

Rachel Clark  
Switching Programme  
Ofgem  
9 Millbank  
London  
SW1P 3GE

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

2nd November 2017

## **Delivering Faster and More Reliable Switching: proposed new switching arrangements**

Dear Rachel.

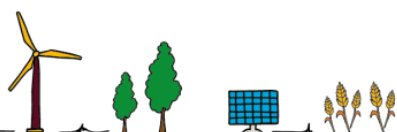
SmartestEnergy welcomes the opportunity to respond to Ofgem's consultation on the proposed new switching arrangements.

SmartestEnergy is an aggregator of embedded generation in the wholesale market, an aggregator of demand and frequency services and a supplier in the electricity retail market, serving large corporate and group organisations.

Please note that our response is not confidential.

We are generally supportive of the proposals although we would question the need for the annulment feature and fear it could be open to abuse. We also believe that the consultation document focuses on the domestic arrangements and is silent on whether certain proposals would be extended to non-domestic. It is important that there are no unintended consequences for the I&C sector of the market by the proposals. The proposals talk of the potential for reducing the switching time in domestic (in terms of transition, next-day to same-day and future moves to calendar day rather than working day) but are silent on non-domestic. We believe Ofgem need to state explicitly that there are no plans to reduce the switching times on the non-domestic sector from the two working day proposal and to clarify what the transitional arrangements would be.

We answer the questions below in the order in which they appear in Appendix 1.



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## CHAPTER: Two

**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?

RP2a is clearly better value than RP2 and RP3, achieving many of the benefits of a new system and process for less cost. However, RP1 is clearly the cheapest. Additionally, we see no evidence to support the assertion that there would be an increase in the number of erroneous switches under RP1, especially in the I&C sector.

We note with interest that Figure 5 on page 26 shows that RP1 provides the best range of direct monetised consumer NPV and illustrative indirect benefits but that Ofgem have concluded that RP1 would have the lowest net benefit to consumers on the basis of assumed lower customer engagement and holding back potential future innovation and competition.

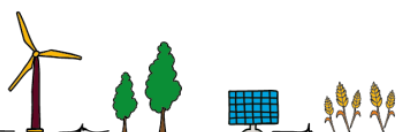
Having said all that, we are not uncomfortable with the RP2a solution and laud the attempt to streamline the processes and clean up industry data. We can see that this is necessary in the domestic sector and appreciate Ofgem's efforts not to impact the I&C market unduly.

## CHAPTER: Three

**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 are not inclined to support the proposed annulment functionality as it basically gives the losing supplier the ability to object to the switch after the objection window has closed (if the customer contacts them and tells them they didn't want to move). That leaves it wide open to be misused by suppliers (as we have seen in the past with auto objections). Industry processes currently include the objection window, the withdrawal process and the erroneous transfer process (which will all apparently remain), so we do not see the need for annulment as well.

Annulments would therefore appear to be unnecessary and would be a likely source of a lot of aggravation for suppliers (as they do not appear to have to be mutually agreed). If, however, Ofgem plan to do away with objections then it could be replaced with annulments (but it would still have the same risk of misuse attached to it).



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**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 agree that the losing supplier should always have the option to raise an objection. However, much more needs to be done to outlaw automated objection processes. If the CoT flag is set then this should be reviewed and confirmed as correct by the losing supplier before allowing the supply to leave.

**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.

Clearly something is required, otherwise the annulment feature will be used too often and misused. Suppliers need to be held responsible for the number of objections raised and why. However, we believe that misuse of annulment, CoO features and objections should be dealt with through the licence primarily i.e. Ofgem should police this direct and not through industry performance assurance which may not have the necessary sanctions in place. We propose a licence requirement banning auto-objections. Any annulment features would also really need to be supported by a performance assurance regime and sanctions. It is important that Suppliers understand that they will need to keep evidence of the customer instruction and produce it in an audit.

#### CHAPTER: Four

**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?

It would clearly make sense to try to utilise existing structures and for DCC to manage the procurement process. However, before moving away from the DTN it must first be demonstrated that the total costs to industry of moving away from the DTN would have been taken into account.

#### CHAPTER: Five

**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.



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The document is unclear on how non-domestic timescales are affected by the three-month transition window. In reality, we would prefer to go straight to a two-day window and keep it there. This would mean less change to our systems.

**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.

The document talks about the possibility of moving at a later date from next-day switching to same-day switching, subject to there not being major issues with the objections process. However, the document is silent on the non-domestic two working day timeframe and whether this too could be contracted. We would discourage this as smaller non-domestic suppliers do not tend to operate at weekends.

Business Customers normally agree their CoS date in line with the end of their previous contract – and they could be agreeing that new contract months/years in advance, so we struggle to see where the five-day lead time on the switch from the date the contract is agreed is applicable for non-domestic. In this context “the date the contract is entered into” is not relevant as the acceptance date and the start date of the contract could be a long time apart, which is not anticipated in the domestic scenario. We note that Ofgem do intend to allow for customer choice, but it is unclear to us what the consequences are for registration. Will a non-domestic supplier be expected to wait until one week before the contract start date before they are allowed to attempt to register the customer? Given that the objection window is to be so short, it would be helpful if I&C suppliers are able to continue to attempt a registration up to three weeks before the start and can re-attempt after the objection window has closed where an objection has been erroneously.

## CHAPTER: Eight

**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?

Yes

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

Yes

**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?



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Yes

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

Yes, we agree with this.

As an aside, we note the following paragraph in the document. "In the case of readiness for CSS go-live, it may not be necessary to impose a regulatory restriction on registrations. Those who are not ready would simply be unable to acquire a new customer as the only route for them to do so would be through the CSS process. This – as well as being unable to object to a customer switching away – should be a good incentive on suppliers to be ready for go-live." We believe that some other kind of sanction may be required for suppliers to be ready in time otherwise such obstruction could be used as some suppliers may ultimately, deliberately or otherwise, frustrate switching.

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

Yes

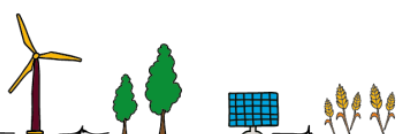
**Question 13:** Do you have any comments on the indicative timetable for the development of the new governance framework?

It is not clear how the indicative timetable for the development of the new governance framework links with implementation of new rules and systems, although we note that Ofgem state they are not yet proposing definitive delivery dates for programme implementation as they need to do more work to fully understand the design, build and test requirements.

Should you require further clarification on this matter, please do not hesitate to contact me.

Yours sincerely,

Colin Prestwich  
Head of Regulatory Affairs



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