



26<sup>th</sup> November 2010

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Dear Gavin and Katharine

26<sup>th</sup> November 2010

**Strategic Review of Consumer Switching:  
A Consultation on switching processes in the UK communications sector: September 2010**

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Gemserv welcomes the opportunity to respond to the above consultation and is fully supportive of Ofcom's strategic view that Gaining Provider Led (GPL) processes are preferable to those that are Losing Provider Led (LPL).

Gemserv specialises in the development and management of efficient and effective industry-wide governance arrangements. We are the leading specialist UK consultancy in market architecture design and have an expertise in both developing switching processes and providing frameworks for building consensus between competitors to ensure processes work.

We believe that switching solutions should be readily accessible and straightforward to operate at both low and high volumes, thereby providing a fair arena for all market participants. It is an imperative that a transfer process should be commenced with a high degree of certainty that it will reach a successful and timely conclusion – there should be clear visibility of participant obligations by constructing supportive pro-competition governance arrangements, with a focus on consumer protection at their heart.

Gemserv's experience in developing 'greenfield' switching frameworks and evolving existing processes can add a unique insight and value to the strategic review. In this response we comment on Ofcom's findings and include further considerations and principles that we believe are important when considering future consumer switching frameworks. We also consider the questions asked in the other sections to add deeper insight where we feel it is of value to the authority; in particular in our response to the questions from section 6 of the consultation, where we are pleased to also provide an outline of a proposed switching process that could be considered for both the current and future scope of the review of switching.

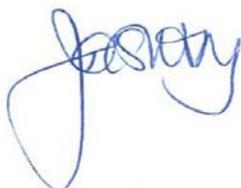
In summary:

- We strongly agree with Ofcom's strategic view that GPL processes are preferable to LPL. Gemserv are of the view that a LPL model does not provide the incentives and efficiencies in the right place.
- We support the principle that competition in single and bundled services can be more effective in an environment of streamlined and assured transfer processes
- We believe that a framework of transparent and proportionate market interactions underpin a fluid market, which secures healthy and effective competition.
- We support the approach to first focus on fixed-line and broadband, including single and bundled services, and recognise the challenges of a technology flooded market, with attractive packages of installations and services which fuels a need for effective switching mechanisms across all offerings.
- We believe that consumer benefits flowing from an effective market are broader than switching. A market working effectively for consumers should also include;
  - Consumer services - erroneous transfers, prompt final bills
  - Consumer technical services – fault fixing
  - Consumer confidence – codes of practice and governance arrangements ensuring best practice in sales activity, debt management and priority services

Given our breadth of experience (we manage the consumer switching and wider retail processes for the GB electricity market, comprising some 29 million meter points), we believe that we are well placed to support the development of switching arrangements. More specifically we would like to discuss with you how we can actively contribute to the development of the switching processes for fixed line and broadband services and the development of industry governance arrangements for such processes. We would like to support Ofcom in defining the solutions to be put forward in the follow-up consultation due in May 2011.

In the meantime, should you have any further questions, please do not hesitate to contact me on 0207 090 1021 or [jill.ashby@gemserv.com](mailto:jill.ashby@gemserv.com)

Yours sincerely



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Response to Strategic Review of Consumer Switching

**Consultation Response**

## 1. **Section 4: Consumer experience of switching**

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### **Question 1: Do you think hassle is a key issue we should tackle in this review?**

Gemserv concur with Ofcom that although hassle is not the only reason for consumers choosing not to switch between providers, it is nevertheless a key issue particularly among considerers and switchers (namely those who wish to be or have been engaged in the competitive process).

For inactive switchers, inertia can only be overcome by changes in consumer behaviour. Interest in a product or service that is the subject of advertising and sales activity is a personal matter, and inactive switching may be a consequence of consumers' disinterest in a new product/service or that they are not dissatisfied with their incumbent equipment or service. Indeed, the existence of competition can drive improvements in customer service to secure retention of existing customers – this was seen in the experience of market opening for water in Scotland, where feedback from business customers indicated a significant improvement in attractive offerings from the incumbent monopoly provider.

Gemserv believe that the market infrastructure should not be detrimental to the exercise of switching. The key is that those who wish to switch provider, or pursue an interest in a single or bundled product, can be confident that the decision to acquire that is the last step to achieving it, not the first step on a long journey to reach the end-goal.

Fundamentally, removing the opportunity to frustrate the process of transferring by putting extra steps in the path of the consumer - something a well designed GPL process delivers of itself - contributes to taking away the 'hassle factor'. Any touch points between the consumer and the Losing Provider after a decision to switch are barriers to Gaining Providers and, by extension, competition.

It is a challenge to gather objective evidence on this subject as it is largely anecdotal or behaviourist. Nevertheless, the evidence presented does show that too many consumers who wish to take part or have recently taken part in the competitive process are deterred because of 'process' (current LPL processes being more of a deterrent than GPL processes). Gemserv believe that hassle caused by process failure could be significantly reduced by a GPL approach but it will also depend on an appropriate market infrastructure to support the GPL process. We explore this further in [part three](#) of this response.

It is positive that the evidence shows that where consumers do have less touch points their perception of hassle reduces, therefore pointing to the need for a GPL model. The Notification of Transfer (NoT) process, despite its current lack of validation checks (discussed later in this response), does show that a GPL model is less of a hassle for consumers because, having chosen to switch, they are not required to actively participate in the migration process.

Contact is a key issue in terms of consumers being hassled and frustrated in a LPL model. Gemserv believe that a LPL model does not provide the incentives and efficiencies in the right place. For example, it creates a need for more contact in that the consumer must additionally engage with the Losing Provider (LP) as an integral part of the process. This opens an opportunity for the LP to frustrate the switch as there is a disincentive to route consumer loss calls to customer account closure staff and rather divert such calls to customer retention staff with the consumer being exposed to staunch save activity. This is demonstrated in the findings of the customer surveys and, although some customers were receptive of save activity, it remains the case that such activity should not be triggered by a potential 'loss' call.

Another factor Gemserv consider to be relevant is the 'hidden' cost this save activity contributes to the overall costs of switching. A factor in the levels of potential switches that are not converted is attributable to this LP 'targeted save activity', Removing this opportunity for LPs will not only reduce the perceived or real hassle that consumers face, but will also lead to better statistics being available on the actual conversion rate of switches.

In the energy sector, a strong driver for switching is price and it is often the case that an upturn in switching activity is seen as a consequence of price rises. Touch points with the losing supplier are likely to be an irritant to a consumer in these circumstances as they are already decided upon ceasing their relationship with that supplier.

