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Our Reference:

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Dear Liz

Consumer Switching – statement and consultation

SSE is pleased to provide a response to the recently issued document above (the consultation).

Our response is laid out as follows:

- A high level response to the combination of decision on the next steps and vision for future work that is set out in the consultation; and
- Some suggested next steps for Ofcom's consideration.

Annexes then deal separately with:

- 1: support for industry governance;
- 2: benefits of a 'hub and database' approach to switching;
- 3: response to the consultation questions; and
- 4: comments on the proposed amendments to the General Conditions (GCs); and
- 5: confidential points.

High Level Comments

We whole-heartedly **welcome Ofcom's decision** to standardise on a Gaining Provider Led (GPL) switching system on the Openreach copper networks for telephony and broadband services and support in principle additional measures to enhance the effectiveness of this approach as measured against the areas of consumer harm that Ofcom is seeking to address. We have some comments on the detail of the proposed additional measures and these are covered in annex 3.

We also support the vision that Ofcom sets out at various parts of the document about the **customer switching journey being seamless and as similar as possible across all**

communications products and across all networks. This seems to be the essence of Ed Richards' recent comments on removing the remaining barriers to switching at the 'Consumers and Citizens' event. It will be for further phases of the strategic switching project to address this in its entirety but we consider that it is important not to lose sight, at this stage of implementation, of what Ofcom is seeking to achieve for customers in the longer term. We agree that the customer of retail communications products in the domestic and small business sector has little interest in how their service is delivered technically. A 'front end' switching process that has a similar 'look and feel' irrespective of the precise change that the customer wishes to make is a key ingredient in giving customers the confidence to switch retail services and this should be supported by the industry collectively through use of different 'back end' processes as required. We also note that this vision seems very much in tune with recent Government comments on the need for ease of switching in the communications sector¹, particularly for bundles of retail products.

In our view, **coordination** between industry parties on 'back-end' switching processes is the key enabler in achieving smooth transition processes for customers in network-based service markets. As Ofcom has identified, it is necessary for industry parties to 'work together' (along with Ofcom) to identify, develop, implement, monitor, maintain and amend in a change-controlled manner the fundamental switching processes that underpin a customer experience of switching that is convenient, hassle-free and keeping pace with the developments in markets and available products. This is a continuous requirement and is best served by an ongoing coordination arrangement that can deliver efficiently on all the activities mentioned for the benefit of the market and its customers.

The requisite degree of coordination in other similar markets such as gas, electricity and water has been achieved through formal, impartial and transparent **governance** of market processes such as switching. We therefore support consideration of how to develop appropriate enduring switching governance arrangements at an early stage in Ofcom's project plan in order to provide a robust framework, under Ofcom's direction, for the longer term arrangements. We believe that well-designed and strong central governance (with Ofcom acting as the ultimate "authority") will both enable the fair and democratic participation of all types of Communications Provider (CP) and form a legitimate 'industry body' with whom Ofcom can formally engage to influence the direction of travel of industry developments without the need to become involved at a detailed level when issues arise. We welcome Ofcom's recognition (A7.142) of the benefits of a governance process in providing a framework for industry cooperation to deal with issues and adapt to changes in the market and discuss some considerations around this theme in annex 1.

We understand the reasons for the **two-stage implementation approach** that Ofcom has proposed and support the need for the market to be developed in incremental stages in an evolutionary manner. We understand that:

- the first stage would build initially on the existing Notification of Transfer (NoT) GPL process currently in use for a number of different switching situations to implement the 'GPL NoT+' initial solution for all products in scope of this phase of the overall strategic project; and

¹ Page 40 of the statement 'Connectivity, Content and Consumers: Britain's digital platform for growth' issued by DCMS 30 July 2013

- the second stage would move to more enduring switching arrangements, which would seek to solve all identified issues and form the basis for extension to other products and networks such as those identified at the end of the consultation (10.13).

In this regard, following the further work that SSE carried out in conjunction with TTG and FCS during the recent consultation stage, we welcome the fact that this work is referenced within the recent consultation as an option for the second stage of development on a par with the 'TxC'-style database that Ofcom initially put forward. We continue to believe that the approach we have advocated is a lower cost and logically clearer data model that builds on the existing database that must currently be used within Openreach to organise changes of supplier for the parts of its network that Openreach can still 'see' (i.e. the part that has not been 'unbundled'). Its structure, abstracted above any particular access network, is ideally suited to be extended over other technologies and networks as appears at the heart of Ofcom's vision for the longer term. We discuss the **benefits of a hub/database approach** in annex 2.

Potential next steps

The extent of Ofcom's work and research on developing a strategic approach to customer switching over the last few years illustrates that there is a lot of work to be done in establishing an industry framework that supports a convenient and hassle-free process for the customer. The project will entail several stages before the outcome of a universally applicable GPL switching process, operating in an outwardly familiar manner regardless of the precise form of communications retail switching (house move, product change, network change, supplier change etc) that the customer wishes to carry out, can be achieved.

Recognising the phased nature of the journey ahead, we believe that it makes sense to start developing the industry and project governance that will support Ofcom in leading the project through the different phases. Running an industry change programme benefits from economies of scale: subsequent stages build on subject matter expertise built up earlier on. Therefore, we suggest that Ofcom consider the sort of governance arrangement that will support the investigation and implementation of central market systems in stage 2 of the current proposals and present proposals for this at the same time as issuing the final statement on the steps that industry will need to make in the shorter term to implement stage 1.

