

MoneySavingExpert.com

Response to Ofgem's consultation:

Delivering Faster and More Reliable Switching: proposed new switching arrangements

Introduction

MoneySavingExpert.com believes the move to quicker switching is, on the whole, a good idea. Certainly, an instantaneous decision and knowing at the point of switching if there are any problems is crucially important. The actual timetable of the switch over, however, is less important. We don't believe a difference between a 1-, 3- or 5-day switch over would have a significant, material impact on the number of people who change providers.

The biggest concern for us is when switching goes wrong, rather than the speed of switching when it goes right, which is not normally a huge barrier.

In addition, quicker switching will create new risks for consumers, which they must be protected from. Doorstep sales people could use underhand tactics to push people to switch (as they often already do), but with next-day switching, the switch will have been processed before the victim has had a chance to discuss the move with family, or sit and reflect on what happened with the cold caller. Robust systems must be put in place to protect consumers from unscrupulous cold callers.

While, with the necessary safeguards and protections in place, consumers stand to benefit from one-day switching, this is not necessarily the 'be all and end all'. Far more important is to take this opportunity to revisit the whole switching process.

Switching processes and systems should be improved across the board, and this could form the basis of a new switching guarantee and charter. Such a move would draw a line in the sand, communicate clearly and loudly to consumers that well-known switching problems are a thing of the past, and give consumers the confidence to switch.

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? If not, please provide evidence.

It's vital that increasing consumer confidence in switching should be a fundamental goal of any transformation programme. Currently several issues which undermine confidence arise from poor quality data being used to perform switches. These include:

- Mismatches of MPxNs to addresses, particularly in flats and rural areas;
- Incorrect labelling of MPxNs in ECOES/XOSERVE – including business vs commercial, standard meter vs time of use, prepayment vs credit;
- MPxNs not linked correctly to addresses.

We therefore welcome exercises to improve data quality as part of this proposal.

Feedback from Cheap Energy Club users shows the most frustrating issues around switches are linked to incorrect actioning of the switch, delayed switches, or the switch not being actioned at all. These issues often occur because of problems with the backend databases – ECOES & XOSERVE. While we have iterated our user journey to reduce instances of failed switches arising from this, it is positive to see measures in the proposal to help to address it at source. Welcome measures include:

- The introduction of a centralised and single registration service;
- Data to be cleansed before go live;
- Ongoing stewardship requirements of the CSS provider;
- Planned additional code changes in 2018 (as well as ongoing Erroneous Transfer Working Group efforts) that will place increased importance on accuracy of centralised data.

As technical issues could arise from faster switching, it seems sensible to trial this for a specified period in order to troubleshoot issues, rather than immediately moving to next day switching.

Of all the reform packages proposed, RP2a seems a fair balance of the costs and benefits. However, we would like to highlight that we feel there would be a fair benefit from consumers being able to get instant feedback about the status of their switch and any potential objections so these could potentially be remedied at the point of action while the consumer is motivated. We feel this should be the ultimate goal, though acknowledge that a cost-benefit analysis is required and RP2a may be the best interim step.

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.

Retaining this feature is not problematic – however there should be an onus on the suppliers to notify the user and a process put in place for the objection to be lifted if it has in fact been raised in error. We frequently hear of users who have not received an update on their switch and only after investigation with the supplier can they identify that the reason behind this is an objection.

The need for an annulment feature is in part due to the extended and complex process which is needed to perform a post-switch erroneous transfer. Consumers frequently report that this process is difficult to understand and is drawn out.

However it does seem from the proposals that the need for an annulment feature will be reduced, as the reality of next day switching will need to allow users to return to their previous supplier post-switch (as part of the cooling off period).

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.

Yes, this is absolutely vital.

From a consumer perspective, permitting an objection window where CoO has been raised offers no real benefit, instead, it simply protects the supplier.

We are aware of inappropriate objections being raised within the current switching process, such as suppliers blocking a switch to another firm if the user has not provided direct notification (i.e., has switched via an intermediary) or objections being raised due to debt when the debt has already been cleared.

