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Submitted via email to: [switchingprogramme@ofgem.gov.uk](mailto:switchingprogramme@ofgem.gov.uk)

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**RE: Delivering Faster and More Reliable Switching**

Dear Rachel,

Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry from established FTSE 100 companies' right through to new, growing suppliers and generators, which now make up over half of our membership.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop policies which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These principles underpin Energy UK's response to Ofgem's consultation regarding the delivery of faster and more reliable switching. This is a high-level industry view and Energy UK's members may hold different views on particular issues. Industry is committed to working with Ofgem to help ensure that the new switching arrangements deliver better outcomes for consumers, and we would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Energy UK members are supportive of Ofgem's aims to develop an improved and more reliable switching process. Energy UK agrees that RP2a provides the best value option for reform, and the points listed below highlight our main points of feedback based on our view of the key opportunities and risks associated with this proposed reform package. This response is ordered with our highest priority areas of overarching feedback listed first, followed by a summary of detailed points linked to each chapter of the consultation document.

The importance of reliability

Our consumer research has highlighted that reliability is the most important driver of customer engagement. It is essential that the reforms to the switching arrangements prioritise this accordingly and maximise the opportunity to deliver improvements in this area.

Energy UK members are concerned as to whether the drivers of reliability have been accurately identified in Ofgem's consultation, and that this may impact the extent to which the new arrangements improve reliability. It is important to recognise that the source of switching errors is often complex to identify, and these errors can arise from a wide range of actors, including consumers, suppliers and network operators. Energy UK believes that the numbers referred to in the consultation document risk underestimating the proportion of systematic errors. This would in turn mean that there is a risk that the positive impact of the address database improvements has been overestimated.

It is vital that the reform process delivers improvement to reliability in the most cost-efficient manner. Energy UK notes that the cost of the programme would be increased by the DCC tendering for a CSS with the capability of same-day switching from the outset. This would also entail an additional cost to

other industry participants. Energy UK's customer research showed that next calendar switching does not substantially alter consumer attitudes to switching. We believe that the increased cost of developing this functionality from the outset is difficult to justify in view of the lack of evidence that this would benefit consumers.

#### Transition Window

Ofgem's proposal outlines a three-month transition window during which time suppliers would be expected to allow five working days as standard for a switch. Energy UK is concerned that this three-month window would be insufficient in order to identify issues and serve as an accurate test of reliability. The amount of data and insight that could be accrued across this period of time would be limited and restricted to only a partial section of the full customer life cycle. This, in turn, would make it difficult to make an accurate judgement at the end of the window as to whether systems and processes are operating with sufficient reliability for the move to be made to next working day switching.

Energy UK believes that, in order to safeguard reliability and ensure a smooth introduction of the new arrangements, the transition window needs to be lengthened and underpinned by a clear set of objective monitoring measures. This would minimise the significant reputational risk that could be caused by an increase in reliability issues following on from the introduction of new switching arrangements. We believe that it would also be useful for Ofgem to outline the steps that would be taken in the event that, during the transition window, the tracking of these objective monitoring measures indicated that there were issues with reliability.

#### Chapter Two

Energy UK agrees with Ofgem's assessment that RP2a provides the best value option to reform the switching arrangements.

Further to our previous submissions to Ofgem on this matter, Energy UK remains concerned that no mitigation has been outlined for the risk of customers repeatedly switching supplier during the cooling-off period in order to avoid payment. It is important to recognise that some customers would act differently in a market where they could switch suppliers more quickly after a shorter period of usage. "Debt hopping", whereby customers do not pay and switch to avoid paying charges, is an issue in the Irish energy market. Switching reform would make this easier to do in the GB energy market, and it is logical that this would result in an increase in this issue. It is important that consideration is given of how to limit this risk before the new arrangements are introduced.

#### Chapter Three

Energy UK agrees that the CSS should include an annulment feature which losing suppliers can use to prevent erroneous switches. It is important that this is underpinned by a strong assurance framework that includes strict requirements on suppliers to report on the frequency of its use.

Energy UK agrees that the CSS should always invite the losing supplier to raise an objection, even where the Change of Occupancy indicator had been set by the gaining suppliers. It would also be necessary for there to be a strong assurance framework as with the annulment feature.

#### Chapter Four

Energy UK supports Ofgem's proposal to require DCC to competitively procure the communications network capability required to deliver the new switching arrangements.

#### Chapter Five

As outlined above, Energy UK disagrees with the proposal for a three-month transition window. This position is grounded in the belief that this window would be too short to adequately gauge whether the new systems and processes were functioning effectively, and to implement corrective actions on any identified issues. For example, the average time to identify an Erroneous Transfer (ET) is between two to three months, which means there is a clear risk that reliability issues would not be flagged within a three-month window. Our view is that the best way to protect reliability would be a 12-month transition period underpinned by robust performance indicators linked to three areas: the volume of ETs; data on complaints linked to switching issues; and customer feedback on the switching process.

Energy UK believes that opening up the possibility for suppliers to switch at different speeds during the transition window would undermine its purpose as a testing mechanism. Our view is that setting consistent parameters for switching speed would be the most effective way of gaining insight into the reliability of the new arrangements.

#### Chapter Eight

Energy UK agrees with the proposal to create a dual fuel REC to govern the new switching processes and related energy retail agreements.

We support the proposed initial scope and ownership of the REC. We believe that it is important for Ofgem to consider how industry participants such as TPIs, networks and distributors will be incentivised and held accountable for maintaining data accuracy under the proposed arrangements. Our view is that, if the code arrangements for electricity are shifted from distributors to suppliers, then this should be accompanied by the introduction of clear SLAs to ensure that there is accountability for the network companies.

Energy UK disagrees with the proposal to modify the DCC's licence in order to extend its obligation to cover the initial live operation of the CSS. Our members believe that a robust and effective procurement process would render this unnecessary. Furthermore, the nature of the arrangements for the initial live operation of the CSS would hinge upon the selected service provider and the extent to which this would result in a change from current arrangements.

Energy UK agrees that there should be regulatory underpinning in the REC for the transitional requirements, and that there should be an Ofgem-led SCR process.

Energy UK notes that the indicative timetable for the development of the new governance framework is ambitious, and suggests that the appointment of the REC Code Administrator earlier in the process may be useful in supporting the achievement of this timetable.

#### Impact Assessment

Energy UK seeks to reiterate that it is vital that the procurement process is efficient and cost-effective, given that the cost of the DCC will ultimately be recovered from all customers' electricity and gas bills. The tendering process must deliver value for money and provide the benefits of a competitive process at the lowest possible cost.

The anticipated cost to industry for the DCC's activities during the Transitional Phase has been put at £24.1 million based on the delivery of Reform Package 2. The majority of this amount has been allocated for procurement costs. Energy UK members urge Ofgem to review the current plan for the procurement process and to explore opportunities to evaluate proposals from a variety of competitors at a lower cost for customers.

If you would like to discuss the above, please contact me directly on 0207 747 2967 or at [colin.brooks@energy-uk.org.uk](mailto:colin.brooks@energy-uk.org.uk)

Kind regards,

Colin Brooks  
**Policy Manager**