In our view, the next steps for the project could be as follows:

1. Establish the details of implementation for the first stage of the harmonised GPL switching process following consideration of the consultation responses and further discussion with industry players as appropriate. With effective discipline and commitment, we see no reason why customers should not begin to see positive amendments to the current switching arrangements within the first half of 2014.
2. Take further advice and develop proposals for a formal initial governance structure for the project with rules, a transparent funding mechanism and, significantly, a

constitutionally based voting mechanism to agree proposed changes. The use of an external delivery partner to provide professional meeting administration could be considered.

3. Ofcom could propose for consultation an initial governance structure when it issues the final statement on its proposals for the NoT+ GPL approach early in 2014.
4. At the end of a further consultation period on this topic, Ofcom could issue a final statement on the formation, funding and rules of operation of an initial 'governance group'.
5. An early consideration for this 'governance group' will be the formal means of communication with interested parties – comprising companies operating in the industry, consumer bodies and, potentially, government representatives. Means such as dedicated website facilities, email contact lists, regular update bulletins could be considered.
6. Once the initial governance structure is in place, it can consider how to develop its own structure to accommodate the sort of considerations discussed in the Gemserv implementation paper forming annex 12 of the consultation, bearing in mind the likely requirements of stage 2 of the current proposals.
7. On completion of the ongoing governance structure, the focus of that structure will be on considering the development of stage 2 of the project, whilst also providing 'business as usual' governance support to the existing market switching arrangements.
8. With the implementation of stage 2, the governance arrangement will have matured and be in a state of readiness to consider further developments in the scope of switching arrangements, whilst also providing 'business as usual' governance support to the stage 2 market switching arrangements.
9. Repeat stages 7 and 8 as required.

Conclusion

In summary, SSE very much supports Ofcom's decision to harmonise on GPL switching processes and notes that this is in tune with government thinking at both national and EU levels². We are encouraged that Ofcom sees value in developing governance for switching processes, as we agree that processes that work well for customers do not arise naturally from ungoverned competitive markets. This is particularly the case in the network-based service markets, where coordination between different industry parties is indispensable to protect the interests of customers when switching. This coordination has successfully been implemented within a formal governance structure in the energy markets, which is SSE's base of operations, and is also being developed in the water industry. We believe it will be important for Ofcom to establish formal governance arrangements in the communications

² Chapter V of the Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down measures to complete the European single market for electronic communications and to achieve a Connected Continent, and amending Directives 2002/20/EC, 2002/21/EC and 2002/22/EC and Regulations (EC) No 1211/2009 and (EU) No 531/2012 proposal chapter on (GPL) switching / porting - issued on 11/09/13



market, both as a means to implement strategic change and as a means to underpin the successful operation and development of established switching systems.

In this response, we have offered views on governance from our perspective of operating in the energy markets and of seeking to develop our business competitively, as a relatively small CP, in the communications market. We hope this information is helpful and stand ready to work with Ofcom as it develops its thinking on the extension of GPL switching in order to – in Ed Richards’ words at the ‘Consumers and Citizens’ event mentioned earlier – “remove the remaining barriers to switching”.

Please get in touch if you have any queries on comments in this response.

Yours sincerely

Aileen Boyd
Regulation Manager

Support for industry governance

It is SSE's contention that formal governance of switching is needed as soon as possible, to provide the basis for industry-led decisions on the second stage of Ofcom's current proposals.

There is a comment (A7.127) in the consultation that some industry participants raised concerns about the costs of industry cooperation. It is true that there is a cost (and this is transparent) entailed in industry cooperation but there are also significant costs entailed in the continuation of various forms of harm to customers and competition without such coordination.

Ofcom mentions (3.18) that the competitive market operating freely does not necessarily guarantee robust and smooth switching processes and we agree with this. Similarly, the existence of the problem of multiple switching processes illustrates that these have been developed at different times in an uncoordinated manner over time. As we have noted before as a further example, unbundling of BT exchanges was introduced to the market without any thought for how unbundled customers would be able to switch back to the BT Openreach network. This led directly to the peak of complaints to Ofcom some years ago about broadband switching that led eventually to the introduction of the original version of GC22. When balanced against the costs of all the harm caused to customers and competition, together with all the effort expended by Ofcom since it was formed to address these issues, we believe the transparent cost to industry of developing a suitable form of coordination and governance would be outweighed by the reduction in harm and hidden cost that such an arrangement would bring.

Independent, formal governance would provide a transparent and equitable mechanism whereby all industry parties (not just the largest vertically integrated CPs) could have input to propose changes to and raise concerns with current arrangements. It would be a means to develop consensus on how to amend market processes – such as switching – to cater for new developments or issues. It would bring a standardisation of approach to market change that would allow the industry to 'work together' to agree a way forward; this can be seen in operation in other similar network-based markets such as energy and water provision.

A formal governance arrangement is one created with a constitution, a set of rules for operation and a transparent and fair funding arrangement – based, for example, on the relevant market shares of retail CPs at a particular point in the year or perhaps on data that Ofcom already has about the relevant revenue earned by larger CPs in the market. Whilst the Office of the Telecommunications Adjudicator (OTA) has been a useful body, able to be tasked by Ofcom to investigate various industry issues, it is not a governance body in this formal sense. It does not have formal links with all relevant CPs, there are no rules to govern its proceedings or how its decisions are made and it thus lacks formal legitimacy to make decisions on behalf of the market.

