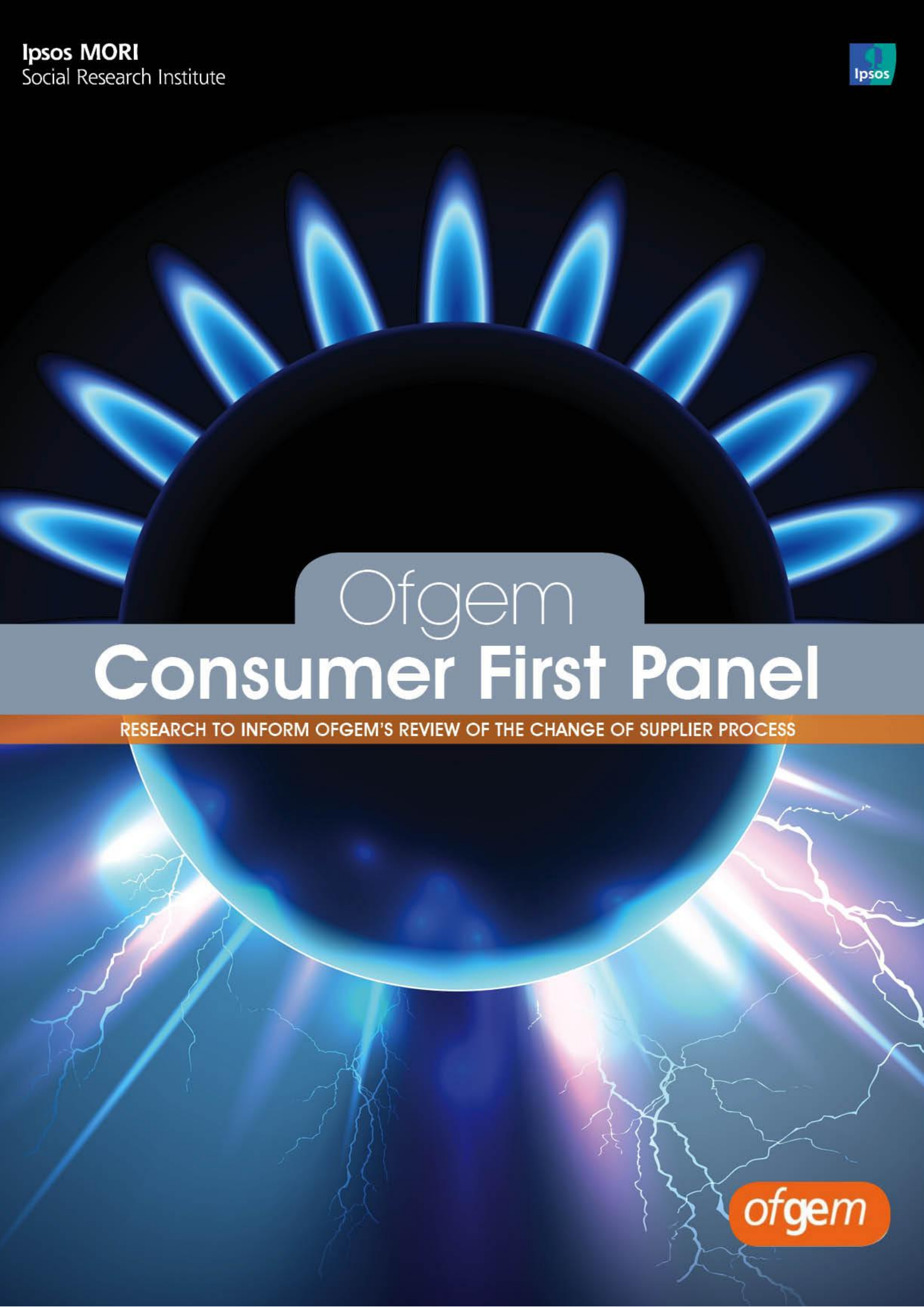




Ofgem

Consumer First Panel

RESEARCH TO INFORM OFGEM'S REVIEW OF THE CHANGE OF SUPPLIER PROCESS

ofgem

Contacts at Ipsos MORI and quality assurance

Written and checked by:	Graham Bukowski	Tel: 020 7347 3456
	Research Manager	graham.bukowski@ipsos.com
	Naomi Boal	Tel: 020 7347 3958
	Research Manager	naomi.boal@ipsos.com
	Lois Aspinall	Tel: 020 7347 3160
	Research Executive	lois.aspinall@ipsos.com
Quality assurance by:	Anna Beckett	Tel: 020 7347 3115
	Head of Central Government Research	anna.beckett@ipsos.com
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Signature:		

