



PCW/Supplier Forum

Auto Switching Session
21 September 2021

Competition Act Reminder

- In taking part in this meeting, participants are confirming that they have undergone relevant training to raise their awareness of, and ensure compliance with, applicable competition law, including the Competition Act 1998 and Articles 101 and 102 EC and that they will not discuss matters that would or might lead to any breaches of competition law.

Agenda

Item	Topic
1	<i>Introduction & meeting aims</i>
2	<i>Overview – TPIs in the Retail Energy market – call for evidence</i>
3	<i>Feedback from Forum members</i>
4	<i>Current Auto-Switching examples</i>
5	<i>Existing process and initial consideration of faster switching impacts</i>
6	<i>Summary and next steps</i>
7	<i>AOB</i>

1. Introduction & meeting aims

- Focussed session to specifically discuss challenges associated with Auto-Switching
- Main purpose to identify any process implications associated with the transition to a five day / next day switch
- Opportunity to identify wider Auto-Switching process concerns and observations (not linked to a switch occurring faster in the future)
- For clarity, this session will not be considering Collective Switch activities, a forum position has already been agreed on this

2. Overview: TPIs in the Retail Energy market – call for evidence

- BEIS call for evidence issued on 16 August 2021.
- Includes specific reference to Auto-Switching and Auto-Recommendation services.
- Basis from which to consider current arrangements and any implications associated with the introduction of Faster & More Reliable Switching.

Overview

TPIs in the Retail Energy market – call for evidence

- *Auto-switching services automatically choose a new tariff or supplier on customers' behalf, based on customers' preferences. These can include cost, whether a supplier offers a green tariff, quality of customer service and any other applicable criteria.*
- *In addition, auto-switchers are able to exclude suppliers from the comparison at their discretion, for example one auto-switcher may exclude suppliers that do not pay commission, while another auto-switcher may instead decide to exclude a supplier which they consider to have a poor customer service rating.*
- *According to Ofgem, 5% of domestic customers were signed up to auto-switching services in 2020, with 39% of domestic customers aware of their existence.*
- *Domestic customers switching for the first time appear more likely to use these services, and they appear to be growing in popularity, as only 2% of domestic customers signed up to an auto-switching service in 2019 compared to the 5% for 2020.*

Overview

TPIs in the Retail Energy market – call for evidence

- *Auto-recommendation services are a slightly different business model which will not automatically switch customers to a new tariff but will compare the market and make a recommendation for the customer based on their preferences, or by monitoring their energy expenditure.*
- *Ofgem's research shows 20% of domestic customers were signed up to an auto-recommendation or 'energy scanning' service in 2020, compared to 11% in 2019.*
- *Auto-switching and auto-recommendation services can help customers remain engaged with the energy market while being less proactive compared to using a PCW, as the provider will check for alternative tariffs during or at the end of the initial contract term on the customer's behalf.*
- *Some may also provide additional customer support, for example helping to submit meter readings or obtaining a final bill.*
- *Similar to PCWs, auto-switchers and auto-recommendation services may receive a commission from suppliers, or alternatively require a subscription fee from customers in exchange for tariff comparison, switching and recommendation services.*

Overview

TPIs in the Retail Energy market – call for evidence

- Customers need sufficient **trust and confidence** in a TPI to be willing to use their services.
- Customers should also have sufficient confidence in how an auto-switching service works, and **understand the factors that could influence any switching decisions**, given that the customer places reliance on the auto-switching provider to make an appropriate decision on their behalf.
- **Commission arrangements and links with suppliers** may also result in similar issues for auto-switching and auto-recommendation service.
- (Ofgem Confidence Code) is a voluntary arrangement to which PCWs may choose to sign up or withdraw, and does not cover auto-switching services.
- It is **important that customers have sufficient information** when entering into contracts with auto-switching services. These contract terms can allow switching decisions to be taken on the customer's behalf, at irregular intervals or a later unspecified date.
- Auto-switching **services may not always fully inform customers of the criteria which they will use** to evaluate and select a new supplier, what customer preferences will be taken into account, or what may change for the customer as a result of the switch and which may not be evident to customers during the initial sign-up process.