Drawing on the look and feel of governance arrangements in other similar markets where services are delivered over a network infrastructure suggests that a successful governance model for switching is likely to involve two distinct levels:

- a level that deals with the mechanics of representation, funding and process; and

- a level that deals with the description of the switching arrangement – the object that the above level governs; this is likely to involve the development of a detailed rule set describing who does what to deliver the customer switches within scope of the governance arrangement.

The document referred to above could be termed a ‘switching code’ and would be change controlled via the governance process. It would be extended and amended as necessary via a transparent industry-owned process of proposed, discussed and agreed modifications. It is interesting to note that Ofwat has just issued a discussion paper on water market governance arrangements for the future non-domestic retail market in England and Wales³. We quote some short extracts from the early pages of that document below, which illustrate the considerations leading to the need for governance in that market along with the sorts of questions that have to be considered in the detailed design of governance:

- A successful competitive market requires a clear understanding of the responsibilities and activities required of all parties in all elements of water and sewerage service delivery (retail, networks, treatment and resources). Clear, unambiguous rules – in the form of codes – with which all parties comply will enable the market to operate efficiently in customers’ interests.
- The governance arrangements for these codes are important since they will control the way in which the market develops. The processes for raising, assessing and agreeing changes to the market rules must safeguard the interests of customers and participants alike, ensuring that developments further the interests of all parties rather than unduly favouring a discrete few.

We are interested in responses to the following questions.

Q2 How do we ensure that the competing interests of different parties are balanced during the governance of codes, including creating and modifying codes?

Q3 Do you think that a governance panel is needed to consider proposed code modifications?

Q4 If so, what should be the membership of the panel?

- How should we deal with a large number of companies and keep it a manageable size?
- Do we need membership on a constituency basis? How might we include independent members from outside the water sector and customer representatives?

Q5 What should be the panel’s role?

We note that there are a number of organisations with expertise in the development and running of governance arrangements. Ofcom has attached a paper by Gemserv as an appendix to its consultation and this provides further detail on the considerations and options available. In particular, since a very specific task for the market governance

³ http://www.ofwat.gov.uk/competition/review/pap_tec201309marketgovernance.pdf

arrangement in the medium term will be the development of the stage 2 enduring switching arrangements involving consideration of GPL TxC and the SSE/TTG models, a governance structure that is able to develop central market systems is discussed in section 6 of that report.

Finally, three other points occur to us when considering industry system developments.

- Firstly, with respect to the implementation of stage 1, the GPL NoT+ specification, we suspect that some in the industry may propose that Openreach and others will require significant system and process changes and that these have to take place before the GPL arrangement can be implemented. Our perspective on this matter is that relatively simple amendments to current processes would enable a 'GPL front end' to be presented to customers in the short term while relevant IT developments are scheduled in the background for later delivery. The essence of the amendments that we would propose is that, as an initial step for stage 1 and with minimal implementation period required, the Losing Provider Led (LPL) processes could remain active in the background with the GP empowered to seek the MAC code on behalf of the customer they are acquiring. Other items from the NoT+ specification – such as the availability of a Cancel Other facility for broadband – might take longer as this would require system development work to be completed.
- Secondly, to the extent that IT and systems development is needed to implement aspects of the first phase of NoT+, as discussed above, this may represent an opportunity for a change in the balance of industry development effort away from the many individual CPs towards interfaces developed centrally to fulfil a 'gateway' role. This may represent a more efficient outcome and one where elements can be re-used in stage 2 – for example, with respect to the Cancel Other system for broadband, this could be developed via one interface from Openreach to a central hub, with each CP or third party integrator (TPI) building its own interface to the hub rather than to Openreach. With subsequent developments of central systems, these new interfaces could be built upon rather than every CP/TPI having to develop different additional interfaces to central systems or to Openreach. In the long run, central development costs would be more transparently incurred and the re-usability of systems developed between industry players and 'the centre' would allow economies of scale as further access networks are brought within scope of the GPL switching project. There would also be no restrictions on the implementation of change resulting from limitations on the development capacity of an individual access operator such as Openreach.
- Thirdly, the initial tweaks suggested to accomplish a de facto GPL broadband switching process could relatively quickly also be applied to mobile number portability switching, bearing in mind that GPL switching across bundles (including mobile number portability in particular) is strongly advocated by Government, at EU level and is also within the scope of Ofcom's wider strategic project on customer switching. The Porting Authorisation Code (PAC) could be handled by the GP in a similar manner to the proposal on dealing with the MAC code above.

Benefits of a 'hub and database' approach to switching

SSE has advocated the development of an underlying data model for the retail communications market that would allow a hub/database approach to be designed, under industry control, which would be used to organise customer switching processes. We discuss advantages of the hub/database approach below, after commenting on the fact that there is already a database implicit in current switching arrangements.

A 'database' already exists to organise switching

Existing switching processes on the Openreach network are already managed via a database. Openreach must make use of a database to link assets used to provide fixed line telephony service using its WLR product (including use of the Access Line ID (ALID)) to the CLI used and to the supplier providing services at that network termination point. Separately, the assets and network termination point are also linked to a particular geographic address. This means that suppliers can use Openreach Dialogue Services to seek to match address data with CLI and relevant assets in order to effect a successful switch. We do not believe that these relationships could be enquired upon without the use of a relational database that sits within Openreach control.