On the basis of the above, we strongly advocate that all transfer activity is driven by the GP to ensure that the consumer deals with their preferred provider from the point at which the switch is initiated. Hassle for consumers could be further reduced by more rigour in the switching process. Maximising both visibility and validation is likely to give more confidence to consumers to switch

**Question 2: Do you agree there is a lack of clarity about the switching processes that consumers need to go through to switch and this may create a barrier to switching?**

Gemserv acknowledge that lack of clarity about the switching processes could create a barrier to switch and therefore to the effectiveness and competitiveness of the market. However, we do not

consider clarity of process is as important as certainty of outcome. Taking the energy sector as an example, it is not the case that consumers have complete clarity in regards to all the workings of the underlying 'back-end' migration process, and perhaps nor should they. The case for clarity manifests where the consumer needs to actively participate after the decision to switch has been made. We believe that ultimately if an effective GPL process existed, 'consumer clarity' would be enabled by the simplicity of their role in the process, which should effectively be *'you decide, and we do everything you need to switch'*.

In the current situation, as demonstrated in Figure 8 of the consultation, there are chiefly three permutations for switching: NoT, MAC/PAC and C&R. These are further distributed between switches for fixed line, mobile and/or broadband dependent on the technology and service provider consumers have or are going to. In the case of Pay TV, this was the only medium where 100% of the switches followed the same process. Whilst this could be described as providing clarity because there is only one way to do it, this method gives rise to consumers paying additional costs where the 'Cease' and 'Re-provide' are asynchronous events. Gemserv do not believe this meets the objectives of a consumer-centric process, albeit that it could be argued that it provides clarity of process.

It is worth highlighting the evidence that Ofcom provided in this section relating to 'considers', i.e. those who want to take part in the competitive process but are being put off by not knowing how to switch. Whatever the comparative figures to others sectors in the UK or the same sectors abroad, the range between 30% to 40% of 'don't knows' in relation to having the knowledge of the switching process is high and should be addressed. We suggest clarity of outcome is key and this message, through well managed communications, by Ofcom, Industry Trade Associations and Consumer Groups will help. We consider this further in our response to Question 3, below.

It is apparent that the challenge of clarity in relation to bundled products is currently, and will increasingly become, a problem and that contractual awareness is also key. We consider these two factors further in the following paragraphs.

On the first point, we believe that if consumers' involvement in the switching process does not extend beyond signing for their preferred product, and a well-defined GPL process manages the back-end process for migrating that consumer, then barriers are removed. If there is consumer confidence that a smooth process is in place to give effect to their decision to change provider, and that their involvement, whilst ideally negligible, is clearly understood and explained up front, then they will be encouraged to switch. This is demonstrated by historically low levels of switching in other sectors, for example, banking, where the scale of customer effort in respect of transferring

critical personal banking activities such as direct debits proved a significant barrier to customers and was a contributor to low-confidence by consumers that a switching process would be a success.

In respect of contractual awareness, we note the statement that the LPL model means customers are made aware of Early Termination Charges (ETC) but we suggest that these can be effectively addressed in a GPL switching solution both at point of sale by the Gaining Provider (GP) and as an 'objection' reason code by the LP (an objection in these circumstances does not need to stop the switch from occurring but simply act as information that goes back to the consumer to highlight their ETC obligations).

We note that there are ongoing initiatives related to switching that are outside the strategic review which are looking into barriers arising from ETCs and contractual issues. However, we recommend that this work should form part of an overall package of improvements, rather than being isolated workstreams from the review of switching.

### **Question 3: Do you think clarity is a key issue we should tackle in this review?**

'Clarity of outcome' is a crucial principle for both consumer confidence and effectiveness for Comms Providers in the switching process. Clarity is important, but the fundamental requirement is consumer confidence in the integrity of the switching process to deliver what they are seeking – namely to receive services from the provider of their choice. Therefore every opportunity to tackle this key issue should be sought, not least for the reasons mentioned in our answer to Question 2 above, in particular regarding transparency of process and contractual awareness.

We advocate that the market switching arrangements should be designed with the key objective of progressing a consumer's desire to switch. Furthermore, the market arrangements should facilitate that objective through efficient and effective 'behind the scenes' migration and exception-handling processes.

We note that there are ongoing initiatives related to switching that are outside the strategic review which are looking into barriers arising from contractual, process and information issues. However, we recommend that this work should form part of an overall package of improvements, rather than being isolated workstreams from the review of switching.

By way of example, we have been involved in a number of exercises to improve customer transfers in the energy sector. In particular, we make reference to the Energy Retail Association's

'Making it clear to switch' leaflet<sup>1</sup> and Consumer Focus's efforts to introduce and to advertise the Confidence Code in Energy. These steps have provided additional clarity of outcome to consumers and encourage well informed switching. Ofgem played a key role in introducing these measures and competitor suppliers cooperated with the regulator to provide clear, unbiased advice for consumers to encourage switching.

Ofgem also championed the introduction of the Customer Charter in the energy sector to address erroneous transfers and market participants were invited to workshops to develop and support the arrangements to identify erroneous transfers and return the customer to their previous supplier.

Gemserv were deeply involved in the development of the mandatory market procedures in respect of handling erroneous transfers for domestic customers in the GB electricity sector, and we currently manage the Energysure service. We would be pleased to discuss the background of the development of either or both of these arrangements with Ofcom to assist with their understanding of analogous undertakings in other regulated sectors.

Gemserv agree with Ofcom that the use of licence conditions enables the regulator to implement requirements that might not be contemplated in general consumer-protection legislation, or be expected to be delivered by market forces alone. A general condition on all providers to have a code of conduct in respect of clarity could provide a focus for the market to develop appropriate measures and guidance to contribute towards improving information for consumers. The code of conduct could, for example, also include information on what to expect from the switching process, and what to do/who to contact if unexpected problems occur. We further believe that the existence of such a code provides a useful check for Comms Providers in revealing the potential complexity of the process and leads to better controls within the industry. In effect, it facilitates a form of collaborative and effective self-regulation. We discuss this aspect further in the Governance section of in [part three](#) of our response.

#### **Question 4: Do you think continuity of service (including unwanted breaks and double billing) is a key issue we should tackle in this review?**

We concur that continuity of service is another key issue. It is not only inconvenient to lose key services; it can cause unnecessary anxiety and financial loss for consumers and affect their perception of switching to innovative products in the future. Cease and Re-provide (C&R) is obviously the most problematic since it relies on the consumer to direct the process precisely between the GP and LP, but the fact that one third of MAC consumers switching have some

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<sup>1</sup> See [http://www.energy-retail.org.uk/documents/Switch\\_Leaflet\\_080909.pdf](http://www.energy-retail.org.uk/documents/Switch_Leaflet_080909.pdf)

degree of unwanted break seems a very high figure. Even where Pay As You Go (PAYG) mobile services offers a contingency it is still inconvenient nonetheless for mobile consumers, and serves only to mask the deficiency in the process.

