

Change of Supplier Expert Group (COSEG): Meeting 1

Minutes of the inaugural meeting of COSEG.	From Date and time of Meeting Location	Ofgem 20 May 2013 10:30-15:00 Ofgem, 9 Millbank	3 June 2013
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1. Introduction

1.1. A full list of those who attended is given in Appendix 1. The materials presented at the meeting are published on the Ofgem [website](#).

2. Welcome & opening remarks

2.1. The chair, Andrew Wallace (AW), welcomed members to the meeting.

2.2. Grant McEachran (GM), the Programme Director, gave an overview on the Smarter Markets Programme and the four projects that the team is pursuing as part of this programme. He explained the longer-term objective for undertaking the change of supplier project, which is to deliver a fast, reliable and cost effective change of supplier process (CoS) that will facilitate competition and build consumer confidence. GM said that the scope of the CoS project included the point from when a customer agreed to switch supplier to their opening and closing bill, centralising registration services and access to metering data on change of supplier. He confirmed that marketing and the merits of removing/retaining objections were out of scope.

2.3. In response to a question from one COSEG member AW said that Ofgem was still considering the policy question on removing objections. However, for the purposes of this working group Ofgem wanted to take this opportunity to explore the technical aspects of removing objections and understand the implications for the CoS process.

2.4. Another attendee asked whether cooling-off periods were within scope. AW said that Ofgem would not be seeking to influence the legal framework on consumer cooling-off rights, but want to review how these rules interact with the switching process. For example, if a customer wanted their switch to proceed during the cooling-off period.

2.5. GM highlighted that the target date for implementation of the CoS project would be 2-3 years after DCC go live. The aim is to complete all of the Smarter Markets Programme by the end of the smart meter rollout.

2.6. GM also emphasised that the CoS project is a unique opportunity to redefine the CoS process and deliver a step change for consumers, therefore it will be vital for market participants to work collaboratively with each others to drive the reforms that achieve the transition to smarter markets. He noted that he wanted attendees to not feel constrained by the existing arrangements and to approach the issues with an open mind. GM then encouraged COSEG members to commit time and effort to the CoS project, challenge Ofgem's assumptions and thinking and help Ofgem better shape its ideas.

3. Roundtable: Introduction and initial views

3.1. COSEG attendees introduced themselves, provided initial views on the high level outcomes that they want the CoS project to achieve as well as the key challenges.

3.2. Many group members wanted the CoS process to be simplified, reliable and efficient.

- 3.3. There was support for reviewing the CoS process from a consumer perspective. One attendee highlighted the need for improved certainty for consumers. They noted that consumers currently do not have a clear view of when a transfer will take place.
- 3.4. One attendee wanted to challenge assumptions on the ordering of the key stages of the CoS process. For example, whether the cooling-off period and objection process could take place after the transfer.
- 3.5. One attendee noted that poor experience of the transfer process, for example with erroneous transfers, discouraged some consumers from switching supplier.
- 3.6. One attendee wanted to reduce the number of interactions between suppliers and their metering agents to create a more simplified process.
- 3.7. Several members wanted electricity and gas switching arrangements to be aligned.
- 3.8. One attendee noted the links between the CoS process and other industry arrangements. They wanted the CoS to continue to support these arrangements, for example charging for use of the network.