3. Feedback from Forum members

During the preparation phase for this session, Forum members were asked to provide views on the following four questions:

- 1. What are the specific issues and concerns that are currently being encountered by parties engaged in Auto-Switching activities that need to be considered?*
- 2. Any initial views of how these issues might be specifically impacted by the introduction of faster switching arrangements?*
- 3. What is your view of the materiality (size/volume) of Auto-Switching in comparison with overall switching activity?*
- 4. Any other relevant concerns or observations?*

Q1: What are the specific issues and concerns that are currently being encountered by parties engaged in Auto-Switching activities that need to be considered?

Most concerns relate to customer communications and data quality

Customer communications:

- High number of complaints
- Whether consumers know when they have been transferred
- Consumers forget that they have signed up to a service and move property
- Differing models, some providers might require the consumer to confirm a switch before it happens
- Feedback from consumers is that they don't realise they're agreeing to switch, they believe they're getting just a quote but often they've signed up for a switch if no savings are found first time around
- Lengthening of the joining process and requirement for additional consumer effort – experience shows need to contact auto-switch consumers to obtain confirmation that they want to join them
- There are challenges associated with contacting ~50% of consumers, service providers are not always supportive of introducing extra verification steps
- Once a switch is submitted, important to be able to understand the status of the switch, enabling communication and setting of expectations with consumers which can alleviate contact from suppliers. In some cases consumers will expect updates from the Auto-Switch provider. Similar issue when changes within contract occur.

Data Quality comments:

- Data becomes poor after a period of time
- Current poor data quality, importance of robust contact information to enable the consumer to be updated and contacted in the future on changes
- At initial acquisition the challenges are similar to PCWs – ensuring that data is accurate and consumers are being switched to tariffs that can be supported by their meters
- At renewal, issues that arise are mainly around data quality, either with the customer or the meter. Access to updated industry data is important.
- How would data available from DES & ECOES be improved?
- Would address & MPxN data matching be improved?

Q1: What are the specific issues and concerns that are currently being encountered by parties engaged in Auto-Switching activities that need to be considered?

Additional general comments:

- Huge improvement if there is a better centralised database of switching state (gas & electricity) for every consumer.
- Erroneous Transfers – losing Supplier incurs charges/guaranteed standards payments if new supplier doesn't respond on time
- Concern about ability for forward switch irrespective of whether the consumer is still at the property – low down priority list (to notify the auto-switch provider) when they move house – particularly an issue for prepayment consumers
- There are different auto-switching models in the market, some with high switching frequency.
- Would there be new mandatory requirements for all suppliers to receive switch requests sooner than one daily batch?

Q2: Any initial views of how these issues might be specifically impacted by the introduction of faster switching arrangements?

Wide range of concerns: Financial, validation, settlement, consents, data

- Need visibility of switch being linked to an auto-switch service
- Financial implications – multiple switches with no financial return
- Settlements processes may be impacted
- Overnight batch processes may fail if the consumer returns the next day
- What options would a consumer have for cancellation within the first few days?
- Faster switching impacts any consumer verifications steps that are helpful to prevent erroneous switches
- Potential increase of erroneous transfers due to lack of time for the consumer to find out what is happening
- There are potential issues with explicit consent from consumers concerning both the Supply Start Date and billing prior to cool-off
- Faster switching arrangements in principle are beneficial to consumer, helping to improve trust and transparency
- Clarity over switching timescales at renewal and when exit fees will be applied will be useful to inform process changes
- Access to industry data important to ensure best possible data quality when switching at initial acquisition and at renewal
- Access to switching data to understand switch status post switch submission to help consumer communication
- Cool-off periods may change operational processes in some cases

Q3: What is your view of the materiality (size/volume) of Auto-Switching in comparison with overall switching activity?

Uncertainty, but with some expectation of growth:

- Market is currently small but future projections are impossible as the customer is not flagged as an auto-switcher.
- Difficult to say with any accuracy in the absence of detailed market metrics
- Expectation that auto-switching services will continue to grow significantly in popularity in coming years
- Consumers like and are engaged with the model and hassle free approach to saving year on year
- Ofgem are also trialling auto-switching measures and the behaviours insight team have called auto-switching a win for consumers and public policy
- Materiality in terms of volume of consumers that engage today is not necessarily reflective of the future market
- Consideration and awareness of future Market Half Hourly Settlement changes which may prevent consumers from switching to/from certain Suppliers for a period of time

Q4: Any other relevant concerns or observations?

