

Rachel Clark
Programme Director, Switching Programme
Ofgem
9 Millbank
London
SW1P 3GE

3 November 2017

Dear Rachel,

Consultation on Delivering Faster and More Reliable Switching: Proposed New Switching Arrangements

Thank you for the opportunity to respond to this consultation. We continue to be supportive of initiatives and reforms that are aimed at strengthening competition in the retail energy market as we believe this to be the most effective way to improve outcomes for consumers.

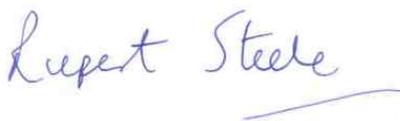
In this context we are encouraged by Ofgem's progress in leading industry reforms to reduce the time it takes consumers to switch suppliers and to improve reliability of the process. We agree with Ofgem's overall assessment that Reform Package 2a – "Reliable Next Day Switching" (RP2a) is likely to deliver the greatest net consumer benefits.

We agree with Ofgem's proposals to put the required communications and IT infrastructure supporting these reforms out to tender. In addition, we believe further cost savings could be achieved by allowing other parties to compete against the DCC to procure and operate this infrastructure.

Finally, we would note that any extension of price cap regulation would need to be introduced in a way that minimises any adverse impact on the benefits of these reforms. In particular the level of headroom allowed in any tariff cap would need to be sufficient to maintain adequate incentives to switch.

I trust this is helpful, but please feel free to contact me or Colin Blair (0141 614 8468) if you have any further queries.

Yours sincerely,



Rupert Steele
Director of Regulation

**CONSULTATION ON DELIVERING FASTER AND MORE RELIABLE SWITCHING:
PROPOSED NEW SWITCHING ARRANGEMENTS - SCOTTISHPOWER RESPONSE**

Chapter 2: Impact assessment summary

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 agree that RP2a is the most appropriate option in terms of overall consumer switching experience and overall cost. At this point we do not estimate any material change to our costs from those previously submitted. In addition, we believe that the objection windows of 1WD (domestic) and 2WD (non-domestic) proposed in RP2a will provide a more practical and accurate process than the instant objection window proposed in RP2.

Chapter 3: Preferred reform package design – RP2a

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 believe that the inclusion of an annulment window would reduce erroneous transfers. We believe the benefit of an annulment window would diminish as operations progress from the backstop switch period of five working days to one working day.

We have estimated the potential erroneous transfer cases between October 2016 and September 2017 where the annulment window could have potentially been used by us as losing supplier, where the initial customer contact date was between loss date and loss date minus 5 days to be:

- Electricity 128 (7%) and
- Gas 62 (6%)

We have used the window of loss date to loss date minus 5 days as a proxy for an annulment window because it is not possible to establish a precise figure from historic data using the proposed definition.

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.

Yes, we agree that the CSS should always offer the losing supplier the opportunity to raise an objection. Currently we do not object to a customer where a CoT flag is set. However, in relation to I&C sites it would be beneficial to have notification of a change of occupancy.

This would allow early interaction with the new owner and identification of their energy requirements.

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 agree that the use of both the CoO and annulment features should be reported on a periodic basis as part of a performance assurance regime. We would suggest that this could be undertaken in a similar way to that in which we currently report performance on gain/loss/erroneous transfers processes as part of the monthly Market Monitoring Report where performance information from suppliers is submitted and reviewed for trend analysis with commentary on any key movements supplied. We would also propose that the report is regularly reviewed by a relevant governance forum post-implementation. The governance regime should be included within the new Retail Energy Code (REC).

Chapter 4: Communications network

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?

We agree with the proposal.

Chapter 5: Switch speed and regulatory requirements

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 principle of having a transition window. However, we would like to understand in more detail the rationale for the duration of the window.

We believe that it would be beneficial to extend this window beyond 3 months to ensure that reliability of the solution is assured. In our experience, the trigger for customers contacting us regarding issues with their energy supply is the receipt of the billing document. Often the reason for the customer contact can relate back to issues in the switching process itself, eg incorrect address details or the fact that the customer is being billed unexpectedly by a supplier as a result of an erroneous transfer. There is often a time lag in these issues surfacing.

We therefore believe that extending the transition window to 6 months would be more realistic to allow for the appropriate monitoring of the new arrangements.

Interim milestones during the transition window with clear go/no-go criteria should be set in advance to ensure the effective tracking of the new arrangements.