4. Operation of COSEG: Terms of Reference

- 4.1. AW reviewed the proposed Terms of Reference (ToR) with the group and explained what is expected from COSEG members. He explained that one of the purposes for establishing COSEG was to obtain expert advice on the options for reforming the CoS process. He said that attendance at meetings would be on an invitation only basis.
- 4.2. One attendee requested that the minutes be recorded on a non-attributable basis. This was agreed with COSEG to help encourage the free flowing of ideas.
- 4.3. One attendee was concerned that the group may be too focused on reviewing the industry processes and systems. They expressed their interest in getting a better understanding of how the evaluation process will be carried out and how the reforms will actually work for consumers. AW stated the intention to put consumers at the centre of this exercise and that Ofgem had tried to do this in the way it had framed the evaluation criteria.
- 4.4. One attendee proposed adding agent appointment process to item 2.3 in the draft ToR. AW agreed to amend the ToR accordingly. One attendee asked whether the group should be starting from a blank sheet of paper. AW responded that Ofgem had undertaken significant bilateral stakeholder engagement in the preceding months to try to identify the main issues for COSEG to address. This should help to focus the debate. However, that role of COSEG was to continue to challenge whether the issues identified by Ofgem were the right ones.
- 4.5. At the Smarter Markets Coordination Group (SMCG) meeting on May 16, it was agreed that there should be greater supplier representation at COSEG than had been originally proposed. All suppliers were therefore able to ask Ofgem for an invitation to attend. AW agreed to amend the TOR to reflect this, and the other changes agreed at the meeting.

Action: Ofgem

5. The case for reform

- 5.1. Rowaa Mahmoud (RM) presented information on the domestic gas switching process by the Big 6 in the domestic market. This data had previously been published by Ofgem in summer 2012 and RM noted that it was in the process of being updated.

- 5.2. RM highlighted the requirements under the EU third package and SLC14 of the gas and electricity supply licences to transfer customers within 21 calendar days after any cooling-off period.
- 5.3. One attendee noted that it is worth looking at reasons behind the decline in switching rates over the past four years and that this could have resulted from changes to sales practices, in particular the withdrawal of doorstep selling, rather than a change in consumer attitudes. One attendee asked about the reason for a higher objection rate in the non-domestic than in domestic and noted that it is worth looking at.
- 5.4. RM said that Ofgem aimed to present more recent data on the gas and electricity switching process at the next COSEG meeting. Ofgem would shortly be writing to suppliers to request their permission to use their monthly data submission to Ofgem for this purpose.
- 5.5. One attendee noted that the objection rate could be distorted by the repeated transfer requests for the same site. In some instances the gaining supplier may do this in case the reason for the objection, eg debt, had been resolved. Ofgem agreed to consider this point further but noted that this was not a data item currently collected.
- 5.6. One attendee suggested that if debt is the biggest cause of objections, and credit checks can be instantaneous, credit checking could replace the need for objections.
- 5.7. In response to a request from one attendee, Ofgem agreed to present trend information on the reasons for erroneous transfers. Ofgem agreed to a further request to present information on the number of missing CoS reads reported by suppliers.

Action: Ofgem

- 5.8. RM gave an overview on the CoS process in international energy markets such as New Zealand, Australia and Ireland. These markets facilitated quick customer switching.
- 5.9. RM provided information on customers' switching experiences in other market sectors such as banking and telecommunications. The key message was that GB customers experience faster switching in other market sectors. For example: in banking, the switching process for current accounts has been reduced from 28 days to 7 working days with additional measures to facilitate this process for consumers being introduced in September 2013. Ofcom obliges mobile operators to provide the Porting Authorisation Code (PAC) within a maximum of 2 hours.
- 5.10. One attendee requested further detail on how the CoS process works in the banking sector so that the speed of switching could be placed in context. Energy UK agreed to review the energy CoS process with the ERAA in Australia and report back to the next meeting.

Action: Energy-UK

- 5.11. AW also agreed to consider including analysis of the insurance market in what we present back to the group. One attendee suggested getting a guest speaker from the Federation of Insurance Brokers to present to group.

Action: Ofgem

- 5.12. Robyn Daniell (RD) took the group through some research around the current customer engagement. She noted that, for many customers, the switching process is unclear and there is confusion around the length of time that will be involved in switching. Those who had not previously switched assumed that once they have chosen a new supplier the process would be relatively quick (e.g. one to two weeks). They

were surprised when they found they may have to wait much longer. RD also highlighted consumers' concerns surrounding the potential problems involved during switching (e.g. double-billing), these cause consumers to become risk averse and reject the idea of switching completely.