We also agree that double billing instances as a consequence of the C&R process is more than simply a financial cost for consumers. An average of £30 is a high price for individual consumers to pay to compensate for process inadequacy, and is also a 'hidden extra' component of switching costs for this process. The market also suffers in terms of innovation and reputation. Resistance to switching arising from switching costs acts as a constraint on a Comms Provider's incentive to create innovative products and consequences for the UK position as pioneers of these types of services.

Communications is becoming more important to both domestic and non-domestic consumers and any loss of service is unacceptable at this stage of market evolution and technological advancement. Our view is that the certainty of a switch date without an unwanted break in service is key to consumers, and should be designed-in to any reformed switching process. We have demonstrated this in the alternative option for a GPL switching process, which we advocate later in [part three](#) of this response.

Without well managed switching processes for each component technology package of the market the inadequacy of the switching processes to manage continuity of service is exposed. Moreover, customer's overlapping payment for service provision between providers and complacency in the switching process such that it cannot guarantee continuity is not acceptable. We understand that there may be technical reasons why 100% may not be achievable, but these should be exceptions, and by far the significant percentage should be assured. What is crucial is that the consumer should not bear the burden for process inadequacies and we strongly recommend that Ofcom seek to achieve a minimum standard for broken connectivity in the domestic and business sectors.

**Question 5: Do you think the ability of providers to frustrate the switching process is a key issue we should tackle in this review?**

We strongly support addressing opportunities to frustrate the switching process for either GPs (e.g. slamming) or LPs (e.g. targeted save activity) being included in the review. It may be that the GPL process mitigates some of the issues arising from placing the LP at the forefront of the migration process and reduces, for example, the opportunity for LPs to use the PAC/MAC process to forward switching requests to an operative tasked with 'save' activities. Conversely, a GPL process may raise the risk of undetected slamming progressing as a genuine switch. However, we would

observe that any detriment caused by LPs actively seeking to frustrate switches, e.g. through save activity is largely hidden within either PAC/MAC non-issuance (or implementation by a consumer) or the Cancel Other facility. Thus, it may be that potential switches which are suppressed by undue LP involvement is material.

In our view, any instance whereby a provider could frustrate the migration process should be measurable and auditable. For example, in our experience of the Erroneous Transfer/Customer Charter process in the electricity sector, there was a collaborative agreement with the market, including the regulator, as to the appropriate grounds which could constitute an Erroneous Transfer. Furthermore a level of 'goodwill' was required to adopt mutuality in providing for a 'customer requested objection'. This circumstance flags that the customer has reservations about the due process for a transfer and provides a clear indication to both the gaining and losing suppliers that the customer has issues which can be resolved bi-laterally by each according to the strength they believe their contracted position to be with that customer. The resolution of the customer objection may or may not eventuate with the continuation of the switch, but it does in either event prompt the suppliers to reconsider their respective positions. Furthermore, objection reasons in the electricity market are monitored, including from within the industry registration systems if requested; and are required to be auditable, which provides further safeguards against misuse.

Gemserv's experience is that the appropriate arrangements lie somewhere between placing the incentives in the right place, e.g. with the customer's preferred provider, and an appropriate level of self-regulation achieved through transparent rules of operation with regulatory oversight.

In terms of slamming, such malpractice is unacceptable, causes harm to consumers and leads to reduced confidence in market integrity. We were pleased to respond to the 'Fixed Line Mis-selling Consultation' in 2009 and also consider that the subsequent introduction of General Condition 24 was positive. We are also supportive of the guidance on the controls expected to be in place by all Communications Providers in respect of avoiding slamming and misuse of Cancel Other. We suggested a number of alternative ways to tackle mis-selling in our response to the 2009 consultation, although it is observed that an environment where it is eradicated has not been achieved in any open market.

We stated that there were merits to having some core processes in place together with a governance framework around a defined and clear code of practice, even in an outcome based approach that was advocated in the consultation. We suggested that there were various options that would aid compliance and give providers the correct mix between autonomy and support that

will help lift standards across the industry.

Gemserv proposed the creation of an environment where providers collaboratively discuss issues to develop solutions which, rather than being detrimental to competition, enables widespread improvements in performance to be achieved collectively.

A forum (whether virtual or face to face), for example, for participants to share best practice and tackle root cause does not necessarily need to be at the detriment of competitive edge, but would enhance the efficacy and reputation of the switching process leading to confidence of consumers to switch. The forum could be facilitated/managed by an independent body. This may be particularly useful for less established providers and it shows a commitment to improve the consumer experience. It would provide a support mechanism to providers such that they have all the tools available to enable them to understand and be accountable in relation to raising standards. The forum could be seen as a quality mark to give confidence that providers are taking mis-selling seriously and are prepared to invest the time to improve market processes. Gemserv recognise that, due to the large number of providers, it may not be logistically possible for them to sit around a table once a month, but other options are available in the form of regular workshops and online support.

In further exploring possible ways to tackle mis-selling and slamming, we advocated independent risk-based audit as a way to assure Ofcom of compliance to the General Conditions and Key Performance Indicators (KPIs). This audit should focus on analysing outcomes such as complaints and how they relate to provider's reporting. Again, Gemserv note that the number of providers is much larger than in other sectors and the capacity to externally audit all providers is logistically constrained. However, the risk-based approach suggested could tackle those providers mis-selling and request audit to identify how they can improve. The focus of audits should not be on the providers with legitimate practices in place that are compliant in their outcome. Intervention by regulators and legislation (such as the relatively recent Consumers Estate Agent and Redress Act 2007) has strengthened complaint handling procedures in the relevant sectors. The new approach to audit and reporting in these sectors, implemented to ensure consumer confidence, is notable and transferable to communications.

In our response to that earlier consultation, Gemserv also suggested consideration of a database for persistent mis-sellers to tackle the issue of slamming at its root. A simple database would protect consumers and providers from rogue salesmen and better protect the reputation of the industry. Using the GB Gas and Electricity markets as an example, the EnergySure Database is one part of the governance framework for tackling root cause. Gemserv recently built a new

EnergySure database for energy suppliers with all direct selling agents required to be registered and persistent mis-selling resulting in de-registration. Where agents move from one supplier to another their record for selling is visible and serves as a caution to potential employers. This form of strengthening governance would encourage standards to improve as the consequences of mis-selling by individuals would be more severe. This was a cost-effective and simple solution to implement and sustain in the GB energy sector which was identified as beneficial for that same sector by the Australian Retail Association. This solution is therefore demonstrably transferrable to the communications market, and would give consumers another clear sign that the communications market is responding to protect their interests. We would be happy to discuss this further with Ofcom in order to inform them of the arrangements used in other sectors.

