect reliability) during which time suppliers have to meet additional requirements if switching is less than five working days? Please support your answer with evidence.

We are supportive of a transitional window but believe that a three-month window is insufficient, as it does not allow time for suppliers to assess the impact and make any system changes before the 3-month window closes. Equally it does not allow the CSS to assess how the service is delivering and to design, build, test and implement any changes that may be required as a result of the service being used in a live environment. We believe Ofgem should set the regulations so that they give industry participants three months' notice of the end of the transition period and moving to next day switching.

The regulations for next day switching, should also change to reflect that the switch day is now the customer's choice subject to 1WD notice, and not be designed as an obligation to switch customers next day by default unless they make a specific ask for a later switching date. We would envisage that customers signing up to a new supplier will be asked to select a date they wish the transfer to take place during the switch process.

This is important, as it is likely by the time the new regime is in place the proportion of customers on fixed rate deals with specific end dates as opposed to SVTs will be significantly higher.

We do not support the additional requirements should a switch take place faster than 5 days as we believe it will be unworkable to administer. Either the minimum 5-day window should be upheld, or flexibility allowed without additional requirements.

Q7. Do you agree with our proposal to change the requirement on speed of switching to require switches to be completed within 5 working days of the contract being entered into (subject to appropriate exceptions)? Please support your answer with evidence.

We believe that Ofgem's approach to faster switching is incorrect as it seems to be trying to force suppliers to switch consumers as fast as possible rather than facilitating the right of the customer to switch on the day of their choice, which may be as soon as possible in some case, but not a majority. We therefore believe that the regulations should be set to state that suppliers should switch customers on the date of their choosing subject to the minimum period between contract signing and switching date in force at the time. (i.e. 5 working days

Bristol Energy & Technology Services (Supply) Limited

1 Temple Quay, Temple Back East, Bristol BS1 6DZ www.bristol-energy.co.uk
Registered in England and Wales No. 09135084 VAT No. 220 428 253

Bristol Energy is a trading name of Bristol Energy & Technology Services (Supply) Limited.
A company controlled by Bristol City Council under the relevant legislation.



followed by 1 working day after transition).

Q8. Do you agree with our proposal to create a dual fuel REC to govern the new switching process and related energy retail arrangements?

We support the proposal to create a single Retail Energy Code, but believe that Ofgem is underestimating the complexity and cost of doing so. Not only is this an exercise in improving and aligning the switching arrangements, but it will be impacted by changes already underway to mandate HH settlement, smart metering and proposed Governance reform. We also note that this will also require the existing codes to be amended to reflect what is subsumed into the REC, or just changes to sew the existing code to the REC clauses. This will be a significant piece of work that has to run alongside the development of the REC.

We are also concerned as to how the writing of the new code will take place. The delivery of the SEC was effectively managed by the Big6 market players, and as a result reflected their way of operating. With over 100 suppliers now in the retail market, ensuring that all are kept involved without relying on the resources of the larger suppliers as has been the traditional approach will be a challenge.

Q9. Do you agree with the proposed initial scope and ownership of the REC to be developed as part of the switching programme?

We agree with the initial scope, but doubt that it will be this clear cut. This may require the REC to reference the MRA or SPAA (or other existing code) as a stop gap until these parts are acceded into the REC, so will need to be rewritten several times as the REC expands.

In terms of ownership we would encourage Ofgem to consider other approaches. Placing an obligation on suppliers makes sense in terms of whom the code users are, but getting 100+ suppliers to logistically co-operate in setting up the governance arrangements when there is currently no forum for them to do so will be a challenge. We therefore proposed that Ofgem will either have to shoulder the leadership of putting this in place or nominate a lead organisation to do so. An existing code administrator would seem the best choice in that regards.

Q10. Do you agree with our proposal to modify the DCC's licence, in order to extend its obligation to include management and support of the DBT and initial live operation of the CSS?

We support the principle of ensuring that the party responsible for procuring the development of the service is also the party responsible for overseeing the DBT and go-live delivery. It is however important that the DCC engages with the industry in the DBT phase to ensure that the delivered product is fit for purpose. We would encourage Ofgem to formally require the DCC to set-up an appropriately constituted user group to advise on the DBT and Go-Live phase.

Q11. Do you agree that there should be regulatory underpinning for the transitional requirements and this should be contained in the REC?

We agree with this proposal. Moving from one switching process to a new one, including attempting to migrate data in a moving market needs to be carefully planned and managed. Whilst this should be underpinned in the REC, Ofgem has a key role to play in making "Go/No Go" decisions.

Q12. Do you agree that we should pursue an Ofgem-led SCR process in accordance with a revised

Bristol Energy & Technology Services (Supply) Limited

1 Temple Quay, Temple Back East, Bristol BS1 6DZ www.bristol-energy.co.uk
Registered in England and Wales No. 09135084 VAT No. 220 428 253

Bristol Energy is a trading name of Bristol Energy & Technology Services (Supply) Limited.
A company controlled by Bristol City Council under the relevant legislation.



SCR scope?

As stated in the document, the process of developing a new code and amending existing ones is likely to be complex and require a high degree of co-ordination. It seems sensible for Ofgem to take on this role to ensure it is managed both correctly and efficiently.

Q13. Do you have any comments on the indicative timetable for the development of the new governance framework?

We support the timetable although believe there could be benefit in establishing RECCo earlier in the process so that it can have its enduring code administrator in place to aid Ofgem in co-ordinating parties to the REC and drafting the operational elements of the REC (assuming the governance elements are in place to appoint the code administrator).