- 5.13. RD reviewed the potential benefits from improving the CoS process. RD presented a snapshot of the potential savings from a faster switch from an average tariff to the cheapest tariff within payment method. One attendee noted that as market develops it will be important to think about benefits of switching between different tariffs and payment methods. RD mentioned that we already have some of this information and could present at a future meeting if useful.

Action: Ofgem

- 5.14. RD highlighted that DECC's impact assessment had noted potential benefits that were within the scope of the CoS project to deliver. The latest impact assessment states that, in total present value terms, switching savings would generate £1,594m in gross benefits. A significant proportion of these benefits are attributable to centralising registration and data aggregation functions which were within scope of the CoS project to consider. An attendee noted that a proportion of data aggregation benefits could be attributable to settlement reform rather than centralising this function and that it is important not to double count.
- 5.15. RD explained that the potential benefits for industry included reduced resource required for dealing with ETs and efficiencies from having a consistent cross-fuel process. RD highlighted Ofgem's approach for assessing costs and benefits for the CoS reform which includes establishing an initial view of costs and benefits through the options analysis process followed by a robust impact assessment. RD mentioned that the COSEG group would be instrumental in helping Ofgem gather the necessary evidence to inform the impact assessment.
- 5.16. One attendee noted that, whilst there are benefits to making the arrangements the same for each fuel type, delivering improvements in electricity may risk worsening the gas arrangements.

6. Guest speakers: The experience from the global telecoms market

- 6.1. James Wild (JW) (Laurasia Consulting) set out their experience of delivering mobile number porting in international markets. He noted the strong link between consumer engagement and the speed of switching and simplicity in the mobile market. JW noted the similarities between the key features of switching in the telecoms and energy markets. These included multiple parties, security issues, debt management and the importance of having minimum service disruption.
- 6.2. In many international mobile telecoms markets customers could switch provider, with no loss of service, in a few hours. JW explained that in many international markets the switching process to a new network with your existing number was mostly automated with the only manual interaction being the initial keying in of the customer's request to transfer in the shop. The customer is kept updated from this central system by text or email.
- 6.3. Kevin Werry (KW) (Laurasia Consulting) stressed the importance of central data management, having few data exchanges and putting the gaining supplier in control of the process.
- 6.4. Slides, including a url for a video shown at the meeting on the switching process in Qatar, are available on the Ofgem website.

7. Change of Supplier project and COSEG work plan

- 7.1. RM presented the CoS project plan of work and explained that the CoS project will be conducted through four sequential phases. She noted that we are now in Phase 1 of the project (policy development). RM stressed that Ofgem is keen to involve stakeholders at every step to ensure that the direction they are taking on key reform issues is informed by their views.
- 7.2. RM explained that Ofgem has identified what it believes to be the main areas of the CoS process to focus attention on and was requesting COSEG views on whether this was correct.
- 7.3. One attendee asked whether the information that customers need to make an informed switch could be included in scope and suggested that suppliers should tell their customers about their historic consumption levels and whether or not they are in debt and if so how much. AW noted that COSEG would need to think about consumer information and transparency of the process for consumers and it would be sensible to address this at a later COSEG meeting.
- 7.4. RM set out Ofgem's initial work schedule for COSEG. This included meeting dates and location (Ofgem proposes to hold at least one meeting in Glasgow) as well as reform areas to be discussed at these meetings. RM explained that each area in scope will be discussed during at least two COSEG meetings. She also noted that new issues may arise during discussions and a one meeting had been included in the work schedule to discuss outstanding issues.
- 7.5. One attendee referred to a problem that the consumer currently faces when not being able to seamlessly switch from a fixed-term deal with an exit fee to another supplier. This is due to the consumer being obliged either to pay the exit fee and/or pay the standard rate for an unspecified, open-ended amount of time. They also noted that Ofgem has identified this issue and were proposing to address it under the Retail Market Review (RMR) proposals. Ofgem was proposing a four week window following an end of contract notification within which a consumer could switch supplier without being subject to any termination fees or be required to notify their supplier of their intention to switch.
- 7.6. They also suggested that a specific switchover date to be introduced to alleviate this concern and make the switching process less risky to consumers.
- 7.7. One attendee asked Ofgem to have the papers ready for circulation to COSEG members as early as possible so that they can discuss them among themselves ahead of the meeting. This would help to facilitate meetings with their constituencies. Ofgem agreed to incorporate this within the terms of reference and send the papers one week in advance of each COSEG meeting.