Where the link with the Openreach database is broken – as in the case of lines that are unbundled – Openreach will still know the ALID and address of the relevant lines but will not be keeping track of the CLI or necessarily of the CP who has unbundled the line – which may then transfer to other CPs and so on. As Ofcom has identified, this gap in overall market knowledge causes harm for customers when they attempt to switch from one of these unbundled lines to a different supplier of communications services.

It is worth noting, therefore, that the development of a logical 'industry database' solution for switching is not as significant a task as might be thought. Much of the structure, populated data and data relationships already exist within Openreach. While the detailed design might recommend the addition of further fields (e.g. UPRN where available, as discussed in the section on Erroneous Transfers below), this is not a material development issue in our view. Of more significance, again in the context of appropriate governance for switching, will be the work to determine how the industry can develop control of the market data and processes that underpin switching in all its contexts and developments across different networks and products to ensure seamless transfers for customers.

We turn now to the benefits of the over-arching hub/database approach, recognising that this is essentially the way in which switching is currently organised on the Openreach copper network, albeit that the integrity of the overall market dataset has been damaged by the unbundling of copper lines.

Advantages of a hub/database approach

Throughout the consultation, there are comments from Ofcom that acknowledge the capability of a hub/database to resolve the issues discussed. Building on this, we discuss below how a hub/database approach deals more comprehensively and in a future-proof manner with the problems identified in the consultation – particularly where these are only partly solved in phase 1 of the implementation of GPL switching arrangements.

1. Multiple switching processes

The current problem of multiple switching processes is being addressed by Ofcom's decision to harmonise on the GPL 'NoT+' option. This decision deals with the processes that have developed up to now for current products being supplied over the Openreach copper network but going forward, it is still the case that further services – and the means of migrating to these services – could develop in an ad-hoc manner if the discipline of switching governance is not also in place. An industry hub/database approach providing standard interfaces via a uniform front end to gaining suppliers could more readily be extended to allow further copper product sets and indeed, those on other networks and technologies, than an initial bespoke arrangement that does not naturally allow for logical expansion.

2. Consumer difficulty/switching costs

The decision to move to the single harmonised GPL process will largely deal with the costs and hassle for customers of multiple processes, contact points and potential frustration of the intended process by Losing Providers. As above, however, customers are likely to face difficulty again if ad hoc development of services outwith the main switching framework is allowed to occur over time. It is also worth noting that the costs of extending an initial implementation of a central hub/database approach will benefit from economies of scale in contrast to the alternative of CPs being required to develop new interfaces in order to 'consume' new products that has characterised the development of the industry to date. These system development costs of acquiring customers have had to be passed through to customers and our expectation is that the more coordinated approach of a central hub/database will allow these prospective costs of extending the scope of the initial implementation to be minimised.

3. Awareness of the implications of switching

Ofcom considers that improvements in the specification of the 'exit' letter will address this area of harm and we agree that this regulated letter will form a long-lived element of switching arrangements. Going forward, we believe that a further benefit of an industry hub/database approach is that it would be able to show a prospective GP an agreed set of information about the services and technology available or in use at the relevant premises. This would enable the GP both to assess the suitability of the premises for the provision of his products and to discuss some of the implications of switching with the customer instead of all the information on the topic coming from the losing letter alone. As a result, we believe there could be a more balanced explanation for the customer and a more level playing field for competition whereby all suppliers can have access to the same agreed information about the way that the site is currently supplied with communications services.

4. Insufficient customer consent

A major element of Ofcom's current proposal to address this issue is for separate recording of consent to switch by GPs and we set out some comments on this in annex 3. This is an area where the standard database functions of access controls, record keeping and the facility for audit reports can provide the benefits of central monitoring of CP activity. Ofcom notes at paragraph 7.75 that a database can be used to provide an audit trail and at paragraph A7.98, when discussing the Enhanced GPL option, acknowledges that the availability of an audit trail is likely to incentivise agents to comply with the existing rules on obtaining consent. Thus, where a database is recording use centrally, there may be less need for CPs to be required to keep specific records individually.

5. Erroneous transfers

Ofcom acknowledges that a database approach will result in ETs being extremely unlikely (7.89) and we agree that a well designed database will uniquely identify assets to a particular geographic location. We agree with Virgin Media's comment (A7.122) that the unique line identifier (the ALID for Openreach networks) should be a key component of the hub/database architecture. The line identifier would uniquely identify assets and – when linked with accurately maintained address data – be accurate as to the postal address of those assets. It is possible for a single premises to have multiple lines but these would have different ALIDs and therefore different database entries, which could be differentiated by their attributes such as CLI. Looking ahead to scenarios where CLIs are less effective at identifying services, SSE sees benefit in access line code identifiers being made available to customers on their bills – so that customers themselves could quote this number to their CP to assist with switches or house-moves. This labelling could also be applied to the communications termination sockets inside premises in much the same way as a meter number can help to identify relevant physical energy supplies.