Essential to engage Auto-switching parties

- Are providers aware of, engaged in or tracking the Switching Programme?
- What are providers current perceptions of what the Switching Programme reforms will mean for their services (e.g. in terms of data, process, offerings)?
- How are providers interpreting the changes to switching speed and cool-off within their consumer messaging and data collection / maintenance routines?
- Do service providers view Ofgem's reforms as helping or hindering their market place?
- Need to identify who is carrying out the switches
- Need to understand existing process for advanced switch dates
- Interesting that suppliers being on an auto-switch panel doesn't necessarily result in that supplier getting their expected share of switches
- Fundamentally, when switching at acquisition or at renewal, both auto-switching providers and Suppliers want the switch to be successful – an unsuccessful switch is a poor consumer experience and reflects poorly on both parties and degrades trust in the industry
- This is virtually impossible without access to industry data. Data cleanse activities will also be hugely important to ensuring a smooth consumer experience
- Where there are homes moves or changing circumstances, it would be beneficial for Suppliers to advise, or have access to industry data, so that incorrect switches can be avoided
- Customer ownership lies with both the Supplier and the auto-switch provider, the Supplier whilst on supply with them, the auto-switch provider for the long term
- Consumer communication – both parties tend to send communication during the customer lifecycle which can be confusing for consumers

4. Current Auto-Switching process examples

1. You tell us how you like your energy

You enter your tariff details, and let us know your preferences. Pick whether you want green-only tariffs, set your minimum saving and more.

However you like your energy, we'll make it so.

2. We switch you to the best deal

We use our super-smart algorithm to find you the best deal from over 26,000 tariffs.

3. We keep checking

We keep checking to see if we can find you a better deal. In general, you'll get switched every 6-9 months, and our average members save over £400 per year!

1. Get your quote online in seconds. We just need your email, address and postcode. We'll look up your current supplier and your energy usage. You don't even need to find your bill.

2. We'll show you all our top energy deals. Simply choose the one that suits you best. If you're already on a good deal or should wait to avoid exit fees, we'll tell you that too. Once you're happy with your quote, we may need a few more details to complete your sign up.

3. Once you've chosen your deal, we'll confirm the details. If you're happy, we'll start the switch process. Our London-based team will work with your new energy supplier to manage every step of your switch. We'll keep you informed all the way.

When we start your switch, you still have 14 days to change your mind. You can cancel with no fees or penalties.

After your 14-day cancellation period ends, it normally takes 7 more days to process your switch.

Unlike our competitors who start your switch and walk away, our technology makes sure your switch is 100% completed.

4. After you switch, our technology keeps scanning the market for great deals. After all, your new supplier might put up prices at any time. When you can save by switching again, we'll send you details of your new plan and start your switch. If you don't want to go ahead, it's easy to cancel. You're always in control.

Remember, it's important to switch regularly to stay on a great deal. Loyalty isn't rewarded. Most suppliers use the best deals to attract new customers – and increase prices for loyal ones.

So you don't pay exit fees, we'll normally switch you once a year, within the last 7 weeks of your current contract.

We'll send you details of switches via email or SMS alerts. So please make sure your details are correct.

5. From now on, you don't need to do anything to stay on a great deal. As long as you're happy with our service, we'll do all the hard work for you. No more trawling comparison websites – or ending up on a bad deal because you were too busy to switch. With us, you save money doing nothing.

If you need to tell us about any changes, simply go to our member area, or drop us an email and let us know.

1. Sign up once in two minutes with just a tiny bit of information. No more form filling ever again!

2. We put our advanced algorithms to work and find you a great deal, you do nothing.

3. We let you know that we've found a deal and switch you, taking care of everything.

4. When that deal ends we'll switch you again, you don't need to do anything!

1. We compare tariffs from 50+ energy suppliers using the data from your bill to ensure our savings calculation is as accurate as possible

2. Once we have found you a better deal, we email you the details.

3. We manage the whole switch for you and keep you up to date by email. But if you do have any questions our energy experts are on hand.

4. We check the market every month and will switch you every time you can save at least £50. This ensures you stay on the best deal as prices and tariffs change.