Strengthening the governance framework to reduce mis-selling is more than just the measures outlined above. Gemserv recognise that Ofcom are fully aware of the potential harm caused by frustrating the competitive process across the communication sectors and the current inefficiencies that allow this to occur. We welcome the recognition of the need for verification in the GPL process to reduce and identify slamming (whether intentional or erroneous) and to reduce LPs ability to frustrate genuine switches. In [part three](#) of our response, we look at means to add rigour to the NoT and Cancel Other processes.

The research of other sectors and of other countries is interesting. Gemserv believe that an independent third party telephone verification service needs further consideration both in terms of scope and other measures which could be considered, some of which we touched on above. However, we do strongly advocate industry agreements or codes of practice (such as those mentioned above in our response) perhaps mandated through an additional requirement under GC24, and penalties for proven slamming should be in place regardless of any Third Party Validation body, since these measures send a message to consumers that the industry is committed to maintaining the integrity of market practices.

Gemserv has extensive experience of design and governance in relation to switching processes, including in the GB electricity and Scottish water markets, and take as positive reference to electricity in this section of the consultation. We facilitate the online enquiry service for confirming electricity meter point information as part of the customer transfer process and were heavily involved in the development, implementation and on-going management of the erroneous transfer process, both of which Ofcom reference. We recognise the differences between energy and the communications sectors but believe the principles and core processes needed are aligned and the measures are to a large degree transferrable.

However one point of clarification is that the electricity sector does not require a postcode as part of the validation, only the knowledge of the MPAN, i.e. the unique reference. This means that there are fewer rejections due to postcode issues (which are controlled outside the sector and therefore subject to variations which are not core to the transfer process). Mobile services are not dependent on postcode other than for identification of billing address so any inclusion of postcode in the unique referencing should not in our opinion be pursued, although we acknowledge it has a place in generic verification (not validation) routines.

In order to provide consumer confidence and ensure a fair competitive market, the incidences of LPs frustrating the transfer process must be minimised. Experience in other markets suggests that this can only be achieved with a GP led model that suppresses the opportunity for LPs to either frustrate the switching process through targeted save activity or to act as the arbiter in determining whether a switch is a result of slamming/erroneous transfers.

**Question 6: Do you think consumers' experience of save activity is a key issue we should tackle in this review?**

Fundamentally, we believe that save activity can be harmful to consumers who have made informed decisions to switch their Communication Providers, especially when it pressurises consumers or potentially diverts consumers to a new contract with the LP. This acts as a barrier to switching despite acknowledgement that a proportion of consumers might be offered better deals to stay. We do not completely disregard the strategy of save activity but do not believe that it has a place within the current LPL migration processes.

**Question 7: Are there issues specific to either residential or business consumers' experiences of the switching processes that you think we should tackle in this review?**

We agree that the issues identified affect both residential and business customers. However one size does not fit all in relation to business customers. Businesses range between large commercial companies with a national portfolio; large industrial organisations; small and medium enterprises (SMEs) and businesses whose profile is closer to that of a domestic consumer.

We would advise consideration of whether a similar level of protection against the key areas of negative influence identified in Section 4 of the consultation document should be given to, for example, SMEs and micro businesses alongside that of domestic consumers.

## 2. Section 5: Impact on competition & market structure

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### Question 8: Do you agree with our analysis of switching costs?

Gemserv agree with Ofcom's decision to analyse implied costs associated with switching processes rather than the total cost of switching. We appreciate that, as stipulated in the consultation document, there are several types of switching costs. We agree that the focus for the review should be on those costs that 'process' can control or influence, rather than those incurred irrespective of the process.

It is well understood that the level of switching costs can significantly affect the level of prices and nature of competition, and therefore have a knock on effect on consumers. As noted in the consultation document, those providers who have more consumers to lose are likely to gain advantage from relatively high switching costs and any barriers to entry or market penetration such as:-

- complex processes which require significant business process and system development;
- burdensome processes to achieve equivalence of access (e.g. network connection); and
- In-built barriers to switching such as those areas highlighted in Section 4 of the consultation document.

The incentive to make it 'difficult to switch' increases lock-in and a steady stream of future revenue. This situation leaves smaller providers in a difficult situation in that they have to price low to attain customers so as to build a base to be able them to retain them. Pricing low and negotiating the costs associated with inefficient processes is hard for smaller businesses and reduces their opportunity for automation and system solutions as they need to focus resource to handle exceptions, appointments and alike. This is an unfavourable market position because high switching costs leads to higher prices which has a negative effect on consumer welfare. Similarly, it might be expected that reduced switching costs would have a positive effect on consumer welfare as there is more opportunity for those savings to be passed on.

It follows that the LPL and C&R processes have the most significant negative impact on consumer welfare. Ease of switching is proven to be low and the market is characterised by price differentiation between new and existing customers. However, we note the view expressed in 5.38 that suggests the NoT and PAC processes do not have a significant impact. As we have highlighted throughout this response, the limited verification currently in place to protect consumers opens up the propensity to slam and abuse the cancel other process to unfairly retain

consumers. Consequently, although NoT and PAC may compare favourably to LPL and C&R, it is relative and the current processes continue to have a significant impact on consumers.

The evidence highlighted in the consultation stipulates that the cost of switching process failure is manifested by markets favouring oligopolists and making entry for new providers more difficult. That is why we advocate the introduction of a GPL process, which places the incentives in the right place. In such a process, our view is that market design should be from a new entrants perspective, which means that switching (process) costs should be designed to be low (or at least cost-effective) as customer acquisition is a key activity for their start-up.

To an extent, switching costs are unavoidable, and those facing exposure to such costs need to be confident of 'what they get for their money'. In the water market in Scotland we designed a simple 'up front' notification of transfer, followed by a logical sequence of transactions and hand-shakes to ensure participants were informed of progress through the chain of events. This approach provides cost effectiveness and surety of the switching process and reduces losses from sunk costs arising from switches that fail to complete.

### **Question 9: Do you agree with our analysis of save activity?**

We believe that the arguments and considerations put forward by Ofcom in this section show a large degree of depth and appreciation for the nuances attributed to save activity. We found the analysis thorough and acutely perceptive in describing often subtle differences.

Save activity, predicated strictly on the basis of a notification that a customer wants to leave, is a characteristic of the LPL process. LPL models, not exclusively but more explicitly, give the opportunity for losing providers to 'jump in' quickly and offer a price discount and so retain active consumers. This issue may impact the level of switching costs but also, has a more direct consequence on competition.

As highlighted in the consultation document, there is evidence that the save features that LPL models encourage can be beneficial for some consumers. For consumers who have made the decision to switch this can be the case as they are presented with counter offers – whether they are better price or service features – for consideration. However, we agree with the evidence provided that whilst LPL processes may benefit some of the 'active' switchers in the market, consumers and competition suffers overall.

