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Sent via email to switchingprogramme@ofgem.gov.uk

Dear Rachel,

Delivering Faster and More Reliable Switching: Proposed new switching arrangements

I am writing in response to the above consultation. This is a joint response on behalf of Haven Power and Opus Energy which are both part of Drax Group Plc. Haven Power is the UK's 5th largest non-domestic electricity supplier by volume. Opus Energy is the UK's 6th largest non-domestic gas and electricity supplier by meter count with over 300,000 supply points.

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 our preferred option. We agree it is likely to offer better value than the alternative options presented by Ofgem. We would however welcome more clarity on how central costs will be apportioned across the industry. The majority of industry-wide costs of this initiative will stem from changes to central systems and industry code arrangements. Given domestic consumers will benefit far more from faster switching than non-domestic consumers, it is imperative that costs are borne fairly by these two markets.

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.

The current switching arrangements provide a much longer period of time for customers to notify their supplier of a potential erroneous switch and for the supplier to object on their behalf (commonly referred to as a 'customer requested objection'). This feature will be less useful once switching times are greatly reduced and we're

concerned about the risk of misuse. Without careful monitoring, there is a danger that some suppliers may see annulment as an opportunity to extend the available window to object.

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 strongly agree that CSS should always invite the losing supplier to raise an objection, even where the CoO indicator has been set by the gaining supplier.

We have seen the CoT flag frequently misused or incorrectly used. We have been unable to quantify this across our portfolios due to data constraints, but a sample of recent supply terminations in our Opus business, indicates that around 50% were initiated with an invalid CoT flag. While some of these will be unintentional or accidental, the volume does suggest that there may still be some intentional misuse of the CoT flag across the market. If use of the CoO indicator guaranteed a switch going through without the losing supplier being able to verify the CoO, then this could lead to increased misuse.

There would also be an increased risk of erroneous transfers if the losing supplier was denied the opportunity to contact the customer and verify the change of occupancy was genuine in advance of the switch.

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.

We believe a strong performance assurance regime is important to prevent misuse of both the CoO and annulment features.

It may also be appropriate to monitor the gaining suppliers' determination of the consumer type in the switch request to CSS (i.e. domestic versus non-domestic). If Profile Class is no longer a key verification of customer type (i.e. with mandatory half-hourly settlement), we believe there is a risk that the 'customer type' classification could be misused in order to foreshorten the objection window down to one working-day for non-domestic consumers.

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 would expect this to be a competitive and transparent process.

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.

We agree with the proposal for a transition period, but feel strongly that a period of 6-12 months is more appropriate for reforms of this magnitude.

As Ofgem recognise, speed is not all important to customers. Improving reliability (and the perception thereof) is more likely to build consumer trust in the switching process than speed is. It is therefore imperative that reducing the switching window down from 5 days does not impact consumers. We firmly believe 3 months is too short a period of time to reliably assess the new arrangements and the impact of a shorter switching window.

One of the main concerns around faster switching is the risk of an increase in the levels of erroneous transfers. There is a danger that less time to verify address details and the absence of a “sorry to see you go” message could lead to an increase in customers being switched incorrectly without their knowledge, which undermines confidence in switching. ET’s can take several months to be identified, so a 3 month transition period is insufficient time to reliably assess whether more customers are being switched erroneously. If a 5 day switch causes unanticipated process or system issues, then these are likely to be intensified once the window is reduced to 1 day.

If it was possible to test every eventuality in advance, then no transition period would be required at all. However, as is patently obvious from past experience of system and industry change, it is not possible to assess the full impact of significant change like this, and so it would be prudent to allow a reasonable 6-12 month transition period so as to avoid any consumer detriment.

Moreover, we do not believe the industry should transition to next day switching until such time as it is clear there will be an overall consumer benefit. We believe this should be informed by having monitored some key performance indicators (e.g. volumes of ET’s, number of customer complaints linked to switching, etc.) during the transition period. We do not believe this is something that can be properly assessed in a matter of 3 months.

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 vast majority of non-domestic consumers agree a new contract well in advance of their current fixed-term contract coming to an end. Those customers then typically switch at the end of the fixed-term contract period. We do not expect this to change



with the advent of faster switching, so most of our customers will request a later switch date. As such, the existing exception around switching on the customer requested date should be retained. More generally, we believe that consumer choice is key and so all consumers – non-domestic and domestic - should be given the option of choosing their supply start date.

We have only responded to those questions in the consultation where we hold strong views. If it would be helpful, we would be happy to discuss our answers above or any other matters relating to the switching programme.

Yours sincerely

Matt Young

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Drax Group Plc