Utility Warehouse response to Ofcom fixed switching consultation

Utility Warehouse welcomes Ofcom's consultation 'Quick, easy and reliable switching' ('the Consultation'), published on 3 February 2021. Below we summarise our views, under the following headings:

1. Our preferred option
2. Costs
3. Implementation time
4. Governance.

1. Our preferred option

Of the two options set out by Ofcom, Utility Warehouse prefers the 'One Touch Switch' option. This option is comparable to the current regulated 'Notification of Transfer' process on the Openreach network, whereby customers only need to notify the gaining provider (and complete a sales journey which requires the customer to consent to a switch by virtue of completing a sales order). It is straightforward, easy to understand and large numbers of customers who have switched in the past on the Openreach network will already be familiar with the process. In addition, it involves fewer steps and is easier to communicate by providers to their customers. Chances of customers misunderstanding information or the process, or something going wrong in the process, are smaller compared to the 'Code to switch' option.

We also consider One Touch Switch minimises chances of unwanted retention. Whilst customers can still call their current provider to discuss implications of switching or to try and obtain a better deal, there is no contact required to switch to another provider. The Code to Switch option will always require contact with the current provider.

In its statement, Ofcom set out issues experienced by some vulnerable customers being switched without their consent. Both the Code to Switch and One Touch Switch options

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include letters as a way for the losing provider to present the implications of switching to the customers. We are interested to hear if Ofcom have carried out any analysis whether vulnerable customers are more likely to use letters as the medium of communications and whether there is a risk that this group will enter into a contract with their new provider without taking the time to read the letter and being fully aware of the switching implications.

Irrespective of the option chosen, we would like to make the point that the new process should work for all providers, whatever position in the value chain they have. At this point in time it is unclear which parties need access to the hub, or how wholesale providers will interact with their resellers. Those processes will be developed in more detail once the statement is published. It is important that the details of the switching process work across the whole value chain, and that any process is not prohibitively expensive for some parties in the value chain.

2. Costs

The net present cost estimates of both options are significant, and range from £50m to £78m (adjusted with average opex - capex ratio for the outlier). Whilst there is no breakdown of the cost estimates of the different elements of the switching processes, it appears that Ofcom's interpretation of 'express consent' has contributed to the level of the costs, in particular the requirement to provide the customer with the implications of switching prior to entering into a contract. We agree that it is important for customers to be made aware of the implications of switching, including the impact on other services. Under the current 'Notification of Transfer process', the losing provider is required to send the letter with the implications of switching within seven days to the customer. There are safeguards in place for customers to cancel their switch up to the day they are being switched, and in addition, there is a legal cooling-off period for online and telesales. We question whether the requirement on the losing provider to present the switching information to the customer at Point of Sale (automatically, in real time) is proportionate in relation to its objective, and whether Ofcom has any evidence of harm related to the losing provider letter being sent after the customer takes out a contract with the new provider.

In Annex 7 to the consultation, Ofcom includes cost information and, among other things, it presents the cost on a monthly, per customer basis and on a 'per switch' basis. Whereas this may be mathematically correct across the market, it does not show the differences between providers. Large part of the implementation costs of either option will be fixed, and will relate to systems and system integration. It is unclear at this point whether resellers like Utility Warehouse will need access to the hub themselves, or will need to have an interface with their wholesale network. In any event, the cost for smaller resellers may be disproportionately high in relation to the size of their customer base, and the monthly cost per customer, or per switch, may therefore be significantly higher than the market average. In addition, resellers may rely on a number of wholesale parties for their services. Depending on the way the changes will be implemented, resellers may have to put in place interfaces with a number of wholesale providers, adding to the cost, unless resellers will have access to the hub as well. It is therefore important to look at all options, and ensure that any options for implementation are not prohibitively expensive to implement for some categories of providers. More generally, smaller providers will have fewer resources to implement changes, and resources being diverted away from day-to-day work may have a much bigger impact on smaller parties, in particular in the context of all the changes that need to be implemented for the EECC.

3. Implementation time

The consultation reiterates Ofcom's December statement that the new switching process has to be implemented by December 2022. This seems highly ambitious. We understand that Ofcom intend to publish its statement with its final decision in September this year. After that, industry will start working out the details of the new processes and after that providers will have to implement the changes in their own organisations and likely involve significant development effort against existing roadmaps. All that will have to be done in a time period of 15 months. With over one thousand providers, the implementation, and agreement on detailed processes will be a mammoth task. We remind Ofcom that the mobile switching changes, which were significantly smaller in scale and scope, took 18 months and were a struggle to implement. In particular for smaller providers, who are 'at the end of the queue' and had to do the lionshare of the work after the networks had implemented their parts. We

are concerned that the tight timelines will impact on the quality of the implementation and that the harm may be great if a new process is launched too hastily.

4. Governance

Related to the ambitious implementation timelines is the governance structure for these switching changes. Ofcom have so far been relatively hands-off. With a project of this size and importance, we consider Ofcom should become more involved and support industry in the time available until the publication of the statement putting in place a governance and communication structure that ensures all provider types are well represented and aware. Again, lessons can be learned from the mobile switching changes.