Ofgem must also take into account how much detail parties need to commence development of new systems, and ensure that the REC is drafted sufficient detail in sufficient time to achieve this.

Impact Assessment

Q1. Do you agree that our assessment of industry and public sector costs, including our approach to managing uncertainty, provides a sound basis for making a decision on a preferred reform package?

We do not have the expertise to assess the basis that the cost to industry and public sector is made. We are concerned that the process assumes that all suppliers have sufficient access to capital to fund the changes required in the first stage, even if the NPV over the long term delivers a benefit. This is on top of funding an expensive smart metering programme and a potential development to deliver HH settlement reform.

The proposals listed here whilst delivering in the long term, may cause a reduction in competition as parties unable to fund the necessary changes in a highly competitive market decide to exit the energy retail business.

Q2. Do you agree that we have selected the appropriate policy option around objections, cooling off, metering agent appointment and MCPID for each reform package?

We believe that there needs to be more discussion around the objection process. The most sensible approach, assuming an annulment process is implemented would be to abolish the right to object and use the annulment process for related meters, and erroneous transfer prevention. We believe that Ofgem has accepted the need of suppliers to object without sufficient challenge to the assertion, mainly by the incumbent suppliers.

On the cooling off policy, we think that the requirement to offer equivalent terms is outmoded as it does not reflect the "engaged market's" way of working, and only really makes sense where a customer is on an SVT tariff with their losing supplier and did not start the switch process as a result of an SVT price rise. That said, the number of genuine cooling off period cancellations, as opposed to cooling off being activated when the losing supplier offering a better deal than the one the customer was previously on, is very low, and thus we do not think it will make a material difference.

We would support any move to improve the agent appointment process, but are unable to comment as paragraphs 3.38/39 and paragraph 3.42 of the consultation document seem to be contradictorily so we are

Bristol Energy & Technology Services (Supply) Limited

1 Temple Quay, Temple Back East, Bristol BS1 6DZ www.bristol-energy.co.uk
Registered in England and Wales No. 09135084 VAT No. 220 428 253

Bristol Energy is a trading name of Bristol Energy & Technology Services (Supply) Limited.
A company controlled by Bristol City Council under the relevant legislation.



unable to provide a view.

Q3. Do you agree that our assessment of the direct benefits of the reforms, including the various assumptions that we have adopted, provides a sound basis for making a decision on a preferred reform package?

We believe that the assumptions on erroneous transfer have not taken into account the increase in ETs that would occur as a result of potential ETs resolved within the current 5 day objection window by using the customer requested objection process. If the objection window is reduced, then the number of ETs that can be avoided by this route will reduce and the number of ETs would actually increase on this change alone, although the complete package will still reduce ETs but not by the numbers projected.

On consumer time saving we believe the premise is wrong. The customer will actually save more time by being able to specify the date of their switch. This is because at the moment they have little control over the switching date and for some customers this will cause concern or additional worry. Under the new arrangements, customers will be able to align their switching date with the reason they were prompted to switch. This may be an end to their current fixed term tariff, a change of accommodation or just ensuring the switch does not occur whilst they are on holiday.

We also note that as part of the calculation you assume customers will be providing opening/closing reading to suppliers which will not be necessary for customers with smart meters.

Q4. Do you agree that our illustrative analysis of the indirect benefits provides a reasonable assessment of the potential scale of the savings that could be made by consumers through increased engagement in the market?

Given the Government's move to cap Standard Variable and default tariffs we believe the potential savings from switching will reduce, and engagement may be lowered as customers assume they have the protection of the tariff cap, so have little to gain by switching. It may be worth rerunning these calculations in the light of these proposed changes.

Q5. Do you agree with our assessment of the wider non-monetised benefits of our reform?

We agree with some of the benefits and would add that the new process also opens up the option for customers to use 3rd party intermediaries to switch their supply on a regular basis to ensure their energy costs are minimised.

Q6. Do you agree that our assessment of the net impacts for consumers provide a sound basis for making a decision on a preferred reform package?

We disagree with the conclusion that the impact on an engaged customer will be a £1 per annum as this assumes that all suppliers will invest in the new arrangement, and recover these costs over a significant period of time. Whilst this may be true of larger incumbent suppliers with a large disengaged customer base, for independent suppliers with largely active customers the need to recoup this investment more quickly (assuming they have access to capital to make the investment in the first place) is likely to be more pressing. We therefore envisage a higher cost in the short term with a saving to customers in the longer term.

Bristol Energy & Technology Services (Supply) Limited

1 Temple Quay, Temple Back East, Bristol BS1 6DZ www.bristol-energy.co.uk
Registered in England and Wales No. 09135084 VAT No. 220 428 253

Bristol Energy is a trading name of Bristol Energy & Technology Services (Supply) Limited.
A company controlled by Bristol City Council under the relevant legislation.



I hope you find this response useful. If you have any queries, please do not hesitate to contact me.

Kind regards,

A handwritten signature in black ink that reads "Chris Welby".

Chris Welby
Head of Regulation

Bristol Energy & Technology Services (Supply) Limited

1 Temple Quay, Temple Back East, Bristol BS1 6DZ www.bristol-energy.co.uk
Registered in England and Wales No. 09135084 VAT No. 220 428 253

Bristol Energy is a trading name of Bristol Energy & Technology Services (Supply) Limited.
A company controlled by Bristol City Council under the relevant legislation.