LPL processes offer an automatic/built in opportunity for providers to price discriminate between

active and inactive consumers. We concur with the description 'targeted save activity' and present our concern for its viability.

Behaviour based price discrimination 'the business stealing effect' is positive for some customers at the detriment of others and does not demonstrably deliver an overall benefit for consumers. Evidence is seemingly unclear as to what the overall impact of behavioural price discrimination is and we acknowledge the potential of three outcomes;

- rise in prices for all;
- fall in prices for all; and
- fall in prices for the few

In the absence of information from customers who have not switched, we believe that the likely outcome of LPL processes is that prices fall for the few (i.e. most active) and, either do not reduce or effectively rise for the majority, for example in the case where the minimum contract period (MCP) has passed and ongoing charges do not reduce taking into account any recovery of asset cost over the MCP.

Our view is that LPL processes encourage price matching (meet or release) and consequentially stifle competition. Price matching of the Gaining Provider's offer by a more established incumbent discourages sales because however low a provider goes the prices will be matched. Therefore, general price levels remain high as competition is curtailed because of the lack of incentivisation associated with it. Subsequently, 'matching' deters both market entry and customer switching, prices remain high and consumers are disadvantaged.

Price guarantees also presume that products and services are comparable. There is an additional argument that price guarantees can restrict innovation of new products and services. A Gaining Provider may wish to switch a consumer onto a new service in line with next generation services. If LPL restricts this by 'price guaranteeing' then these new products and services may never be introduced or thrive.

We agree that customer acquisition costs rise by LPL processes and, moreover, that it is primarily 'low value' customers or only those who are determined not to be persuaded by save activity that are released. Where well designed GPL processes exist, the opportunity to price discriminate on value reduces. We believe save activity does have a place in market competition but not as explicitly as LPL processes allow. We agree, overall, that LPL processes weaken competition and reduce benefits for the majority of consumers for the benefit of those deemed high value and who

are active.

Save activity does not necessarily need to disappear from providers' business processes – e.g. when customer contracts are nearing termination, save activity may viably occur as a means to offer a consumer new products or a new contract. In practice, they may not always do this as some operate automatically renewable contracts (ARCs) and do not wish to flag to the customer that they would be free to move. However, there are opportunities for less pejorative forms of save activity to continue without compromising effective competition.

**Question 10: Do you agree with our analysis around the multiplicity of switching processes?**

We have advocated improved switching processes throughout the communications sector for the last few years. A higher degree of uniformity in processes benefits consumers in terms of clarity and ease of switching providers, clarity of expectations and developing a manageable procedural infrastructure; and the Regulator, who can more easily identify non-compliance, protect consumers and allow competition to be optimised.

The ultimate danger, as consistently evidenced in this consultation (especially in a sector characterised by bundled offers), is that lack of clarity of outcome leads to complexity, high switching costs and low switching benefits.

We agree that the points raised about competitive neutrality and LPL leading to discrimination to acquire new customers are sound and we fully advocate harmonisation of the switching processes.

### 3. Section 6: Assessment framework for identifying a preferred 'greenfield' switching process

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#### Question 11: Do you agree with the general switching principles we have identified?

Firstly, the switching processes that Ofcom put forward to review, as stipulated in the beginning of Section 6, are the appropriate options to compare. There is merit in exploring the enhancement of what already exists. If it is demonstrated that existing processes can be improved in such a way to meet the requirements of the principles set out, it could be beneficial to providers and consumers. However, we believe that a fair comparison between existing and new processes, both GPL and LPL is the right approach.

Gemserv concurs with the Regulator's view that the seven principles set out to assess an optimum switching process are crucial and we believe they enable a credible foundation when assessing the comparative merits of the five variants of GPL and LPL options. However, at this juncture, we believe our experience in introducing 'greenfield' switching solutions, and evolving existing processes, enables us to offer some additional principles that could complement Ofcom's comparative exercise:

- Self-regulation;
- Sustainability; and
- Equivalence of access

Gemserv specialise in designing effective governance frameworks which invariably allow a degree of self-regulation. The principle of self-regulation enables all stakeholders to play an appropriate part in shaping the pace and direction of change. Indeed, self-regulation with defined change management processes for delivering demand-led solutions and dealing with change effectively is crucial. Any decisions taken should be transparent, with no exclusion of relevant information or views and contributions should be allowed from all interested parties.

Some switching processes lend themselves to this principle more than others simply by the nature of how much transparency they allow. A process that allows visibility of transactions, that is auditable and where providers are accountable is an optimal model for successful self-regulation and efficient and effective change.

One other principle is sustainability. A switching process, and the governance supporting it, needs to be future-proof so that it can evolve aligned with market/regulatory and technological

developments.

One final principle to highlight is that a migration process should be underpinned by 'equivalence of access' (i.e. level playing field and non-discrimination). The consultation highlights that inequality in some processes means Communications Providers have a switching advantage in some products versus others due to the process in place. We would go further and say, not only should that be removed, but that all should have equivalence of access to shared network infrastructure to prevent a breakdown in the process and use all reasonable endeavours to facilitate the 'ease of passage' of the migration of the customer's single or bundled products.

Moreover, when the implementation of the agreed switching process takes place these principles (and additional ones we propose in our response to Q14) will greatly assist that phase of the switching project. We would like to reiterate that we strongly agree with the conclusions pertaining to Ofcom's preferred switching option, as we explain below, but believe the additional principles we have identified will optimise the success of implementation of the GPL option ultimately agreed upon.

**Question 12: Do you agree with our proposed tier structure for the general switching principles?**

Both the tiered approach and the subsequent prioritisation of the seven principles put forward by Ofcom seem viable. We agree that because, quite rightly, the foundations of this consultation are to find solutions to reduce switching costs and to promote competition, the two principles in alignment with these goals should be in tier one. Moreover, because of the direct and harmful impacts of slamming on consumers, this principle is also rightly named as a tier one principle. A process based on these principles, if designed correctly, will ultimately lead to the achievement of the other principles laid out.

We suggest, based on a tiered approach, Ofcom may consider that penalties for failures at tier one level should be more severe than lower tiers. This may provide the necessary deterrent to ensure market abuse by non compliance with the principles carries a representative financial, and ultimately licence, risk.

**Question 13: Do you agree with our proposal that the preferred switching approach assuming a 'greenfield' basis is GPL?**

Gemserv strongly agree that the preferred switching approach, assuming a 'greenfield' basis or otherwise, is GPL. The evidence, when comparing even how the currently flawed processes perform against the principles, shows how GPL processes out-perform the other processes in

relation to two out of the three tier one principles.