Action: Ofgem

- 7.8. RM also asked COSEG members to consider the preferred meeting location (whether to hold the Glasgow COSEG meeting on July 1st, July 22nd or Aug 28th).

Action: COSEG members

8. Evaluation Criteria

- 8.1. AW reviewed Ofgem's proposed evaluation criteria. These had been developed to help guide the analysis of reform options.

8.2. In relation to the second evaluation criteria on “ease”, one attendee noted that the switching process needed to be transparent for consumers prior to their decision to switch. The current drafting only required transparency once the customer had taken their decision to switch. AW agreed to update the evaluation criteria and circulate to the group.

Action: Ofgem

9. Reform options: objection

9.1. Nigel Nash (NN) set out Ofgem’s high level aim to reduce the impact of objections on the length of time it takes to transfer and the uncertainty this causes for customers. He reiterated that 7% of domestic and 25% of non-domestic gas transfers and 14% of electricity transfers are blocked by the losing supplier.

9.2. NN explained that under the current objection rules the losing supplier may block a transfer by raising an objection during the “objection window”. This objection window is five working days in electricity and will be as low as one working day in gas from November 2013 once new reforms to facilitate three week switching in all instances are implemented. The objection window starts when the MPAS provider/Xoserve notifies the losing supplier of the proposed transfer following validation of the registration request. The circumstances when a supplier can object and the requirement to notify the customer are defined in the electricity and gas supply licences (SLC14). Further detail on the operation of the objections process is set out in the MRA in electricity and in UNC in gas.

9.3. NN set out Ofgem’s proposed reform options for the objection process:

- **Option 1:** No objection process.
- **Option 2:** Roll-backs - whereby an objection could be made after a transfer had taken place and the transfer would need to be reversed.
- **Option 3a:** Shorter objection window - “x” hour objection window. Under this option the losing supplier would have a defined period, for example 2 hours, after receiving a loss notification to block the transfer.
- **Option 3b:** Shorter objection window - fixed cut-off within day. For any loss notifications received within the relevant period, this option would provide a fixed time within the day by which any objection must be lodged. This may be able to facilitate next day switching and potentially offer the losing supplier more time to consider whether an objection should be made.
- **Option 3c:** Shorter objection window – one/two days.
- **Option 4:** Central register of objections. Under this option a supplier would be required to maintain an up-to-date flag on central systems if they wanted to block customer transfers. The gaining supplier would only be informed that the transfer had been blocked once a request had been submitted.

9.4. Additional options were also suggested by some attendees These additional options are summarised below:

- **Option 4b:** This option builds on option 4 which provides for a central register of the objection status. Under option 4b, the gaining supplier would be allowed to interrogate the central register on the objection status prior to submitting a transfer request. In doing so the supplier could provide instant feedback to the customer on whether their request to transfer would be blocked. It would also

allow the supplier to identify whether a transfer would be objected to without submitting a transfer request.

- **Option 5.** Losing supplier indicates that he will not object. This option builds on the available (but infrequently used) process in the gas market that allows the losing supplier to indicate that they will not object following receipt of a loss notification. Where a losing supplier indicated that they will not object then this will provide certainty earlier in the process that the transfer will take place. Potentially this option could allow the proposed transfer date to be brought forward where the supplier has waived their ability to object. This could therefore reduce the overall transfer period. It is noted that there may be uncertainty at the point of transfer request on when the transfer will occur.

