



Delivering Faster and More Reliable Switching: proposed new switching arrangements

Consultation response by Bulb Energy Limited

November 2017



Foreword

In 2015 we launched Bulb with the aim of making energy simpler, cheaper and greener. We saw the energy market was broken, suffering a lack of competition, with a few lumbering giants overcharging their customers, with the poorest often paying most.

It doesn't have to be like this. The energy industry can change – and Bulb are hoping to lead that change. For us, it's never been about becoming the biggest energy company in the country, or the most profitable, or the one with the most customers. We just want to help make the whole energy industry better. And there are three ways we're trying to do that; the three values, if you like, that run through our company like a stick of rock.

One: we want to make energy simpler. Customers shouldn't have to constantly search for the best deal amongst a load of complicated tariffs in order to avoid being ripped off. It takes just 3 minutes to switch to Bulb and we offer all our members one simple tariff so they know they're always on our best deal. If they ever have a problem they can get through to a real human in 10 seconds rather than wasting loads of time trying to reach the right department.

Two: we want to make energy cheaper. We help our members save money by investing in technology to reduce our costs. Our one tariff reflects the true cost of energy so if those prices fall, our members' bills do too. We don't lock them into long term deals either. Our members are free to leave whenever they like as we don't charge them exit fees.

Three: we want to make energy greener. The myth that green energy is more expensive has been around too long. Bulb's electricity is 100% renewable and 10% of our gas is renewable too and we're doing everything we can to increase that. We're able to offer our members the chance to save huge amounts of carbon every year, whilst also saving £300 compared to being with the Big Six.

For too long, energy companies have put profits before their customers. This has to change. We want to create an energy industry that always puts customers first. One that's simpler, cheaper and greener - not for some, but for every household in Britain.

Hayden Wood & Amit Gudka
Co-Founders of Bulb Energy

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1. Executive Summary

The energy market is in need of urgent reform. Bulb is therefore fully supportive of Ofgem's proposal, but the changes must benefit consumers. Improving the speed and reliability of switching could improve their experience and increase competition in the market. To ensure this is the case, and consumers do indeed benefit, we believe there are four key priorities that should inform the new switching arrangements.

- **Government should encourage switching.** The Government has an obligation to encourage all demographics to switch energy suppliers. As a result of Government action, the big suppliers have a large number of legacy customers they inherited from the Big Six that have not considered switching. We believe it is the Government's responsibility to address this imbalance. We are calling on Ofgem to work with Government to make a leaflet drop to every UK household promoting the new switching service.
- **Broadening the understanding of competition in the energy sector.** While encouraging ever increasing competition in the energy market is vital, it is not only driven by competing price levels. We believe it is important for customer service quality as well as renewable energy supply to inform the concept of competitiveness on equal footing, as we call on Ofgem to actively promote this within the new arrangements.
- **Preventing abuse of the switching service.** It is important for the new switching arrangements to eliminate any opportunities for losing suppliers or other actors to abuse the provisions of the system and gain unfair advantages. We believe that transparency, standardisation, and data quality are key to ensuring this.
- **Addressing the danger of an unlevel playing field.** We believe that without addressing these priorities, Ofgem will run a risk of creating an unlevel playing field that can result in larger suppliers benefitting disproportionately from the system. We highlight an example from the banking industry to support our concern.

We believe a planning and implementation process that is informed by these priorities will benefit customers and the energy market overall. We look forward to working with Ofgem and other regulators going forward to make this exciting proposal a reality.



2. The current state of the energy sector

We believe that Britain's energy market in its current state is dysfunctional and in urgent need of reform. Due to a sustained period of a lack of competition in the sector, as well as a disengagement by consumers who are unaware, unwilling, or unable to switch suppliers, the market currently does not function as intended.

The energy market's first and foremost role should be to help households access energy in a way that is simple, cheap, and green. Instead, the present situation sees a market where larger suppliers, through inherited dominance, are able to complicate procedures and overcharge consumers, often negatively impacting the most vulnerable in our society.

To change this situation, we believe competition in the energy market must be increased. This is why we welcome Ofgem's proposal for new switching arrangements, particularly the proposed Central Switching Service and Customer Enquiry Service. It is a step in the right direction to improve the energy market for consumers as well as suppliers.

