

## Representation

### Draft Modification Report

#### 0396: EU Third Package: Three week switching

**Consultation close out date:** 02 March 2012  
**Respond to:** enquiries@gasgovernance.co.uk  
**Organisation:** Consumer Focus  
**Representative:** Richard Hall  
**Date of Representation:** 3 February 2012

#### Do you support or oppose implementation?

Support

#### Please summarise (in one paragraph) the key reason(s) for your support/opposition.

A contraction to the switching window to three weeks is legally required by the EU 3<sup>rd</sup> package, so in many regards this modification is a 'no brainer'. But even setting aside the legal necessity for change, this is a highly sensible step from a competition and consumer well-being perspective. The overwhelming motivation for customer switching is to save money - and compressing the switching timetable will mean tariff savings flow through to customers' wallets sooner. From a competition perspective, increasing the ease with which consumers can reward/punish suppliers by voting with their feet (switching) should increase competitive pressure on suppliers to keep costs down and standards up.

#### Are there any new or additional issues that you believe should be recorded in the Modification Report?

No.

#### Relevant Objectives:

*How would implementation of this modification impact the relevant objectives?*

We consider that this proposal would facilitate objective (d), securing effective competition between suppliers. Making the switching process faster should enable consumers to reward/punish suppliers more easily, increasing the incentives on them to keep costs down and service standards up.

We also welcome the statements in the draft Modification Report suggesting that this change should allow dual fuel switches to take place on the same day. Currently these dates are often several weeks apart, which creates the hassle factor of needing to get and submit meter reads on several different days rather than one. Aligning both switches should make for a more seamless consumer experience, in turn encouraging switching and promoting competition.

### **Impacts and Costs:**

*What analysis, development and ongoing costs would you face if this modification were implemented?*

The overwhelming motivation for consumer switching is to save money. Delays in carrying out the switch have the effect of leaving consumers out of pocket, as they are paying their old higher tariff for longer than they need to. Given the UK's high annual switching rate (~17% per annum) we would be surprised if the annual materiality (to consumers) of this lost opportunity did not run into many £millions.

### **Implementation:**

*What lead-time would you wish to see prior to this modification being implemented, and why?*

As soon as possible.

Note that Article 54 of the 3<sup>rd</sup> Package (gas) states that:

*"Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 3 March 2011. They shall forthwith inform the Commission thereof.*

*They shall apply those measures from 3 March 2011 [...]"*

"Bring into force", "apply those measures" etc clearly envisages that the necessary processes will be done, dusted and fully operational by 3 March 2011. It is now February 2012 and we are still some way off an implementation decision, let alone operational implementation.

The UK is badly late in giving effect to the legislation and may risk enforcement action if it continues to be so. It is not clear to us who bears the legal risk here; we suspect DECC rather than suppliers or Ofgem as we presume transposition obligations principally rest on government. However, in the interim the financial risk is being borne by consumers who are suffering slower switching timescales (and consequent delay in getting on to a better tariff) than they are (legally) entitled to receive. We would urge you to make a prompt decision on this modification. Given our statutory duties, we fully reserve the right to take further action in the event that consumers continue to be denied their legal rights.

#### **Legal Text:**

*Are you satisfied that the legal text and the proposed ACS (see [www.gasgovernance.co.uk/proposedACS](http://www.gasgovernance.co.uk/proposedACS)) will deliver the intent of the modification?*

We have not reviewed the legal text.

#### **Is there anything further you wish to be taken into account?**

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*

No.