Firstly, when considering costs of switching, the reduced 'hassle' factor of the GPL process is clearly advantageous to consumers and we agree that this process supports that principle. Secondly, given the number of touch points and switching frustrations in the LPL processes we believe the neutrality of these processes to switching costs is marginal, not least because these activities reduce the number of switches that complete and therefore add to lost cost for the GP who was prevented from acquiring the customer. This could in fact mean that costs of switches that do complete are inflated when considering the lost cost of incomplete switches.

As we have noted elsewhere, we believe it is imperative that the incentives lie in the right place to ensure the success of a switching process, and there is little evidence to support the incentivisation of a Losing Provider in the end-to-end migration process. We believe that the rights and duties of each party in the migration process should be clear and rigorously applied such that the integrity of the process is not undermined by either LPs in undue save activity, or GPs in slamming.

We accept the point that the existing NoT process is presently open to slamming, perhaps more so than the other processes. However, as well as the suggestions we put forward in Section 4 to reduce mis-selling, we address in the next question the issue of validation that significantly reduces the risk of slamming within an optimal GPL process.

In terms of the principle to promote awareness of the implications of switching, again we note the gap in the current NoT process but would also note that the rationale for the second tier principles used by Ofcom demonstrates that mechanisms outside of the switching process can be used. For example, the case for well managed objection codes from LPs, as part of the validation process of a GPL model, would highlight implications of switching such as Early Termination Charge.

Moving onto principle six (supporting competitive markets) we concur that GPL process is a pro-competition process, especially in comparison to the alternatives. We have discussed this throughout our response, particularly in the responses to the questions in Section 5 of the consultation document.

The assessment by Ofcom that none of the current processes perform substantially better than the others serves to demonstrate the fragilities in the design and scalability of the current processes used in the communications market rather than in the GPL concept itself.

#### Question 14: Which of the identified GPL switching options do you support?

Gemserv believe there are comparative merits in each of the GPL switching options identified, although it is not yet clear that any one alone has the singular ability to deliver a robust process that overcomes the weaknesses currently associated with switching in ostensibly GPL circumstances.

We strongly support the introduction of measures to provide strict controls on opportunities for slamming and the abuse of the Cancel Other process. However, it remains to be seen whether enhancing and/or strengthening the current NoT and Cancel Other arrangements would be sufficient to produce a material improvement for customers and GPs, and we agree that determining the effectiveness of these mitigations ex ante could depreciate the 'greenfield' opportunity that is available at this stage of the strategic review.

We note (in paragraph 6.64), analogies to the unique reference numbers used in the energy sectors in respect of the proposed consumer code option. We would firstly state that the use of these unique codes in the energy sector does not serve as a proxy for the GP to act for the customer in obtaining the code (MPAN/MPRN according to the energy sector), since this is not an authorisation 'switch-key'. The number equates to a set of 'attributes' which can be switched from one supplier to another. On the one hand, the code is freely available to the customer on their bill, but is also, crucially, available to suppliers from a central, national market web site.

Thus it can be seen that the primary purpose of this code is not rooted in an authority to switch. Furthermore, the use of the MPAN/MPRN for switching is underpinned by

- i) an obligation to provide supply only where contracted to do so and not to commence such supply until the expiry of the cooling-off period for any new contract (similar to the provisions of GC24); and
- ii) supplementary processes that facilitate the transfer process, which include the rights of either the gaining or losing supplier to [respectively] withdraw/object to a switch.

Thus, the numeric code itself serves as an identifier of what is being switched, and the use of that code is not, of itself, a mandate to complete a switch.

We would also wish to provide a point of clarification in respect of the post code forming part of the valid set of data for an order: this is not so in the case of the electricity sector.

Gemserv, as the administrator of the registration agreements of the GB electricity and the independent gas transporter sector switching arrangements, would be happy to provide Ofcom with further background and context of the allocation and application of the meter point numeric

codes as used in the energy sector, to further their consideration of adopting any similar arrangement in the telecommunications sector.

We note the TPV model, and believe there are material benefits to a third party service to facilitate migrations. However, Gemserv consider that the involvement of a TPV service for each and every customer who wishes to switch could be costly to introduce and increasingly costly to run as more products, bundles and services come into the market-place. We strongly agree with Ofcom's view in the consultation document that the scale of involvement of TPV needs to be balanced against the costs of such a service, and would further propose that the merits of alternative means of achieving consumer protections and preventative measures against slamming or misus of canel Other should also be factored into any cost benefit exercise.

For the avoidance of doubt, we do not support any LPL process. However, some aspects noted in the consultation document for those options might also be of value to a GPL process. For example, we strongly disagree that a Transfer Code should be applied to a LPL process on the fundamental principle that the LP should not have a part in the switching process beyond completing its duties to terminate its services in order to migrate the customer to their preferred provider. We would further note that the Transfer Code option (2b) proposed by BT, includes reference to validating the customer's consent to the switch. However, given that the customer initiates the contact directly with the LP, it is explicit that the customer does wish to move to another Comms Provider, and consequently we do not consider the LP validation in this circumstance appropriate or relevant. Noting that this process offers the opportunity for any ETC issue to be raised, we consider that this aspect can equally be covered under a GPL process by the permitted circumstance for the LP to raise an objection on those grounds, where they exist. In the electricity sector, permitted grounds for raising objections are set out in the supply licence, and monitored through the industry systems. We would be pleased to provide further detail on the reasons, transactions and monitoring for the objections process in the electricity sector if this would be of assistance to Ofcom.

Recognising that details of the proposed reforms form the second stage of this review, Gemserv strongly recommend, support for one aspect of Option 2(b), which is the adoption of a 'Transfer Code'. This accords with our previous suggestions for a 'code of conduct', although we would envisage this code as being primarily the rules for the end to end migration process(es), setting out the rights and duties of both LPs and GPs. Gemserv would strongly recommend the development of a 'Migrations Code', in respect of the new GPL processes, and potentially any retained LPL processes, to be a desirable way forward. The Migrations Code could be introduced either as an addition to GC24, or a new General Condition, and would require appropriate enduring governance

and administration, and we consider this further in the **Governance** section of this part of our response.