Our consultation response sets out Bulb's vision for the future of Britain's energy market, and what priorities we think should govern the process of Ofgem planning and delivering the proposed arrangements. We believe that consumers benefitting should be paramount in any step taken towards the final product, and that increased competition, encouraging the use of renewable energy, as well as ensuring a level playing field are vital.

Ofgem's proposed new switching arrangements are a unique opportunity to increase competition in the energy market and benefit consumers in the process. We believe that the five priorities set out in this consultation response will help achieve this aim.



3. Priorities for the new switching arrangements

Government should encourage switching

We have been encouraged by the increasing number of people switching supplier, but we believe the Government has an obligation to actively step in and encourage all households to switch. Especially those who are most vulnerable and often hardest to reach.

To this end, Bulb is suggesting for the Government to reach out to every household in the UK via a leaflet drop that promotes the new switching arrangements, encouraging consumers to consider switching supplier, as well as highlights a choice in tariffs, customer service quality, and renewable energy as part of a supplier's fuel mix. This would show Government taking responsibility to address the imbalances created by its past actions, as well as helping people access cheaper and better tariffs.

As a positive side effect, the new switching service would be promoted among demographics that are less likely to switch suppliers and harder to reach out to. Reaching these demographics, comprised of a significant number of households that have not switched energy suppliers in a long time or are unaware of the existence of a choice, is key to driving up the number of people switching and ensuring that all consumers have made an informed choice about which energy supplier they are with.

We believe that the Government is uniquely positioned in its resources and capabilities to deliver this leaflet drop, and think that it would send a positive message to improve people's lives.

Broadening the understanding of competition in the energy sector

Too often, policymakers approach competition in the energy market in a one-sided way, namely purely through the prism of further and further price competition. While we believe that price competition is fundamental, and obviously delivers real benefits to consumers, we are keen to highlight two other aspects impacting competition that are often overlooked - customer service quality and share of renewable energy in a supplier's fuel mix.

Customer service constitutes a fundamental part of the relationship between consumers and energy suppliers, and as such matters to people a great deal when they need help. Unfortunately, we have all become too used to long waiting times, automated phone messages and complicated and lengthy online forms when trying to get help with a product.



We believe that consumers would rather choose a supplier that has personal, quick and effective customer service, so that there is no frustration when they need information or if something goes wrong. Therefore, Ofgem should explicitly include customer service quality ratings as a measure for energy suppliers in the proposed Customer Enquiry Service, as well as in other proposals designed to increase competition in the market, alongside price competition.

We were disappointed to see that no reference at all was made to the encouragement of renewable energy usage in Ofgem's document on the new switching arrangements. This is a missed opportunity to accelerate Britain's progress to become a greener, more sustainable, and more environmentally friendly country. Many customers are now aware of the importance of green energy, and its usage has become a factor in the competition between suppliers.

Introducing new switching arrangements is a chance to highlight the importance of renewable energy to consumers, promote the fact that green energy does not mean more expensive energy, and inform the understanding of a competitive market to include the share of renewables in a supplier's fuel mix as a key variable. The new arrangements should therefore actively promote customer service quality and renewable energy as a switching factor. This could be done, for example, through highlighting or prioritising high quality customer service as well as fully renewable suppliers in the information given to consumers online and via the phone through the proposed new Customer Enquiry Service.

Preventing abuse of the switching service

As highlighted by Ofgem, there is a risk of error reporting and annulment provisions in the proposed new switching arrangements to be abused by losing suppliers. As a growing supplier challenging more established participants in the energy market, Bulb is often left frustrated by dubious error reporting and delays of cancellations of switching requests by losing suppliers.

While we are hoping for Ofgem's new proposed database to provide the kind of high quality and up to date information that would help reduce errors, it remains clear that erroneous switches currently do exist and are frequent. Therefore it is clear that there is a need for error reporting facilities, as well as for an annulment provision to exist as part of the proposed new switching arrangements.

Bulb shares Ofgem's concerns about abuse of the annulment feature, and is calling for a number of guarantees to ensure that no losing supplier can use the provisions made in the new switching arrangements to retain customers even though no actual error has occurred in



the switching process. To this end, Ofgem should ensure that the Central Switching Service's error reporting and annulment provisions are fully transparent from both the gaining supplier as well as the losing supplier's side. There should be standardised forms as well as a standardised procedure to report erroneous switching requests, to ensure maximum confidence in the legitimacy and accuracy of each claim.