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MANAGEMENT SUMMARY



MANAGEMENT SUMMARY

Ofgem asked Ipsos MORI to use the Consumer First Panel to examine what consumers want in a future Change of Supplier (CoS) process¹. Alongside the Panel workshops, additional research was conducted with specific groups of energy consumers: ‘recent switchers’ and customers with an Advanced Domestic Meter and Electronic Consumption Data Display² (referred to as ‘ADM customers’) who were included as a proxy for smart meter customers. Incorporating these extra audiences into Panel research helps Ofgem to understand the opinions of a broad range of energy consumers in regard to the current CoS arrangements as well as their needs and expectations for a future CoS process.

The discussions focussed on three key characteristics of the Change of Supplier process, namely:

- **Reliability**, including the potential impact of possible issues arising during the CoS process on consumers’ engagement with the CoS process and likelihood to switch in future.
- **Efficiency, simplicity of the process** and level of consumer involvement.
- **Speed of transfer** from one supplier to another, including a consideration of how the cooling-off period³ impacts preferences around optimum timescales.

The research also examined the extent to which the roll-out of smart meters impacts on the needs and expectations of consumers for a future CoS process.

Research events with 131 participants (including 109 Panellists, 12 ADM customers and 10 recent switchers) were conducted in seven locations across Great Britain between the 22nd April and 2nd May 2013. Participants were recruited to broadly reflect GB energy consumers.

VIEWS ON THE SWITCHING PROCESS

When a consumer embarks on the process of switching energy supplier, they will go through a number of stages. The early stages may involve the consumer thinking about their current tariff and levels of energy use before reviewing an alternative tariff or tariffs. After deciding to switch to a particular tariff and agreeing a contract with the new supplier, the consumer embarks on what we have termed the ‘Change of Supplier’ process. This will finish when they commence supply with their new supplier.

In order to provide important context for understanding their views about the current CoS process and reactions to possible alternative arrangements in a future CoS process, the research began by gathering consumers’ views on the switching process as a whole.

¹ The CoS process involves a series of stages that starts when a consumer agrees to transfer from one supplier to another and ends when they receive a final bill from their old supplier and have an account activated with their new supplier. Currently the CoS typically takes five weeks including any cooling-off period.

² An Advanced Domestic Meter is a gas or electricity meter for domestic customers that can measure consumption for multiple time periods, which are at least daily, and can provide the supplier with remote access to that consumption data. An Electricity Consumption Data Display is an electronic device that provides information on the quantity of electricity supplied to a domestic premises and/or information relating to charges for the supply of electricity to the premises.

³ The cooling-off period is a time during which the customer can change their mind about their new supply contract. Cooling-off periods, such as may be applicable, currently extend for between five and 14 calendar days (or longer, if agreed with the supplier). However, this will be subject to change when the European Consumer Rights Directive is transposed into GB law during 2014.

VIEWS ON EARLY STAGES OF THE SWITCHING PROCESS

The key finding is that the earlier stages of the consumer journey (e.g. making purchasing decisions) are currently a bigger disincentive to engaging with the market than the actual CoS process. The barriers that deter most consumers from ever reaching the final stage of the consumer journey (i.e. switching to a new supplier) were:

- Perceived limited benefit from a switch:** Consumers doubt that switching could lead to the kind of benefit (financial savings and/or improved customer service) that would justify their time and effort. The perception of low price differentials in the market means few consumers consider it worthwhile to spend time exploring their energy options with different suppliers.
- Consumer input:** The earlier stages of the consumer journey (e.g. actively looking for tariffs, comparisons, calculations, decision-making) require more consumer involvement than the CoS process itself. Some perceive the level of involvement in the early stages to be so off-putting that they do not engage in the first place.
- Complex market:** The number of tariffs on offer and their different pricing structures all contribute to the perception that the market is too complicated, and navigating it is too onerous for most consumers.

VIEWS ON THE CHANGE OF SUPPLIER PROCESS

Among all participants, awareness of what the CoS process involved was generally low, particularly compared to awareness of the earlier stages of the consumer journey. It was generally viewed as a process that required little input from the consumer as most of the work would be conducted by suppliers.

That said, consumers with very limited experience of engaging in the market tended to be apprehensive about the CoS process. These participants were more likely to voice concerns about potential issues that they believed could arise during the CoS process, namely:

- Financial:** consumers incurring costs as a result of billing errors, which they feared would leave them worse off and take a long time to resolve.
- Practical:** the inconvenience of having to be at home to provide access for a meter reading, and/or concerns about inaccurate self-reading.