The maintenance of address data is an important consideration for any set of market processes that control customer switching and we note Ofcom's comment (5.120) that there is no automatic way for Openreach to be notified of changes in address data. This is a weakness in current market arrangements and a clear benefit of moving to a central hub/database arrangement is the possibility of maintaining address data in one place for the benefit of the whole market as a single source of truth. Our preference is for the access network operator to hold the master data due to their operational relationship with the geographical network but there should also be processes in place to allow the address data to be amended if better information is in the hands of any other market participant. We note, in particular, that retail CP records might be accurate for billing address but do not have the same incentive for accuracy in the site address where the service is supplied, if this is different – whereas the access network operator should have an operational interest in address accuracy.

It is also worth noting that a refreshed approach to address accuracy should take into account a reference code known as the UPRN (Unique Property Reference Number) as maintained by the National Land and Property Gazetteer database⁴. This unique property reference is increasingly used by government and commercial organisations to identify premises and, in our view, could help to firmly link premises to assets when used in a data model in conjunction with the ALID (in the case of the Openreach access network) and similar network termination identifiers in other access networks as these come into the scope of the switching project.

A further benefit of centralised market data on the rate of erroneous transfers allows regulators to keep an eye on this and other aspects of switching processes to help inform policy priorities. For example, Ofgem has recently initiated work to see if the current rate of erroneous transfers in energy (including potential slams although these are not considered a significant issue in energy markets) – which it is able to state is 1%⁵ - can be reduced. We note that Ofcom's research and calculation, in comparison,

⁴ See <http://www.nlpg.org.uk/nlpg/link.htm?nwid=19> for more information

⁵ See the third of Ofgem's set of slides available at <https://www.ofgem.gov.uk/ofgem-publications/75247/20130701coseg-3-slides.pdf>

suggests that the rate in the communications market is around 7%⁶.

6. Loss of service

Paragraph 5.201 states that back end coordination of switching processes should avoid loss of service for customers when switching and we agree with this. It would be absolutely unacceptable in the energy and water markets for loss of these services to be a common issue on customer transfers or for this to be in any way a worry for customers as it has been allowed to become in the communications market. As reliance on communications technology continues to grow (e.g. in healthcare management), our view is that communications infrastructure is assuming the characteristics of a basic utility service like the others mentioned. While the relevant statutory backgrounds might support the 'service always on' approach in these other markets, we believe that this approach could develop commercially in the communications market most readily with the same hub/database framework for identification of services and supplier(s) to premises that underpins those markets.

7. Lack of platform neutrality

Ofcom notes at various places in the consultation that this is an issue not really solved by implementation of NoT+ in the short term and at (A8.229) acknowledges that a hub/database approach could be extended to accommodate future technologies and other infrastructures as required. We agree with this and consider that equal treatment of all products and infrastructures in scope is a strength of the hub/database approach. It naturally allows a uniform front end for customer; similar wholesale processes for GPs and LPs; and is based on a data model where the level of abstraction readily allows other access networks as well as other products to be brought within scope. In this approach, there are also economies of scale: once the coordinating central hub, database and interfaces are established, new access networks can be added without all CPs having to build bespoke interfaces to them – the underlying data model represents one logical view of the whole market, as this develops over time. It is a vision that we have sought to illustrate in the slides describing the SSE/TTG model.

8. Reactive save

We agree with Ofcom that all the GPL options avoid the issues around reactive save. The only point we would add is that the statistics available centrally through a hub/database approach would provide an audit trail on use of the switching mechanisms, Therefore, any noticeable trends in, for example, customer cancellation by losing CP could provide the basis for further investigation of this issue.

9. Other advantages

Below we set out brief reference to other advantages that a coordinated central hub/database approach is likely to bring.

- In a database approach, a record of a customer's previous supply arrangements is readily available. When combined with appropriate market processes, this would facilitate speedily returning a customer to his previous arrangements where necessary and sorting out billing matters, as noted by Ofcom (A7.148).

⁶ Page 255 of the consultation states ETs 118,700 and estimated slams 84,500; together with comment at paragraph 3.3 that estimated number of switches per on the Openreach copper network is 2.8m suggests ET rate of $(118,700 + 84,500)/2,800,000 = 7.3\%$

- It would avoid the need for each CP to maintain their own set of information about network termination points they serve – they could instead make more use of centrally held market data, which may lead to greater efficiency across the market.
- Inventories for billing of wholesale services could be linked to independent market data, leading to potential efficiencies and greater accuracy.
- There are comments in the consultation about the relative inefficiency of the MPF helpline tactical fix (5.145) and we note that the need for this is removed with an overarching single logical database.
- It provides a discipline for new entrants to the market who would undergo formal take-on procedures via the governance mechanism so that they can interact effectively with the central systems – this also provides assurance to other market participants that new entrants are supervised at take-on.
- A database structure provides a means for new networks – for example, the range of new fibre networks – to join a coordinated switching system and allow their connecting customers to access a range of service providers.
- It provides an ongoing coordinating force for product and market development. Any new product proposals on ways of doing things would have to be assessed in terms of how it affects the switching processes and reference data requirements – thereby ensuring that the switching experience of customers is prospectively taken into account and disruption avoided when changes are introduced to the market.

Response to Consultation Questions

Question 1: Do you agree with our assessment of the Record of Consent Requirement?

As discussed in our covering letter, SSE fully supports Ofcom's policy conclusion to require a harmonised GPL system for switching all fixed voice and broadband retail services using the Openreach copper network. We also support all reasonable measures to make GPL work effectively and therefore understand Ofcom's wish to improve sales record keeping processes, if evidence suggests that these are not adequate in some sectors of the market. However, we have some comments aimed at seeking to ensure that the new requirement avoids being overly prescriptive.