Additionally, as a preemptive step to stop erroneous switches, Bulb encourages Ofgem to fully deliver on their proposal to create an authoritative GB database matching meter points accurately to premises addresses. Incorrect and outdated data are the most common cause for erroneous switches, and Bulb would like for these problems to be eradicated at the root so that going forward there is less need for rigorous, transparent and standardised error reporting and annulment facilities.

Addressing the danger of an unlevel playing field

The new switching arrangements proposed by Ofgem present an opportunity to make the market more competitive. However, we are also acutely aware of the risks posed to smaller suppliers by the significant increase in the awareness and usage of the new switching arrangements that will follow the launch of Ofgem's product. We think that without addressing the priorities addressed in this consultation response, Ofgem will run a risk of creating an unlevel playing field that can result in larger suppliers benefitting disproportionately from the system.

To illustrate our concern, we looked at the Current Account Switch Service, which was launched in 2013 as a means to guarantee faster and more reliable switches between banks for current account customers. Its experience serves as an indicator of the kind of market dynamics that can come about through the creation of a new switching service. Data on the usage of the Current Account Switch Service, published quarterly online by the operating service Bacs, shows that in the first three years of the Current Account Switch Service being in force, from Q4 2013 to Q4 2016, the service disproportionately benefited the larger banks and has led to a net loss of customers for smaller banks. The data shows that bigger banks made a net gain of 218,092 customers, and smaller banks a net loss of 176,063 customers (see Annex I).

For Ofgem's proposals to truly enable the market to become more competitive, they must ensure that the system does not disproportionately benefit the biggest suppliers in the energy sector who have larger budgets to draw attention to their participation in the switching service through media interventions and advertising campaigns. Big suppliers will be able to spend large amounts of money on advertising campaigns and attract new customers by



offering teaser rates. This would lead to a worsening of market competition, and be at odds with the purpose of Ofgem's proposals.

We therefore call for the new switching arrangements to be devised in such a way that ensures fair competition and a level playing field in the energy market, by encouraging people to switch on price, renewable energy mix, and customer service quality. The priorities set out in this consultation response are paramount to ensure that this will be the case.

4. Responses to select consultation questions

Question 2: Annulment feature

In the past three months, Bulb has had an average of one per cent of erroneous transfers, as a percentage of total sign-ups. We believe an annulment feature is a good idea if governed by strong standards of transparency and procedures in each case. It is vital for the new Central Switching Service to provide high-quality, reliable, and up-to-date data for suppliers to access to reduce the risk of erroneous switches.

Reducing erroneous switches or eliminating them entirely will benefit consumers. Switching errors result in a bad experience and makes consumers less likely to switch.

Question 3: Objections by losing suppliers

We believe that losing suppliers should be invited to raise an objection where the Change of Tenancy indicator has been set by the gaining supplier. However, failed or delayed switches because of spurious objections should be kept to a minimum so as not to negatively impact the experience for consumers. Therefore, Bulb thinks that cases for which a supplier can raise an objection should be limited, and apply mainly to erroneous transfers and Change of Tenancy indicators being set.

Question 4: Performance assurance regime

We concur that a strong performance assurance regime is needed if these provisions are to be included in the proposed new switching arrangements. As stated above, we believe a transparent and standardised approach is paramount for the annulment feature to provide value to consumers.

Suppliers should not be allowed to arbitrarily use objections for debt as a way to prevent customers from switching. A customer with outstanding debt should be allowed to switch to



another supplier, provided the debt is within a certain threshold (to be determined). There must also be a mechanism in place that allows the gaining supplier to have detailed information about the customer's outstanding debt prior to the switch, and that gives the gaining supplier the possibility to accept or reject the debt as needed. This exchange of information must take place in a certain window before the switch happens.

Furthermore, we strongly agree with Ofgem's proposal to transparently monitor and report on performance, including market statistics, use of the annulment feature, objections raised where the change of occupancy indicator had been set, and erroneous switches. We believe that not only would this make the service more accountable and open, it would also benefit consumers by giving the public access to data about their suppliers' performance.

Question 6: Transition window

We agree with this proposal to have a transition window as suppliers adapt to the new rules to minimise disruption and ensure reliability for consumers.