Nevertheless, most participants did not consider the CoS process as being problematic.

THE IMPORTANCE OF A RELIABLE PROCESS

Participants were presented with information about current CoS arrangements. They were then asked to deliberate on what they would want in a future CoS process. Ensuring reliability and accuracy during the CoS transfer was the most important issue for many. Spontaneously consumers were concerned that a quicker process would involve a ‘trade-off’ against the reliability or accuracy of the process, and most felt that they would prioritise reliability and accuracy over speed.

There was no consensus on whether an unreliable transfer would make them reverse their decision to complete the transfer or deter them from a future switch (if they felt switching was worthwhile which currently most do not). However, most felt that problems with billing (e.g. inaccurate billing) would

potentially deter them from switching in future. This is because participants said they would be fearful of engaging in a process that could potentially leave them worse off. It was noted that even if problems get resolved, there can be wider financial implications of a one-off mistake such as overdraft fees from their bank.

EFFICIENCY, SIMPLICITY AND CONSUMER INVOLVEMENT IN A FUTURE COS PROCESS

This research reaffirms that for consumers, the priority is making the experience of selecting a new tariff or supplier easier, and any increased engagement coming from changes to the CoS process appear to be contingent on the Retail Market Review reforms being successful. However, consumers did expect a number of improvements to a future CoS process:

EFFICIENT AND SIMPLE PROCESS WITHOUT COMPROMISING RELIABILITY

Consumers want a process where each stage proceeds as quickly as possible without compromising reliability, or which does not pose a potential risk to the consumer (such as waiving the cooling-off period if they have been put under pressure to switch). Some consumers thought that this could be achieved by better use of technology, namely:

- **Use of technology for meter readings** - some participants thought smart meters would enable improvements to this part of the process and others thought meter readings could be supplied via text message;
- **Customer records transfer** - could be immediately transferred from one computer system to another, and meter readings could be taken remotely;
- **Credit checks** - could be carried out instantly;
- **Standardised procedures** - standardising the procedures (e.g. data transfer and processing) which underpin the CoS process would, a few consumers believe, result in fewer problems (i.e. errors) and a quicker transfer.

MINIMISING CONSUMER INVOLVEMENT AND GOOD CUSTOMER CARE

Consumers recognise they currently have a role in initiating the CoS (i.e. agreeing to transfer) and potentially at the latter stage (e.g. submitting a meter reading) but want suppliers to manage the rest of the process. In a future CoS process consumers want:

- **Reassurance from suppliers** – consumers want to feel reassured the transfer will happen smoothly and any issues will be resolved efficiently, and that the process will not lead to a temporary loss of supply, particularly for pre-payment meter (PPM) customers;
- **Appropriate level of supplier contact** – consumers want to be kept informed during the process, though desired frequency of the contact is dependent on a consumers' personal preferences and level of confidence in making purchasing decisions;
- **Appropriate type of communication** – suppliers should do more to understand their customers' preferred channel of communication and provide progress updates accordingly;
- **Clear guidance about cooling-off periods** – consumers want suppliers to ensure that customers fully understand their rights around the cooling-off period;

- **Smarter meter-reading** – while consumers recognise this could mean less involvement following roll-out of smart meters, the end of estimated billing is viewed as the primary benefit of smart meters;
- **Suppliers working harder for consumer loyalty** – some consumers want the existing and new suppliers to compete for their custom during the transfer, though they do not want to feel pressured by salespeople.

SPEED OF THE COS PROCESS

A key finding of the research is that many consumers found it difficult to explore their preferences around speed and reliability separately due to the widespread belief that a faster switch meant a higher risk of error. Additionally, the speed of the CoS process was not the main consideration influencing the decision to switch and it was of low salience to most people. There was considerable variation in consumers' estimates of how long the CoS process currently takes, reflecting this low salience. These views varied for a range of reasons, including awareness of the CoS process and, for those who had switched, experience and recall. Most believed the CoS process takes somewhere between 2-6 weeks from the point that the customer agrees to a new contract (including the cooling-off period) to the time when the new supplier sets up the customer account.