### **Summary of Key Principles for switching processes**

In order to consider a GPL process model, we firstly set out a number of key principles in relation to switching and migration. These align closely to the principles laid out by Ofcom, and also consider some wider principles on all stakeholder's expectations for switching;

- Switching needs to be simple, seamless and indiscernible to the customer;
- Switching needs to be appropriate for the level of competition and represent fair value for all stakeholders;
- Switching should be scalable, adaptable and expandable to accommodate the introduction and switching of new products, services or technologies e.g. NGN;
- Confirmation of a switch should be communicated in writing to a customer in line with consumer/sales regulations;
- A unique key should be used in the market. The allocation could be product or premises based, in the case of the latter a national view of premises would be required,;
- The process should not frustrate or delay the customer's choice to switch and all participants should have a general duty of co-operation;
- There must be a means by which the losing provider may object to a switch in limited circumstances. This should be clearly defined and consistent across the market and utilised to inform and protect the customer, not frustrate the transfer.
- Customers should be notified of the reason a switch has been cancelled, and any resolutions required to prevent this in any future switch, and
- Customers should be able to change provider for any combination of products and services as required, without any undue complication or delay

In the following section, we have provided our further thoughts on alternative options for GPL processes that could be considered under a 'greenfield' approach, and taking into account the key principles for switching we have outlined above. We appreciate that Ofcom intend to consider the details of a modified switching process in the second stage of the strategic review, and to this end, we have provided only an outline for the purposes of this response. We would be pleased to discuss this option further with Ofcom, including developing further detailed specification of the central models, as part of that second stage,

## Alternative proposed option for GPL solution(s)

### Approach

Gemserv considers that there are alternative options which we believe fall somewhere between two of the GPL options Ofcom put forward. Our proposed solution broadly aligns with the objective of enhancing the current Notification of Transfer (NoT) process and additionally provides a degree of Third Party Validation (TPV). We believe this provides an optimal solution which provides for the incremental improvement of what is in place now, augmented by a new element to add rigour to the process.

We do not believe that the two options need be mutually exclusive. Moreover, we have long appreciated the concern regarding cost that Deloitte's option relating to central third party validation hubs caused amongst industry stakeholders. Gemserv propose a flexible approach to a solution that fits both with the target products of the current review as well the addition of future products, such as mobile and pay TV and any yet-to-be built networks. We are also mindful that costs in relation to benefits must be attractive to stakeholders to engender buy-in.

### Overview

We propose an independently maintained central switching model be used on a collective and uniform basis by all market participants, and across all products.

This central switching model would comprise a register through which switching would be managed. Typically, registration systems are predicated on a register of the underlying network connection points. This could be utilised for the communications sector, for example, a register of all services provided by all Communications Providers, categorised by product and characteristic, each with a codified reference number. Alternatively, the central model could be activated only for services/products which are switching, which would scale down the database requirements. In either case, the model is characterised by a third party centralised service, providing the register and interface for the migrations processes.

Comms Providers would transact via a central switching agent for all orders and Notification of Transfers.

This solution is built on the principle that if a GP acquires a customer with either single or bundled products or services, the migration process should be handled behind the scenes, and the customer should see the switch take effect on the due date without undue intervention or involvement by them. The LP knows the date they lose the customer and the GP knows its contract start date. This would trigger a set of interactions by each to ensure that LP terminations

are in place in good time for their re-commencement with the GP.

In effect this option for a central model, comprising a streamlined and systematic 'cease' and provide', commenced by a notification of transfer from the GP, provides a cohesive and transparent 'back-end' end-to end process that leads to confidence in outcome.

### **Benefits of a central model**

The benefits of a central switching model include:

- i) An independent 'clearing function' for all switching activity.
- ii) Certainty in the transactions sent and received through clearly defined responsibilities for the central system
- iii) Facilitation of standardised business processes for interactions to and from it.
- iv) An audit trail of transactions and timeliness of those transactions
- v) Standardisation of data exchanges and permissions for all participants.
- vi) Monitoring and reporting on the number/status of switches and cancellations.

We consider each of these further below.

#### **i) An independent 'clearing function' for all switching activity,**

Gemserv considers that the role of a central 'clearing' function is to serve the due process from the time a commitment is made for a [migration](#) (e.g. a NoT) through all subsequent transactions required to fulfil all relevant obligations between GPs and LPs. We believe this function would work in a coexisting world where a complex range of wholesale products exists and does not favour or harm any size of provider.

The central system would be the single interface for all migrations, albeit that some products may be phased in over time

#### **ii) Certainty in the transactions sent and received through clearly defined processes for the central system;**

Having a single interface ensures that participants have a single route for all migrations and transparency for product switches.

The transactional exchanges are characterised by the following steps

- The switching process would always be commenced by the GP with a transfer notification to the central function;
- The central function would act as a 'clearing house' for all switching transactions, including,

- validating the NoT via confirmation from the GP or customer, depending on the TPV level required,
- validating any Cancel Other notification from the LP, if that was considered desirable.
- All transactions are then routed through the central function which provides the focal point for the completion of the activities for the migration, This would include
  - notifying the LP of the impending loss; and
  - handling the response from the LP (e.g. access code or Cancel Other); and
  - forwarding the access code to the GP, or sending fully validated information to the network provider to switch the product; or
  - notifying the GP of a Cancel Other or intervening as an 'honest broker' in resolving the Cancellation.
- The product dataset held by the central function could be categorised by the service/platform, which would support logical business processes for the central system and Comms Provider's systems to ensure an end to end switch of the customer's products and services.

To make the process work effectively, market participants must be able to easily identify the relevant information that needs to be maintained in order to support the process. There must be clear lines of responsibility for the ownership and maintenance of the information

### **iii) Facilitation of standardised business processes for interactions to and from central systems;**

Gemserv proposes a switching infrastructure where the GP initiates the switch; we have made that clear throughout our response to this consultation and believe that Ofcom's strong evidence supports the reasoning behind that.

We have set out above the purpose of the central function. In Gemserv's experience, the methodology to define the central activity aids the overall understanding of the sequential steps to successfully migrate products and services. This, in turn, leads to transparency and enables all Comms Providers to build business processes and systems tailored to their business needs in an environment of standard transaction formats, transmissions methods and timings. This brings significant efficiencies not only to market operation, but to new entrants who have a clear and unambiguous set of rules and processes to analyse for their start-up requirements.

Whilst the data exchanges with the central systems would be the same for all Comms Providers, consideration could be given to user interfaces for either high or low volumes; the latter providing a

proportionate interface for a start up, and the former perhaps being better suited to larger Comms Providers.

**iv) An audit trail of transactions and timeliness of those transactions,**

A central switching model to facilitate a customer would be able to receive the product/products offered to them. However, although this requires an element of TPV, it is automated so the role of the central agent is not to deal with customer switching issues but to facilitate industry switching processes by providing for both a governance framework and, through a robust change process, opportunities for evolution and improvement. Indeed, governance around this process would have to be strong to ensure the losing provider and the gaining provider act appropriately, thus an audit framework would need to be built into any new Governance. We recommend the central agent provides reports for Ofcom. If Ofcom sees the trigger e.g. that a LP has objected disproportionately or that a GP has not balanced objection reason codes with passing on information to consumers, the potential for regulatory intervention exists.