However, we would like to point out that in our current position Bulb would be willing to process switching requests in less than five days. The reason why it is currently not possible for us to act this quickly in many cases is due to delays in accessing data and imperfect data. This is another reason why we would like the proposed new database to be high-quality, reliable, and up-to-date to ensure that no delay in switching is caused by a suppliers' inability to access the data needed.

During the transition period, both suppliers and regulators will be able to assess the day-to-day functioning of the new database provisions. Should suppliers be confident enough and able to process next working day switches upon entry of the database, we believe they should be allowed to do so.

Question 7: Switching within five working days

We agree with this proposal. Consumers deserve to be able to switch faster than the current system allows. At present, consumers wait up to three weeks for a switch to complete. Bulb is ready to process switching requests within five working days, provided that accurate data is available in a timely fashion.

5. Annex I: Current Account Switching Service usage statistics

Large banks

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q2 2016	Q3 2016	Q4 2016	Q1 2017	ALL
Barclays	-13,379	-16,467	-22,119	-31,331	-28,483	-30,582	-27,116	-25,577	-34,553	-26,764	-21,008	-16,779	-16,056	310,214
Halifax	46,332	41,558	15,125	53,624	40,094	32,533	34,363	11,177	47,421	22,101	28,116	14,117	4,979	391,540
HSBC	-10,914	-15,429	11,133	-10,647	-7,744	-13,529	-13,403	-8,683	5,965	-12,609	-14,648	2,003	8,686	-79,819
Lloyds Bank	-20,065	-15,202	-6,316	-10,402	-13,199	-15,314	-15,353	-10,198	-18,845	-15,248	-13,464	-8,704	-8,765	171,075
Bank of Scotland	-97	-85	-303	-568	-797	-2,505	-1,745	-1,245	-1,938	-1,571	-790	343	2,103	-9,198
Nationwide	12,679	11,680	14,680	6,608	4,157	4,012	2,356	15,192	28,253	24,999	25,939	30,510	38,683	219,748
NatWest	-14,312	-18,258	14,868	-21,743	-16,171	-21,554	-16,279	-15,788	-22,394	-17,327	-15,807	-9,675	-10,264	184,704
RBS	-7,814	-9,971	8,523	-9,634	-11,293	-13,529	-15,700	-11,484	-11,098	-9,297	-9,162	-8,412	-7,516	116,387
Santander	30,001	37,316	59,922	43,312	45,633	64,203	66,145	51,002	17,871	46,208	26,196	-7,322	-2,286	478,201
TOTAL	22,431	15,142	95,513	19,219	12,197	3,735	13,268	4,396	10,682	10,492	5,372	-3,919	9,564	218,092

Smaller banks

	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q2 2016	Q3 2016	Q4 2016	Q1 2017	ALL TIME
AIB Group	-979	-835	-797	-724	-1,002	-724	-771	-701	-837	-686	-632	-490	-1,162	-10,340
Bank of Ireland	-379	-528	-487	-711	-529	-621	-535	-353	-590	-520	-618	-571	-601	-7,043
Clydesdale	-6,787	-6,871	-7,838	-8,191	-4,829	7,167	-3,898	-3,291	-3,666	-6,080	-7,716	-4,658	-12,857	-69,515
Cooperative	-15,231	-7,852	-19,103	-8,994	-6,233	-8,467	-6,246	-4,952	-10,650	-6,093	2,438	4,243	-9,912	-97,052
Danske	-322	-365	-369	-506	-440	-587	-683	-466	-745	-569	-607	-302	-352	-6,313
Ulster Bank	-1,071	-1,535	-1,335	-1,430	-1,362	-1,601	-1,428	-1,365	-1,409	-1,186	1,070	-753	-566	-13,971
Tesco Bank	N/A	N/A	N/A	2,467	2,017	378	667	623	301	238	301	697	1,106	8,795
TSB	N/A	N/A	N/A	-4,150	-2,697	-1,878	-2,729	3,380	9,604	1,467	-141	2,799	11,750	17,405
Low volume	156	191	190	-25	-9	-8	31	157	153	237	286	373	239	1,971
TOTAL	-24,613	-17,795	-29,739	-22,264	-15,084	-6,341	-15,592	-6,968	-7,839	-13,192	-5,619	1,338	-12,355	-176,063