Action: Ofgem

- 9.5. One attendee noted that option 4 would not allow for customer related objections which can prevent erroneous transfers. Another attendee noted that the number of objections used to stop erroneous transfers was relatively low and that retaining this may impact on the benefits that could be achieved for the majority of customers by speeding up the process. Following a further discussion on the merits of retaining a period within which a supplier could withdraw an objection, it was suggested that this might not be needed as it was used relatively infrequently and caused a drag on the transfer timescales.
- 9.6. One attendee questioned Ofgem's initial analysis of option 4 against the evaluation criteria. NN agreed that in relation to the "Design – robustness" criteria this could be Red rather than Green as the performance of suppliers would still require Ofgem to monitor and enforce against the licence requirements on objections.
- 9.7. NN asked if there was value under Option 4 for a new supplier having the opportunity to initiate a confirmation during the sales process and discover at that point if an objection would be made.
- 9.8. One attendee asked whether the supplier could initiate the confirmation and therefore establish if there was to be an objection during the cooling-off period. The group decided not to pursue this option as it would require the transfer to be halted if the customer decided to cancel their contract.
- 9.9. AW requested COSEG members to consider reform options for objections and their assessment against evaluation criteria as well as discussing with relevant stakeholders/constituencies.

Action: COSEG members

10. Reform options: confirmation window

- 10.1. AW reviewed the current confirmation window in gas. This was defined as the minimum period of time between the end of the objection window and the transfer date. He described Ofgem's high level aim as being to promote faster switching and alignment with electricity by removing or reducing the 7 working day timeframe.
- 10.2. AW also noted the supporting paper from Xoserve which was circulated to the group ahead of the meeting and thanked Xoserve for this analysis. It indicated that Xoserve use the confirmation window to undertake interventions to improve the demand attribution process (via its Gemini systems). Xoserve agreed to provide analysis on the materiality of the interventions that it performs to improve demand attribution. Xoserve also suggested considering the costs of amending their systems to reduce or

remove the confirmation window in the context of the analysis provided to support UNC396.

Action: Xoserve

10.3. Another attendee noted that Xoserve had undertaken analysis of the different ways of achieving three week switching. This included looking at the confirmation window. They suggested reviewing these options to see if there was anything that could be learnt from this analysis. Ofgem agreed to circulate the eight policy options developed by Xoserve to support the 2010 discussions on three week switching. This was to allow parties to consider their potential application for reforming the gas confirmation window.

Action: Ofgem

10.4. One attendee commented that retaining the confirmation window would impact on dual fuel transfers. In particular, it would place a drag on the timescales for transfer that could be achieved in the electricity market.

10.5. One attendee noted that the confirmation window had been a feature of the market since the start of domestic competition. It was there to allow time for information to flow round industry and in particular for demand attribution. This was considered to be important to telling shippers what gas they need to flow on a particular day. One attendee noted that Project Nexus may alter the way in which gas is allocated and that this may impact on these discussions.

10.6. AW noted an error in the slide pack (slide 62) on the evaluation criteria for option 2 under design – robustness; this should have been green “No regulatory input required”.

10.7. AW requested that COSEG members consider the reform options for gas confirmation window and their assessment against evaluation criteria as well as discussing with relevant stakeholders/ constituencies.

Action: COSEG members

11. Wrap up and date of next meeting

11.1. AW agreed to update all necessary documents and circulate to the group.

11.2. AW thanked all the attendees for coming and for their contributions. The next meeting of the COSEG would be held on 10 June at Ofgem’s offices in London.