Ofcom's main concern on consent recording seems to be with smaller CPs who may not make telephone call recordings to support their sales through this channel. A GC requirement to make and retain a record of consent would therefore address this deficiency but it should not also make call recording requirements more onerous for the rest of the industry. Many of the requirements in the existing GC24 and GC23 are for 'reasonable steps' or 'reasonable endeavours' to be taken by CPs to achieve a specified outcome. This contrasts with the proposed new GC wording to require in the case of every sale that a CP 'must create and keep ...' and we suggest that wording along the former lines would be more appropriate.

We also consider that it would avoid unnecessary disruption if CPs were at liberty to obtain and store the consent details in the way that minimises disruption to the technology and systems that they currently have in place. While the proposed GC wording does not require anything other than a "direct record of consent" consisting of specified items, we are concerned that the discussion in paragraphs 9.22 – 9.33 of the consultation suggests that Ofcom has specific types of consent record in mind. As noted in annex 4, we believe that guidance associated with the GC requirements is generally helpful but we are concerned that guidance in the area of consent recording could become unhelpfully prescriptive. We discuss the specific case of call recordings and online sales based records in more detail below.

Call Recordings

For smaller CPs who do not already have comprehensive call recording facilities, it may be helpful to set up systems only to record the 'consent part' of a sales call, as suggested in paragraph 9.23. However, for larger CPs where call recording is already available, recording and storage of entire sales calls may be the most effective option and should not be ruled out.

Online Sales

'Screen shots' are mentioned in paragraph 9.23 in relation to this sales channel. In our view, actually capturing a 'screenshot' in IT terms represents a significantly greater data handling requirement than maintaining a complete electronic record in a database of the items in the consent specification – we have estimated a screen image as requiring around 100 times more data than a normal electronic record. There may also be data protection implications in taking a bit-map 'screen shot' of the way in which a customer's browser is presenting information to them on their own computer screen.

It is also highly unusual in IT terms to seek to capture 'screen shots' rather than straightforward electronic records of the necessary information including time-stamping. Such electronic records are the standard way in which information is captured from any computer interface and they can be reproduced via a standard database report as and when needed. This approach is perfectly adequate to support auditing of a whole range of interactions between users and computer systems. We note that Ofcom's consultants CSMG, in their updated cost assessment, do not appear to envisage any special IT measures for this channel, considering as minimal the possible costs to 'store an additional output of a customer action', which in our view is consistent with normal electronic record keeping.

In conclusion, we agree with Ofcom that there may be some benefits in terms of deterrence against slamming if CPs who do not already have call recording capability were required to record the consent of customers provided during telesales discussions. For face-to-face selling situations and online sales, we consider that most CPs will already gather some form of record that the sale has been made and that adding a 'consent' element to these routes should not be overly burdensome. However, In order to reduce the potential impact on the industry, we suggest that Ofcom avoids overly prescriptive requirements in this area, as discussed above.

Question 2: Do you agree with our assessment of the requirement for better information on the implications of switching?

SSE largely agrees with Ofcom's assessment underpinning this proposal. We support the development of different lists in the proposed GC for what the losing letter, as distinct from the gaining letter, should contain. The former is clearly the letter that has most significance in informing the customer about the implications of switching and we agree with the additions that Ofcom proposes, with the exception of information on the 'time of day' that a switch is to take place. Openreach does not provide this information to a retail CP and we know of no intended system development to make this available. In addition, it is not a piece of information that customers are particularly seeking, in our experience.

We particularly support the proposed requirement for the letter to state that no contact is necessary with the LP. In our opinion, a large proportion of the calls to LPs in existing switching processes are driven by customers wanting to 'make sure' that the transfer is going to proceed without a hitch. Similarly, the provision of clear information in the losing letter about the implications of switching avoids the customer trying to remember what they have been told verbally if they did make a call to the LP to check on this.

However, we do not want to see the wording of the losing letters becoming off-putting to customers and would therefore like to see guidance for the letter established within the developing governance structure in a manner that would allow the wording of individual CP losing letters to be challenged by other CPs. We have found that use of language can have an effect on the confidence of customers to proceed with a switch, particularly if they are unfamiliar with the process. We note that Ofcom discusses some undesirable features of current losing letters

(4.162) and would like to see a mechanism developed that avoids such features taking root.

One element of the proposed letter that could engender needless concern on the part of the switching customer is element (e) of the list in proposed GC22.11, which deals with services directly or indirectly affected by the switch. The direct services are, in our view, already covered by the other detailed items in the list e.g. the actual services to be switched; when this is likely to occur; and the amount of the early termination charge, if applicable. Indirectly affected services are less well-defined and we see the potential for a requirement to inform customers about these to be used by LPs to develop all sorts of potential concerns, where they wish to systematically discourage the switch from proceeding. From this viewpoint, any service that uses or is ancillary to a fixed voice or broadband service could be 'indirectly affected' by a customer transfer.

We therefore support Ofcom's discussion (9.56) on indirect impacts and its wish to reduce the scope of this to those items that an LP could reasonably be aware of. We believe that guidance on this part of the proposed GC will be particularly important in order to prevent LPs having the leeway to present a whole range of unlikely indirect impacts that have the effect of putting the customer off or calling the LP for clarification. We would therefore prefer to see the wording tightened such that the LP is required to refer to services and products (and only such services and products) actually provided by the LP, in both the service impacts referred to at sub-section (e) and the price impacts (e.g. of other elements in a bundle) referred to at sub-section (m) of proposed GC22.11.