Specific examples we've seen at MSE include, iSupply incorrectly blocking switches as the customer didn't give notice it was switching away, and British Gas incorrectly applying exit fees during the switching window – discouraging switching. Instances such as these need to be eliminated.

Therefore if these features are taken forward, sound evidence-based reporting should be used to ensure that losing suppliers have not used them incorrectly, thereby preventing consumers from making genuine switches away.

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.

Again, it seems sensible to trial the shorter switching period and troubleshoot issues for a period rather than immediately going for next-day switching.

Evidence elsewhere in the consultation document highlights the value that users place on reliability and this should not be sacrificed during the transition period. On a related point, if switches can take different lengths of time, consumers should be informed about when their switch will take place.

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.

Part of the benefit of moving to 24 hour switching will be the awareness campaign highlighting to consumers how easy it is to switch. A discrepancy between what the regulations say (five days) and what consumers are told (24 hours) may cause confusion. Providers may also not be incentivised to adopt 24 hour switching if it's not mandatory. However, the most important issue is that the speed of switching is reduced. We are therefore supportive of the proposal to change this requirement, although, in theory, a regulatory requirement for switching to take place within five working days should not have an impact in practice when next day switching is introduced. Nevertheless, this is a welcome measure.

There are potential pitfalls, which must be guarded against. These include problems with switching being linked to/arranged around a home move, which would cause problems if the move is delayed; or consumers being pressured into next-day switching by doorstep sellers or cold callers. Robust processes are therefore needed to protect consumers, prevent these kinds of problems, and ensure that any issues can be resolved quickly if they do occur.

Rules also need to be clarified over setting a switching date in the future. We would be strongly supportive of this, as we receive a huge amount of feedback on this from our users, who want to time a switch to gain maximum benefit from an existing fix. Subject to the need for necessary safeguards described above being in place, this has the potential to be especially useful for those moving home.

More clarity is however needed on how setting a future switch date would work in practice, and how far in advance consumers would be able to set the switch date.

It is also vital that suppliers are actioning switches in accordance with consumers' requirements – so accuracy must also be improved as well as speed. The improvements to data that we comment on above should help with this.

Proper communication of key consumer rights will also be needed, in particular the cooling off period, to ensure that consumers know they still have this option, even though they've already been switched.

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?

The proposed work to improve data accuracy should result in fewer rejections for one fuel. However this is currently something we regularly hear about from Cheap Energy Club members, who are often understandably confused and feel 'stuck' if one fuel switches but not both, when both were attempted.

Dual fuel consistency is therefore a positive, common-sense move. This will be an important element in reducing frustration and confusion when part of a switch completes separately from another.

Of course, these changes should not interfere with single fuel switches, and consumers with related or multiple meters in a single property must still be able to switch.

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

A key user issue which could be addressed in the REC is excessively slow updates to both the utility databases. It can currently take weeks for these to be actioned – despite this being necessary before a consumer is allowed to switch.

In addition to increasing the speed of switches, the unreasonable length of time it takes for database errors/changes to be updated should be reduced to one working day. After this time the gaining supplier should reattempt the switch. It should at all times be clear to the consumer what they need to do (if anything), as another area of confusion currently is when switches fail and suppliers don't communicate properly with consumers.

Impact Assessment

Question 1: 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?

Costs should be carefully controlled. These proposals should benefit consumers, but this would be undermined if significant process costs are passed on to bill payers.

In the long term we find it hard to believe that there wouldn't be operating efficiencies for providers arising from these changes. These should be used to pay for the initiative.

Question 2: Do you agree that we have selected the appropriate policy option around objections, cooling off, meter agent appointment and MCP ID for each reform package?

Moving to a one working day objection window feels like an appropriate balance where losing suppliers have a reasonable amount of time to object.

Allowing those with debt with their providers to switch would be a positive move from the consumer perspective. Those who stand to benefit the most would not be prevented from switching, and therefore not be prevented from paying less for their energy. In such a system, when the consumer switches to a new provider, their debt could also move with them.