12. Summary of actions

	Action	Responsible	Due by/ Status
1	Circulate COSEG documents: <ul style="list-style-type: none"> ➤ Updated ToRs ➤ Updated Evaluation Criteria ➤ Materials for next meeting 	Ofgem	Updated ToRs and evaluation Criteria by May 28 th . 3 rd June (a week before next COSEG meeting).

2	<p>Reform options:</p> <ul style="list-style-type: none"> ➤ Consider reform options for objections and their assessment against evaluation criteria (including discussing with relevant stakeholders/ constituencies) 	COSEG members	For discussion at the 10 th June COSEG. We would welcome any early feedback by 30 th May that we could collate, make anonymous and circulate with the papers for the 10 th June meeting.
3	<p>Reform options:</p> <ul style="list-style-type: none"> ➤ Consider reform options for gas confirmation window and their assessment against evaluation criteria (including discussing with relevant stakeholders/ constituencies) 	COSEG members	For discussion at the 10 th June COSEG. We would welcome any early feedback by 30 th May that we could collate, make anonymous and circulate with the papers for the 10 th June meeting
4	<p>Reform options:</p> <ul style="list-style-type: none"> ➤ Circulate additional options for reform of the objection process for COSEG members to consider for the next meeting ➤ Circulate the eight policy options developed by Xoserve to support 2010 discussions on three week switching. This was to allow parties to consider their potential application for reforming the gas confirmation window 	Ofgem	Actioned
5	<p>CoS data:</p> <ul style="list-style-type: none"> ➤ Present updated CoS data on gas and electricity ➤ More details behind trends in ETs: update the charts on ETs by reason and by year with latest data ➤ Include an assessment of “missing reads” in the electricity market 	Ofgem	Date on domestic market to be presented on 10 th June (next COSEG meeting). Data on non-domestic market to be presented at a later meeting.
6	<p>Other sectors/ countries experiences:</p> <ul style="list-style-type: none"> ➤ Find out more details on other countries’ experience with better CoS process – will liaise with ERAA 	Energy UK	TBC

7	Other sectors/ countries experiences: <ul style="list-style-type: none"> ➤ Provide more details on switching process in banking sector ➤ Provide analysis of insurance market and consider guest speaker from Federation of Insurance Brokers 	Ofgem	TBC
8	COSEG work plan: <ul style="list-style-type: none"> ➤ Consider meeting location: preference to hold one meeting in Glasgow July 1st, July 22nd or Aug 28th? 	COSEG members	For discussion at the next meeting.
9	Other actions: <ul style="list-style-type: none"> ➤ Xoserve to provide analysis on the materiality of the interventions that it performs to improve demand attribution ➤ Xoserve to consider the costs of amending their systems to reduce or remove the confirmation window in the context of the analysis provided to support UNC396 	Xoserve	For discussion at the next meeting.

13. Appendix 1 - Attendees

Andrew Wallace (Chair)	Ofgem
Adam Carden	SSE
Andy Baugh	Npower
Andy Knowles	Gemserv
Ashleye Gunn	Which?
Chris Hill	Cornwall Energy, representing the Supplier Forum
David Rodger*	Scottish Power
Gareth Evans	WWA, representing ICoSS
Gethyn Howard	GTC UK, representing AiGTs and CNA
James Court	Consumer Futures
James Wilde	Laurasia Associates
Jason Stevens	Energy UK
Joanne Ferguson	Northern Gas Networks, representing GDNs
Jon Spence	Elexon
Julian Anderton	Energy UK
Kevin Werry	Laurasia Associates
Kevin Woollard	British Gas
Mark Pearce	ElectraLink
Paul Saker	EDF
Richard Hall	Consumer Futures
Steve Nunnington	Xoserve
Tony McEntee	Energy Networks Association

* via teleconference

Ofgem:

Grant McEachran, Nigel Nash, Rachel Hay, Robyn Daniell, Rowaa Mahmoud, Si Tze Wong

Apologies:

Teresa Camey	DECC
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