We acknowledge that some types of related service have a particular significance for customers and are already mentioned in the guidance notes for GC24: email addresses and alarm care systems. It is not always the case that a customer's email address would be affected by a change of broadband supplier but if it is, then we agree that customers should be informed of this by the LP. In this particular area, we note that the recently proposed EU Regulation (see footnote 2) directly addresses customer detriment in this area by proposing a requirement for the LP to provide email-forwarding facilities, so this may become less of an issue for UK customers in due course. With respect to alarm care systems, we would prefer that some generic wording is set out in the industry guidance on the matter, along the lines that 'if you use your telephone/broadband service for any type of personal alarm system, you should check with your GP whether there is any chance of disruption to that service when you transfer your telephone/broadband service'.

As discussed in annex 2, it is worth noting that one of the benefits of a database approach to switching management is that the GP would also be able to see from the switching enquiry systems what other communications services the customer has with the LP; the GP could have a positive discussion with the customer about the likely implication of the customer switching during the sales discussion rather than the LP exit letter being the first presentation of this information. It would allow a countervailing view of the implications to be put to the customer, which is in the interests of a level playing field for competition.

Question 3: Do you agree with our assessment of mandating use of functionality to ensure seamless transfer of bundled voice and broadband services?

Our comments on this question are set out in confidential annex 5.

Question 4: Do you agree with our assessment of requirements to reduce the occurrence of ETs under the WLT process?

SSE supports Ofcom in seeking to reduce the ET's caused by house moves as we understand that these form a significant proportion of apparently unauthorised transfers of service or 'slams'.

We note that inaccurate address data held in Openreach systems is recognised as a major part of the problem and support Ofcom in continuing work with Openreach to address this deficiency. It certainly forms a significant part of the problems that we encounter with house-moves. Changes to the GCs provide an opportunity to give Openreach an obligation to achieve measurable improvements in this area of data maintenance and accuracy, which is so fundamental to the experience of customers, and to correct the previous 'malpractices' (5.121) that led to the introduction of errors in the past.

For the longer term, it is exactly this area of unambiguous network termination point identification where an industry-owned database (based on existing Openreach information as a starting point) would form an enduring and strategic solution for the communications markets going forward. This is discussed further in the 'Erroneous transfers' section of annex 2.

We agree with a requirement for the CP serving the existing customer at a premises to inform their customer of a pending incoming house move once they receive the relevant flow from Openreach. This CP is in the best position to look after the interests of their existing customer as they carry out their house move – or if they were not intending to move. This forms a backstop protection for a customer if his premises is inadvertently identified by a different CP as the target premises for a house move, despite that CP's reasonable efforts to locate the correct premises.

The other main requirement proposed here is for the CP initiating a Working Line Takeover (WLT) to identify an 'exact match' for the target line before proceeding to use the WLT facility. While we agree with the aim of this, we consider that the obligation as proposed is problematic. Despite any recent cleansing of data by Openreach, it is still the case that their address data can be wrong; in these cases, proceeding on the basis of an exact match with Openreach information could still result in the wrong premises being the target of the WLT. On the other hand, CPs are sometimes able to use a variety of other techniques to identify the correct premises – including liaising with Royal Mail and use of the UPRN (discussed in annex 2).

We propose instead that the CP arranging the WLT should have an obligation to take reasonable steps to identify the 'correct premises and line' and be able to use his own judgement on how best to achieve this. We would expect that a CP using WLT should be able to justify their decision to use the facility in relation to a particular premises if required. We would also reiterate comments that we have made before in relation to Ofcom's questionnaire about the House Moves Best Practice Guide – that individual cases where it is difficult to identify the correct line for a house move would be much more amenable to resolution if there were a known list of operational contacts in different CPs for the GP to refer to in order to

make contact with the incumbent CP. This sort of operational coordination is an intrinsic part of house move and other switching processes in energy, in order to help resolve issues for customers. It is exactly the sort of 'behind the scenes' coordination that we would expect to develop naturally with industry governance of switching, as we have discussed in other parts of this response.

Whatever the form of final obligation that Ofcom puts in place for dealing with ETs, we would like to see some guidance on its implementation published along with the final statement of the requirements.

Question 5: Do you agree with the estimated implementation timescales of GPL NoT+ we have outlined?

We agree with Ofcom that, assuming Ofcom makes its final statement on the matter early in 2014, customers should see the headline move to GPL switching happening within the remaining months of 2014. We discuss this further in annex 1. We also agree that different aspects of the proposals will have different individual implementation periods – and consider that these are likely to be different for different CPs, depending on their business model and current systems. However, it seems a reasonable planning assumption that the intention behind each area of Ofcom's proposals could, in aggregate, be capable of implementation within a 12 month period. It may be that some 'behind the scenes' systems work may still be outstanding at this point (as discussed in annex 1) but we would hope that, with strong leadership from Ofcom, the time needed for the completion of this work would only be measured in terms of a few months.