5. Existing process and initial consideration of faster switching impacts

When considering the introduction of FMRS:

- It is assumed that these consumers are probably not interested in the speed of switch
- Auto-Switch providers (outside of engaged PCWs) are potentially unaware of the intricacies of faster switching implementation i.e. regulatory policy, standstill, consent to bill during cool-off, new cooling-off arrangements etc.
- Need to consider if there are any new or different implications (to those already considered by the Forum) that are specifically associated with switch requests generated by Auto-Switch providers
- Do Suppliers follow a different process when progressing switch requests from Auto-Switch providers?

Auto switching consumer expectations

Switch now

Future switches

FMRS impacts



Customer expectations

I want to save money now, but I don't want to go through this every year.

I want you to make sure I'm always on a good deal, using my criteria

Tell me when I'm switching, who to, and how much I'm saving. Tell me how to say no.

I'm not paying you

or

I want the cheapest deal and I'll pay you to find it



Auto Switch provider

Welcome. We'll look after you. Here's our recommendation. We will take it from here

- Your new Supplier will be COMPANYNAME. This will save you £xxxx
- They will make contact and advise you of your switch date
- You will need to settle any debt that you owe your current supplier
- Tell us if you've moved to a new house
- When you've switched you can still change your mind. Your Supplier will provide the details of your rights and options
- You are agreeing to pay for any consumption and standing charges if you change your mind



New Supplier

Welcome.
Please send us your meter readings (*if no smart reads*). Tell us if you have any special needs.
Your supply will start on DD/MM/YY. Here are your Ts and Cs. You can change your mind for 14 days.

Prepayment: Here is your new payment card/device. Please use it from DD/MM/YY and return/destroy your old one



Old Supplier

We're sorry you're leaving.
Potential 'save' messaging
Final bill/credit within 42 days

Prepayment: Please return / destroy your payment device when your supplier has sent you a new one and told you to start using it

- These customers are probably not interested in speed of switch
- AS providers must manage process: there is potential to complete switch ahead of customer notification.
- Is it true that the supplier will advise of the switch date?
- Does the New Supplier and Old Supplier process change for AS led switches?
- AS awareness of new faster switching arrangements?
 - Where do customers consent to pay for energy used in cool off?
 - Messaging from AS providers will need review (e.g. cool off)
- It is assumed that no Priority Service or Credit Vetting information is captured by AS providers
- How is customer notified of objections? What is the sequence of communications?
- Is the AS aware of the switch progress/status?
- Are the consumer communication requirements (accuracy & consistent) the same?
- What are the complications when a customer switched erroneously e.g due to CoT?
- Will the AS provider access EES and GES ahead of instigating a switch?
- Will the AS Provider hold the REL as part of the customer account?

Consumer Messaging Principles at point of sale

Does anything change for an AS led switch?

1. Next Steps

- *What will happen next & who will make contact with you*



• *Your new Supplier will be in contact with you shortly to confirm your switch and provide you with a welcome pack/letter, which will include the full Terms & Conditions.*

2. Speed of switch*

- *Indication of how long the switch process might take, without providing commitment to a Supply Start Date (as this will be provided by the Supplier)*



• *Your new Supplier will advise you of your switch date, this is normally no later than five working days from the point they have all the information required to progress your switch.*

3. Cooling-off

- *Provision of information that is aligned with the legal definition and easy for the consumer to understand*



• *You have the right to change your mind, information provided by your new Supplier will detail what your statutory cooling-off rights are.*

4. Unpaid debt

- *Advising that the old Supplier could delay the switch if there is an outstanding debt (unless it is a prepayment debt that can be transferred as part of the process)*



• *Should you have any outstanding charges with your current Supplier, this may impact the progress of your switch.*

5. Provision of an opening meter reading

- *Advising the consumer that they will probably need to send a meter reading to their new supplier to get an accurate closing bill (or credit)*



• *Your new Supplier may require you to take a meter reading on, or close to, the day of your switch.*

6. Collection of vulnerability / PSR information

- *Asking the consumer whether they have any special needs or requirements*



• *Any information provided will be passed onto your new Supplier, who may subsequently require further information from you.*

* Switch speed messaging is subject to bi-lateral agreement between PCWs and Suppliers (there is a potential for more confident messaging on switch date). The Supply Start Date may also be impacted should a consumer choose not to Consent to pay for energy charges during the cooling-off period.

6. Summary and next steps

7. AOB