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.

We agree in principle with the proposal to change the requirement on speed of switching to require switches to be completed within five working days. We understand Ofgem intends that suppliers would then have the option to switch on shorter timescales. We believe it may be appropriate to have a period of 6 months at the start of the new process where all suppliers switch in 5 days to promote reliability of the new arrangements.

Chapter 8: Regulation and governance of the switching arrangements, including transition

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, we support the proposal for a dual fuel REC. We feel it may be beneficial to appoint a new REC Code Administrator as soon as practicable to support the introduction of the new arrangements. This could be achieved in a similar basis as the DCUSA process with a contract awarded for set up and separate agreement for the ongoing running.

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, however it is important to consider how other industry participants such as DNOs are held accountable for maintaining the accuracy of data if suppliers are to assume responsibility for the new REC.

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?

Yes. We would hope that the procurement process would promptly identify a suitable party to provide this service and any interim management and support of the DBT occurs for as short a period as possible.

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. Lessons should be learned from similar industry programmes such as Nexus, TRAS and GDAA, where regulatory oversight has ensured there is cross-industry collaboration with the programme and key deliverables are met in terms of data migration and data cleansing.

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?

The timetable for the development of the new governance framework is challenging and resourcing may be difficult. There are a number of ongoing industry projects which are a strain on industry resource at this time. As stated earlier, the appointment of a new REC Code Administrator as soon as possible to focus on developing the new governance arrangements may assist in achieving the proposed timetable.

Impact Assessment : Chapter 3 – Monetised Direct Costs

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?

Overall we agree with the approach and assessment that Ofgem has taken on direct costs. Our conclusion is based on the assumption that all parties have used a consistent approach when responding to Ofgem to allow a preferred option to be arrived at.

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?

Our views on the policy options are as follows:

- **Objections** - we support the proposal outlined within RP2a regarding objection windows of 1WD (domestic) and 2WD (non-domestic) and believe it will provide a more practical and accurate process than the instant objection window proposed in RP2 and RP3.
- **Cooling Off** – The consultation refers to two new regulatory obligations for suppliers. We assume that the first obligation ('to offer terms equivalent to, or no worse than, those the consumer would have enjoyed, had they not switched, to any consumer who makes a switch, cools off and decides to return to their former supplier') is on Supplier A rather than Supplier B, and on that basis we believe it is reasonable.
- **Meter Agent Appointment** – we agree with the current proposal that CSS would not manage agent appointments. However, we believe it is unnecessary for the CSS to send early notification to losing agents of an impending switch. Our understanding is that losing suppliers will still have the responsibility for informing the losing agent and that the purpose of the data flow from the CSS is simply to give them earlier visibility, which we do not think is necessary.
- **MCP ID** – we agree with the proposal to remove this feature.

Impact Assessment: Chapter 4 – Monetised Direct Benefits

Question 3: Do you agree that our assessment of the direct benefits of the reforms, including the various assumptions that we have adopted, provides a sound basis for making a decision on a preferred reform package?

Overall, we agree with the approach and assessment of direct benefits. We think the assessment has reached the right conclusion, particularly on the benefits of increased engagement and higher switching volumes, and is a sound basis for determining the preferred reform package. Once again, our conclusion is premised on the assumption that all parties have used a consistent approach when responding to Ofgem to allow a preferred option to be arrived at.

Impact Assessment: Chapter 5 – Indirect benefits

Question 4: Do you agree that our illustrative analysis of the indirect benefits provides a reasonable assessment of the potential scale of the savings that could be made by consumers through increased engagement in the market?

We agree.

Impact Assessment: Chapter 6 – Non-monetised benefits

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

We believe that the benefits that have been identified are in line with the data that we provided Ofgem as part of the Blueprint phase of the Programme and therefore agree with the assessment.

Impact Assessment: Chapter 7 – Summary of net impacts for consumers

Question 6: Do you agree that our assessment of the net impacts for consumers provides a sound basis for making a decision on a preferred reform package? Delivering Faster and More Reliable Switching: proposed new switching arrangements

We agree that the assessment is a reasonable basis for making a decision.

We would note that introduction of a wider price cap has the potential to reduce incentives on consumers to engage and switch, and the savings that consumers make as a result of switching. It will be important that sufficient headroom is allowed in any price cap to minimise the impact on switching incentives and to avoid invalidating the assumptions behind the impact assessment.

ScottishPower
3 November 2017