**v) Standardisation of data exchanges and permissions for all participants;**

In terms of data shared between Comms Providers through a central switching agent, this should be minimal and contain both market information and technical information.

Introducing standard and unique Reseller IDs (RIDs) might be a requirement, with consideration of whether RIDs should be confidential between Gaining and Losing providers but visible to the central switching agent.

The dataset would depend on the depth of the information required for the central function (e.g. if it was contacting customers) but we would recommend that Cancel Other (or a replacement 'objection' process) would breakdown the reason for the LP blocking the switch. It would be expected that these would at least equate with the permitted reasons Ofcom have included in GC24.

In the event that the central clearing role also had responsibility for the onward notification of the migration to the network provider, consideration of two way communication and any network data requirements would be required.

In support of both or either of the GPL switching process and central system model, we propose a standard definition of the data that must be used when communicating switching information.

Using standardised terms and data structures minimises the risks of switching difficulties arising from poor quality or missing data. A data dictionary, which defines the core data fields and

transactions to support the processes would be a useful tool for the market participants and provides a transparent baseline of the data and data exchanges used in the switching process.

**vi) Reporting on the monitoring and interrogation on the number and status of customer switches.**

Management information from the central system would allow transparency for performance monitoring as well as switching, Cancel Other and key event traffic.

Dispute processes could also be supported through the clear audit route of transactions to and from the central system

In support of the switching process, we propose a standard definition of the data that must be used when communicating switching information. Using standard terms minimises the risks of switching difficulties arising from poor quality or missing data. We consider this further in the **Change Management** Section.

**Governance**

As we have noted elsewhere in this response, we strongly support the introduction of a market code for migrations. At the least, this could provide for transparency in the switching processes, but we believe it is fundamental to the case for a central system model.

A 'Migrations Code' would necessitate a governance regime to own and administer the code, Gemserv strongly believe governance through representation is a cost effective and efficient means of operating any switching agreement in the presence of a large number of industry stakeholders and views. Decisions based on a majority of parties' needs and views are likely to provide for efficient, timely and cost effective solutions and will embody the principles of self-regulation.

Some of the benefits of choosing a representative-style governance arrangement are as follows:

- all parties will have a voice through their designated representative;
- the cost of participation for individual stakeholders is minimised;
- parties will be encouraged to participate in consultation, working groups and sub-committees etc. to ensure that their views are aired;
- stakeholder groups will also be able to undertake their own discrete dialogue in order to reach agreement amongst themselves on their vote;
- parties will be free to invest as much or as little time as they consider appropriate, depending on how the subject in question, affects them;

- provided that there is elected representation , all parties have a say in who represents their views;
- agreed solutions are likely to deliver solutions for the market as a whole;
- less complexity in managing standardised documentation will provide greater clarity in
  - each party's obligations under such an agreement; and
  - a better focus on where/how change/issue resolution should be dealt with; and
- collective rather than diversified management of the agreement.

It would be expected that a Migrations Code would need to be revised over time, both for demand-led change as well as regulatory initiatives, such as the phasing in of other products/services under the Migrations Code. Underpinning the principle of evolution, is effective change management. We consider this further in the following section.

### **Change Management**

Change management should set out the process for change control, including who can raise changes; who authorises them; and managing the implementation of changes across the whole market-place.

Any decisions taken should be transparent, with no exclusion of relevant information or views, and contributions should be permitted from all interested parties. An appeals process also allows for disputes of foundational agreement issues that may need to be addressed.

The process could encompass the following stages:

1. Pre-assessment – an optional step that allows opinions from all industry participants to be considered. This is a useful step where several options are being considered or where a change is complex or contentious.
2. Impact Assessment Process – when a formal change proposal is raised it should be circulated to all Parties and registered “Interested Industry Participants”.
3. Group Consideration – Group members discuss responses to the impact assessment and vote to accept or reject the change proposal.
4. Appeals – If a party wishes to appeal against the Group's approval or rejection of a change proposal, they may appeal the decision to the higher Forum. This decision may in turn be appealed to Ofcom. Changes to certain fundamental clauses of the agreement would require approval from Ofcom as well.

## Alignment to Ofcom principles

Below, is our summary of how our proposed solution compares to the principles used in the consultation document;

Principles	Tier	Gemserv GPL Solution
i) Minimises unnecessary switching costs	1	Clarity of outcome is extremely high and touch points causing 'hassle' are significantly minimised.
ii) Protect against slamming	1	Built in verification to prevent or, as a minimum, identify slamming.
iii) Promotes awareness of the implications of switching	2	Auditable LP Cancellations/objections highlighting ETC and contractual obligations.
iv) Reliable process	2	Visible, auditable and clear processes for participants. Every step clearly defined.
v) Enables continuity of service	2	Defined GP start date and LP loss date.
vi) Supports retail competition	1	Reduces opportunity for LPs to frustrate the competitive process and allows clarity of outcome for 'active' consumers and 'considerers'. Provides transparent supporting core industry documentation such as: <ul style="list-style-type: none"> <li>• Migrations Code</li> <li>• Data Dictionary</li> </ul> Improves clarity for new entrants Efficient and streamlined processes reduces operating costs Standardised data and central interface for transactions optimises business processes and systems
vii) Cost efficiency	2	Implementation and ongoing costs proportional to small and large providers. Associated costs of inefficient switching processes considerably minimised.

## Overall Market Benefits

Our proposed solution offers the following benefits

- The orderly and on-going development of the market is served by certainty in the outcome

of a customer transfer or from one provider to another. The processes underpinning switching would be transparent and common to the market(s). Inter-operation reduces switching barriers and supports an end-to-end switching process.

- Essential customer information is exchanged between providers and the network provider. In addition, it ensures new and competitive providers have more confidence as the incumbent does not have such an influential role in stifling the process.
- Our solution incentivises both new and existing providers to operate on a level playing-field and ensure legacy Comms Providers with Significant Market Power do not have an unfair advantage through control and deep understanding of the infrastructure as a right. Equality of access should be embedded at a market level.
- Monitoring and reporting by Ofcom, which can be used in the form of statistics to assess whether mis-selling is occurring in either the market or by particular participants.

#### 4. Section 7: Consultation, implementation priorities and next steps

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##### **Question 16: Do you agree with our proposals and implementation priorities for taking forward our work in relation to existing switching processes**

Gemserv are in agreement with Ofcom's proposals and implementation priorities for taking forward work on 'greenfield' solutions and continuing to look at options to improve existing processes. We agree that Fixed and Broadband are the priority areas and would hope to continue to be considered by Ofcom and other stakeholders as a sounding board in relation to our expertise in this field. We look forward to working with Ofcom and the industry during the run up to, and the process of, consultation in 2011.