The important consideration, given the length of time that has been needed for the decision-making process on this topic and the political will for GPL switching, is that customers now see a change in their switching experience to a harmonised GPL approach as soon as possible. That other work and cooperation might be needed by CPs over a rather longer timescale to achieve a complete implementation of stage 1 will not be a concern for customers. To the extent that further work is required after a 'go-live' date, we believe it should be managed by the industry – ideally under the form of governance that we have discussed in this response. However, we accept that pragmatically, Ofcom is likely to have to continue and enhance its current level of involvement in the short term to ensure, as in other industry change projects, that required outcomes are achieved.

Question 6: Are there any other key issues that need to be taken into consideration?

As discussed in our covering letter and in more detail in annex 1, we believe that Ofcom should take steps to develop a governance framework for switching arrangements in the communications market. A legitimate and representative governance body needs to be formed, in our view, in order both to oversee significant strategic change to arrangements and on a more 'business as usual' footing to ensure that an initial set of arrangements for switching can be developed by the industry. Ofcom does refer to governance at various parts of the consultation document (e.g. A7.142 and A8.241) and we see this as a significant enabler for coordinated maintenance and development of switching systems at whatever stage of their development. We strongly recommend that this issue be considered as soon as feasible in Ofcom's ongoing strategic switching project.

Comments on proposed GCs

SSE appreciates that the majority of the wording for the proposed new version of GC22 is taken from the existing wording in GC24. We have some concerns about newly introduced wording along with some suggestions for consideration and some minor drafting points.

Concerns with new requirements

- There is no mention in the consultation about **guidance notes** for the new version of GC22. We consider that the existing guidance for GC24 has been helpful and, as most of GC24 has merely been moved, we would hope that the previously issued guidance could be continued, with amendments as required. As discussed in response to consultation question 1, we would not want the guidance to become prescriptive but to retain its more 'enabling' character. In general, we would expect guidance to be updated by Ofcom more often than the GC itself, as different industry issues and considerations emerge. In due course, if industry governance of switching develops as we have advocated, we would see the governance body as having a role in maintaining the guidance document and perhaps proposing amendments to Ofcom that reflect industry views on useful developments to it.
- A major point that occurs to us when current GC24 requirements are applied to broadband services is that, unlike fixed line telephony where transfers take place with no equipment needing to be sent, broadband contracts typically provide hardware to a customer – and this is linked to the fact that most contracts in this market have a fixed term. This makes the proposed requirement for '**no cost**' **cancellation** up to the end of the transfer period an issue for these broadband services. In order for the service to be available for the customer to use at the time that the service is provisioned, the hardware such as routers and cables needs to be sent in advance of the service provision date. If equipment is sent and the customer then exercises his right to cancel the contract, the CP will incur costs – even if the equipment is returned, which is by no means certain.

We do not believe it has been Ofcom's intention to disadvantage CPs in this way and, in order to prevent it happening, we suggest that an exception is made to the 'no cost cancellation' requirement set out in 22.5 for situations where equipment is sent in order to allow the service to be provided. In this situation, we consider that it would be reasonable for a cancellation charge to be made related solely to the costs of providing the equipment to the customer and we would expect this to be set out clearly in CPs' product pricing information as a charge applying before the start date of the contract.

- In the new **requirements for the Losing Letter in 22.11**, we are concerned to ensure that Losing Providers are prevented from making the proposed switch appear unattractive or problematic to customers. The particular part of the new requirements where there is scope for this, in our view, is point (e) and we have discussed this in our response to consultation question 2.
- We have concerns about **simultaneous provision** of fixed line telephony and broadband services and discuss this in confidential annex 5.

- As discussed in response to consultation question 4, we do not think it is feasible to place an obligation on a GP to find an **'exact match'** before placing a WLT Order
- Finally, as also noted in our response to consultation question 2, we do not consider that it is possible for gaining or losing providers to give details of the **'time of day'** that transfers are expected to take place as mentioned in 22.10(e) and 22.11(g).

Suggestions

- As in the current version of GC24, it may be helpful to have a paragraph on the scope of the new GC22, for clarity at the start.
- The term 'industry agreed processes' is used a number of times in the proposed GC and, since there are not yet any agreed processes for broadband transfers on a GPL basis that have previously been conducted under a MAC process, we suggest that another term or direct references to other documents where these exist, might be more appropriate.

Minor drafting points

- 22.1 – should the “migration”s be capitalised as a defined term?
- 22.11(e) & (m), further to the discussion in response to consultation question 2, we propose that “of the Losing Provider” is added after “Communications Services” in both these parts.
- 22.15 – the wording seems only to bind a Gaining Provider when Annex 1 also contains obligations for the Losing Provider
- 22.16 – we are not clear why this obligation applies to “each” CP – in this context, it is only the Losing Provider who is being given an obligation.
- 22.19 – the wording seems only to bind a Gaining Provider when Annex 2 also contains obligations for the Incumbent Provider
- 22.25(a) – initial capitals on “Local Access Node” suggest this is a defined term although it is not used elsewhere
- Ss.25(d) – is a definition of the plural “Services”, whereas it is often used in the singular e.g. in 22.25(j) – a singular definition might be more appropriate here and in 22.25(s)
- 22.25(gg) – this might read better if “process” was added after “Notification of Transfer” as the 'notification' is only part of the overall process.
- 22.25(mm) – since two properties are involved in a Home-Move, adding “destination of” before “a Home-Move Request” would clarify which one is intended here.
- A2.1 – this should perhaps contain a proviso “subject to paragraphs A2.2 and A2.3 below” as these contain circumstances limiting the requirement to place the WLT Order.