This currently exists for pre-payment users as the debt assignment protocol. Consumers can switch to a new provider with up to £500 debt on gas and electricity (£1000 in total). We suggest this is widened to credit meter users, in particular so that the most vulnerable could benefit. One way of assessing who qualifies for this could be on the basis of those eligible for the Warm Home Discount.

It is also imperative that any cooling off period offers a true penalty free cancellation period. To maintain this, losing suppliers must continue to put the consumers back onto terms they had been on previously if they do change their mind about the switch. The process of reversing a switch must also be of the same level of simplicity as the original switch. For example, if consumers switched online, during the cooling off period, they must be able to simply click a button online and undo the process.

Question 5: Do you agree with our assessment of the wider non-monetised benefits of our reform proposals?

Yes, in particular that these proposals should reduce consumer anxiety around the potential risks of switching. This is a key reason that many people don't switch, so all measures which work to reduce it are welcome.

Alongside this we feel this is an excellent and appropriate opportunity to introduce a much needed boosted energy switch guarantee and switching charter.

There is a fundamental confusion and mistrust about switching. Lessons can be learnt from the introduction of 7-day switching in banking, where relaunching the brand and guarantee, and changing all the rules at one moment in time has been beneficial.

So many people have had bad energy switching experiences, that the brand of switching in energy is tarnished. There needs to be a line in the sand. When this was introduced in banking, as a big bang, the whole process became vastly more reliable, which could be communicated to consumers driving more confidence in switching.

In energy, an "It's all changed" moment is needed – not changes in dribs and drabs, which can actually be detrimental. There must be a feeling that wholesale reform has taken place. All the relevant bodies should work together to say that from a specific day, switching is no longer what it was, and consumers should try it again.

This defined moment must be accompanied by a much more encompassing charter than the current version. An indication of this type of charter is below. We would be very pleased to discuss this proposal further to see how it could be developed.

Indicative Energy Switching Charter

1. Your switch will take place in 1 working day.
2. You will not be without gas/ electricity. Your pipes won't change, so changing who you're billed by won't stop your lights from switching on.
3. You will have a cooling off period of 14 days after you apply to switch, when you can change your mind and cancel.
4. Your gas and electricity safety will be the same.
5. Your new supplier will give meter readings to your old supplier and you will get your final bill from your old supplier within 6 weeks.
6. If you are renting your landlord cannot prevent you switching energy supplier.
7. If you are a prepay user you can switch to a credit meter for free, when eligible. Your provider will tell you if you're eligible on your energy bill.
8. A dedicated switching team will handle the switch, keep you updated throughout the process, and take responsibility if any problems happen before, during or after the switch.
9. If you switch and have credit from your old provider, you will get this back automatically with your final bill.
10. If you switch to Direct Debit, the amount will be fairly assessed and regularly reviewed. It will not be increased without warning.
11. You have the right to complain to your provider if anything goes wrong. If the energy company doesn't fix it, you can take your complaint to the Energy Ombudsman after 8 weeks. It will normally respond within 6 weeks.
12. Energy suppliers will not charge exit fees in the last 49 days of a fixed deal.
13. If something does go wrong, you'll automatically receive compensation.
14. If you have solar panels, you can choose to either keep or switch your feed in tariff.
15. If you have up to £500 debt per fuel with your current provider, you can still switch.

About MoneySavingExpert.com

MoneySavingExpert.com is the UK's biggest consumer website dedicated to saving people money on anything and everything by finding the best deals, beating the system and campaigning for financial justice. It's based on detailed journalistic research and cutting edge tools, and has one of the UK's top 10 social networking communities.

During October 2017 MoneySavingExpert had 15.9 million users, visiting the site 28.3 million times, and looking at over 72 million pages. Over 12 million people have opted to receive our free weekly email, more than 1.6 million users have registered on the forum and over 3 million have joined our Cheap Energy Club.

In the event of any queries, please contact:

Will Barnes, External Affairs and Campaigns Officer, william.barnes@moneysavingexpert.com

Archna Luthra, Head of Clubs, archna.luthra@moneysavingexpert.com