

MoneySuperMarket | Response to Ofgem's Consultation 'Delivering Faster and More Reliable Switching: proposed new switching arrangements'

About MoneySuperMarket

MoneySuperMarket.com is the UK's leading Price Comparison Website (PCW). We provide free, online tools to help people manage, save and grow their money, by enabling them to compare and switch Insurance, Money and Home Services products from nearly 700 providers.

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Last year, MoneySuperMarket helped seven million families save an estimated £1.8bn on their household bills, including 600,000 households that switched energy supplier. We want to work with Government and industry to help even more customers switch energy and save as much as possible on their bills.

Executive summary

MoneySuperMarket welcomes this consultation by Ofgem which hopes to deliver a faster and more reliable switching programme. We believe customer engagement and empowerment is the most effective way to drive down bills, deliver savings and ensure more consumers move away from costly Standard Variable Tariffs (SVTs) or Default Tariffs. Based on our research, customers who take advantage of this by switching to a fixed rate deal could be saving over £250. We are supportive of policy which aims to increase the ease of switching for the many consumers who find it daunting and complicated.

MoneySuperMarket supports the implementation of RP2a and its stated objectives. However, we believe that any change to the proposed switching arrangements must be accompanied by certain conditions in order to capture the full benefits offered by faster switching;

1. The change to next day switching must be accompanied by a national awareness campaign so that consumers are aware that the change is taking place, and the benefits it will bring.
2. The proposed changes must represent value for money for consumers and any unforeseen costs of the project must not be front-loaded onto consumers bills.
3. Whilst we support the proposal to create the Central Switching Service ("CSS") we do not believe the current database for enquiring about consumer details (ECOES and DES) is fit for purpose, particularly the existing proposals for how PCWs access the databases. All databases need to be made available via an API.
4. Greater clarity is required on how the cooling off period will work within a next day switching process. In addition further consideration needs to be given to the arrangements for consumers who are inherently faced with a reduced selection of tariffs if they request a switching date after which the cheapest current tariffs have expired,

Consultation questions

Question 1: 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?

MoneySuperMarket broadly supports the implementation of RP2a and its stated objectives. The decision by Ofgem to pursue a switching programme which enables next day switching via a new Central Switching Service (CSS) is welcome.

However, RP2a uses the ECOES and DES enquiry systems and our past experience with these systems has not always been positive, with them frequently being out of date and inaccessible. With the majority of switching occurring online, and with the simultaneous roll-out of the smart meter programme enabling suppliers, and third-parties such as MoneySuperMarket, access to real-time data, we believe a new service would be best placed to capture and distribute this information. The new MIS outlined in RP3 would allow greater data sharing for switching services.

The development of the MIS would allow greater innovation in the sector, enhance the long-term benefits afforded by the smart meter roll-out, and encourage new suppliers to engage with the market. This would increase competition and help drive down prices.

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Question 2: 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 past 12 months when you might have used such a feature had it been available.

Question 3: Do you agree that CSS should always invite the losing supplier to raise an objection, even where the Change of Occupancy (CoO) indicator had 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 had been set.

Question 4: Do you agree that use of the annulment and CoO features should be backed by a strong performance assurance regime? Please comment on ways in which such a regime could be made most effective, and back up your response with evidence.

The driver of any change to the current switching arrangements should be done for the benefit of the consumer. As such, any 'annulment feature' must be only actionable by the consumer making the switch – and not be a back-door for suppliers to suspend/block the switch within the proposed next day timeline. In the case of the annulment feature, we would endorse the introduction of a strong assurance performance regime (outlined in 3.7 of the consultation) for inappropriate use.

As we have stated, the hassle of switching is the main cause of weak consumer engagement. Although next day switching is a step in the right direction, validation of the switch would be most worthwhile at the point of sale, not after a delay which would automatically increase the hassle of switching.

Any supplier-led objection to switching must be outlined clearly in the CSS, or better, a new MIS database, so that the consumer is in control of the process and understands fully why the switch has not occurred.

Question 5: Do you agree with our proposal to require DCC to competitively procure the communications network capability required to deliver the new switching arrangements?

MoneySuperMarket understands that the cost of any change to the switching arrangement is likely to be borne by consumers, although we hope the majority of the cost will be borne by suppliers. We also believe that competition helps drive down prices.

As such, any competitive procurement for the new switching arrangements, managed by the Data Communications Company (DCC), is welcome. However, we have no objections if this process (competitive procurement) does not occur, as long as the DCC can supply and implement the switching arrangements effectively, at the least cost to consumers and suppliers.

Question 6: 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 in less than five working days? Please support your answer with evidence.

Question 7: Do you agree with our proposal to change the requirement on speed of switching to require switches to be completed within five working days of the contract being entered into (subject to appropriate exceptions)? Please support your answer with evidence.

MoneySuperMarket agrees with the proposal to have a 3-month transition window, with all the services of 24-hour switching in effect, as outlined in the consultation.

Alongside this transition period, we would call for a national awareness campaign – similar to the successful ‘Current Account Switching Campaign’ – so that consumers are aware that the change is taking place, and crucially, how to participate via accredited platforms, such as the Confidence Code run by Ofgem. This would not only help consumer awareness and engagement, but simultaneously promote the Ofgem Confidence Code and increase its value to its signatories.

We also endorse the introduction of a 5-day regulatory backstop. Consumer flexibility is vital to the success of any change to the switching arrangements. However, we agree with Ofgem that the emphasis should focus on 24-hour switching which should be viewed as the minimum industry standard.

Question 8: Do you agree with our proposal to create a dual fuel REC to govern the new switching processes and related energy retail arrangements?

Question 9: Do you agree with the proposed initial scope and ownership of the REC to be developed as part of the Switching Programme?

MoneySuperMarket has no objection to the creation of the Retail Energy Code (REC), subject to future consultation and further information. We welcome any move which simplifies, or collates, switching data into one source.

Question 10: Do you agree with our proposal to modify the DCC’s licence, in order to extend its obligation to include the management and support of the DBT and initial live operation of the CSS?

Question 11: Do you agree that there should be regulatory underpinning for the transitional requirements and that this should be contained in the REC?

MoneySuperMarket has no strong views on the above consultation questions.

Question 12: Do you agree that we should pursue an Ofgem-led SCR process in accordance with a revised SCR scope?

We welcome Ofgem taking the lead in the new Significant Code Review due to the complexity of the new arrangements and the need to create one central contact point for the ongoing consultation and future transition period.

Question 13: Do you have any comments on the indicative timetable for the development of the new governance framework?

MoneySuperMarket is glad to see a clear timeline for the implementation of new switching arrangements. We would only encourage Ofgem, and the industry more widely, to implement the changes as soon as possible in order to give consumers greater ability to switch energy provider and save money on their bills.

Contact information

If Ofgem have any questions regarding this consultation response, or would like further information on the work of MoneySuperMarket, please contact: Matt Whittle on matthew.whittle@moneysupermarket.com.