

To: Rachel Clark

Via: [switchingprogramme@ofgem.gov.uk](mailto:switchingprogramme@ofgem.gov.uk)

9 November 2017

Dear Rachel,

### **Response to Consultation on Delivering Faster and More Reliable Switching**

Octopus Energy is a rapidly growing challenger energy supplier supplying gas and electricity to domestic homes and businesses in Great Britain. Our largest investor is the Octopus Investments Group, who over the last decade have become the third largest investor into UK renewable generation in the UK and the largest in solar generation.

We believe:

- That customers should be given clearer communication about pricing over a longer period so that they can choose a tariff that is good for them over the long term, not just the fixed term.
- That long-term good pricing and service can be enabled by some of the same approaches as the eCommerce sector – in the same way that Amazon and budget airlines have done in other sectors.
- That the barriers to switching due to the slow and complex nature of the switch process should be systematically eliminated to make switching quicker and easier - as online shopping and services have provided in other sectors.
- That customer service should be measured by how happy customers are with the service they receive, not a set of defined metrics which often fail to recognise what really matters to consumers.

### **Overall**

While we view RP2 and RP3 as preferable options, we are fully in support of the move to RP2a and the push to move to a 5-day switch (the same as for instance the current account switch process in banking), with a plan to move to one day switching as soon as possible.

We have had useful bilateral engagements with you, but wanted to also give responses to the specific design questions in this detailed and carefully prepared project plan.

### **Responses to the specific questions**

We have answered Questions 1-7 below. While the proposals covered by Questions 8-13 seem broadly positive, we have no specific feedback to give.

*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.*

We fully support the intention to move to faster switching. We support RP2a as a vast improvement on the current switching landscape – but hope that the progress to same day switching doesn't stop here. Our support given on the basis that the development of the CSS incorporates this capability as currently proposed within RP2a.

We believe that a synchronous switching process is inherently more efficient and reliable – and hope that Ofgem will subsequently develop proposals on how suppliers might opt in to using that capability of the CSS.

*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.*

We do not believe that the introduction of an annulment feature will lead to a better outcome than strengthening and refining the existing mechanisms under the principle of faster switching and fairer treatment of customers. We welcome the commitment in consultation documents to data cleansing, which we believe will largely address the problem of erroneous switching. Layering complexity carries more cost for suppliers and confusion for consumers, and the simplest route should be followed wherever possible.

Furthermore, we strongly support the proposal laid out in 3.12.a obligating suppliers to offer customers who return during the 'cooling off' period terms equivalent to, or no worse than, those the customer would have enjoyed had they not switched.

*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.*

We do not support this as an unrestricted invitation. We fear that this will lead to customer detriment. Legitimate usages of the CoO indicator could be routinely objected to - forcing the new occupant to prove their new occupancy to the losing supplier.

We think that the only circumstance when the losing supplier should be able to object to a CoO loss is at the explicit request of the customer. This would provide protection to customers and a means prevent erroneous transfers where the customer has responded to.

Unless the customer has been contacted then the losing supplier cannot know that it is not a CoO (which the customer will have requested from the new supplier) so the switch should not be objected to.

*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. In particular, we think it's fair that suppliers should be able to provide evidence of the grounds on which they object, and if a customer has requested the objection be raised.

Equally the gaining supplier should be obligated to use sensible care and means to prevent erroneous transfers and record if a customer stated that it is a CoO if that flag is to be set.

We are concerned that some of the possible means – for example the CIN test – would be a barrier to efficient and easy customer switching if they were mandated in all cases. They should be a tool to be used where disambiguation is required.

*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?*

Yes, we agree.

*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.*

Whilst understanding and supporting the intention to minimise risk, we have concerns over this proposal.

We believe that moving to five-day switching (and from there to one day switching and instant switching) is in customers' best interests, and that suppliers should be encouraged to do so as quickly as possible. We fear that the additional, temporary obligations and penalties on suppliers who chose to move faster than the industry switch time will be a strong disincentive to suppliers to do this. If this leads to little take up, it delays the customer benefits of faster switching.

We also fear that the three-month window could be exploited by suppliers who have an interest in delaying the transition, and incentives them to demonstrate that reliability has been impacted, leading to pressure to extend the length of the transition window.

To balance to possible disincentive on suppliers moving faster, we suggest that there should be penalties on suppliers who fail to meet the 'objective measures' set for success at the end of the three-month period and are therefore moving slower or delaying the completion of the transition.

*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.*

Yes, we agree.

However, we suggest that the role and responsibility of third party intermediaries (TPIs) such as price comparison websites needs to be clarified in respect of this obligation on suppliers. In particular, is the contract entered in to when the customer provides details to the TPI, or when the supplier confirms receipt of valid and complete details? Several days can elapse between these events during which the customer may believe that they have entered into a contract.

Best wishes,

Clementine Cowton  
Director of External Affairs