OPTIMAL LENGTH OF THE COS PROCESS

When asked, consumer estimates of how long the CoS process **should** take were almost always lower than their estimates of how long it does take. However, there was a debate between those who wanted the switch to be quicker than it currently is, and those who did not want the switch to be too much quicker because they felt this heightened the risk of errors. When asked for the optimal length of the CoS process, from the point that the customer agrees to a new contract to the time when the new supplier sets up the customer account (including any cooling-off period), participants fell into one of the three following categories:

- **2-4 weeks:** These consumers were concerned that a quicker transfer would increase the risk of error, in particular around billing. They believed that improvements in timing might involve a trade-off with reliability. Most customers were in this category.
- **As quickly as possible:** These participants were often, but not exclusively, younger, tech-savvy people, and tended to be more confident when making purchasing decisions (and therefore were more likely to be comfortable waiving the cooling-off period). They presumed that better use of technology could cut the length of the transfer.
- A few argued for an **immediate** or **next-day** CoS process on the basis that they ought to be able to take advantage of cheaper tariffs as soon as they become aware of them.

IMPACT OF THE COOLING-OFF PERIOD ON TIMESCALE PREFERENCES

Ofgem were keen to understand the extent to which consumers would be interested in a very quick switch and whether individual consumers would be likely to waive their cooling-off period to achieve this. Taking all participants' views into account, three general typologies emerged with relation to the cooling-off period:

Happy to waive

A minority of participants were relaxed about waiving and valued the choice to do so. They were generally confident, tech-savvy consumers and were often recent switchers. They tended to be consumers who valued a timescale of 2 weeks or less.

Reluctant to waive

These consumers held the opinion that a longer process would be likely to mean fewer errors, and therefore the cooling-off period was also valued insofar as it was perceived to slow the pace of the CoS process down. In addition, they felt the cooling-off period was valuable as a consumer right. That said, they were generally of the opinion that the CoS process should happen more quickly (i.e. 2-4 weeks), but thought that the cooling-off period should happen in parallel with some of the other CoS processes. These participants were typically either less confident when making purchasing decisions, people who had never switched, or people who had had poor switching experiences in the past.

Ambivalent

The third typology is typified by consumers who were neither very interested in the cooling-off period as a consumer right, nor enthused by the potential time or financial savings that waiving it could bring. These consumers included both switchers and non-switchers. They were also less likely to express strong opinions about how long the CoS process overall should take.

Ultimately, the majority of Panellists maintained their original positions on the optimal length of the switch. Those who wanted a switch in less than 2 weeks were generally willing to waive their cooling-off period to achieve it. However, most consumers believed there was little incentive to do so due to the perception of low price differentials in the market.

IMPROVEMENTS TO THE COOLING-OFF PERIOD

Some participants spontaneously suggested changes that they thought might make the cooling-off period more useful for consumers:

- A cooling-off period *after* the transfer to the new supplier, allowing consumers to ‘try before they buy’, otherwise they felt it served no great purpose.
- A shorter cooling-off period to get some of the benefits of waiving (i.e. faster process and thus potential financial saving) without losing the consumer safeguard completely.
- A cooling-off period followed by an immediate transfer with suppliers running the other checks in the background during the cooling-off period to make this possible.

In conclusion, the cooling-off period was considered unlikely to be a major factor in many consumers’ decisions to switch supplier as concerns surround earlier stages of the consumer journey dominate. However, waiving the cooling-off period was attractive to the most engaged, confident participants if it allowed them to move between suppliers more quickly.

UNDERSTANDING THE POTENTIAL IMPACT OF SMART METERS ON ATTITUDES TO THE CoS PROCESS

Most participants could see the potential for a more streamlined switching process as a result of automated real-time meter readings. Several ADM customers appreciated that this removed a degree of hassle that non-ADM customers usually had to endure.

However, very few consumers (including ADM customers) had considered or understood the potential implications of improved data sharing and more efficient supplier systems for the CoS process. Once participants were reminded of key stages of the CoS process and had discussed smart meter capabilities, most could see how smart meters could eventually contribute to a more accurate, reliable, and quicker CoS process.

UNDERSTANDING THE POTENTIAL IMPACT OF SMART METERS ON CONSUMER ENGAGEMENT

However, although consumers were able to understand the potential benefits of smart meters for the CoS process, there was little evidence to suggest that the installation of a smart meter would encourage most to consider switching supplier (at least until consumers observe improvements in the earlier stage of the consumer journey e.g. easier to make tariff comparisons).

Furthermore, consumers showed limited interest in the specific improvements that smart meters could bring to a future CoS process, such as reduced timings and increased reliability. This was because the speed and the reliability of the CoS transfer were generally not the main barriers affecting consumers' initial decision to switch.

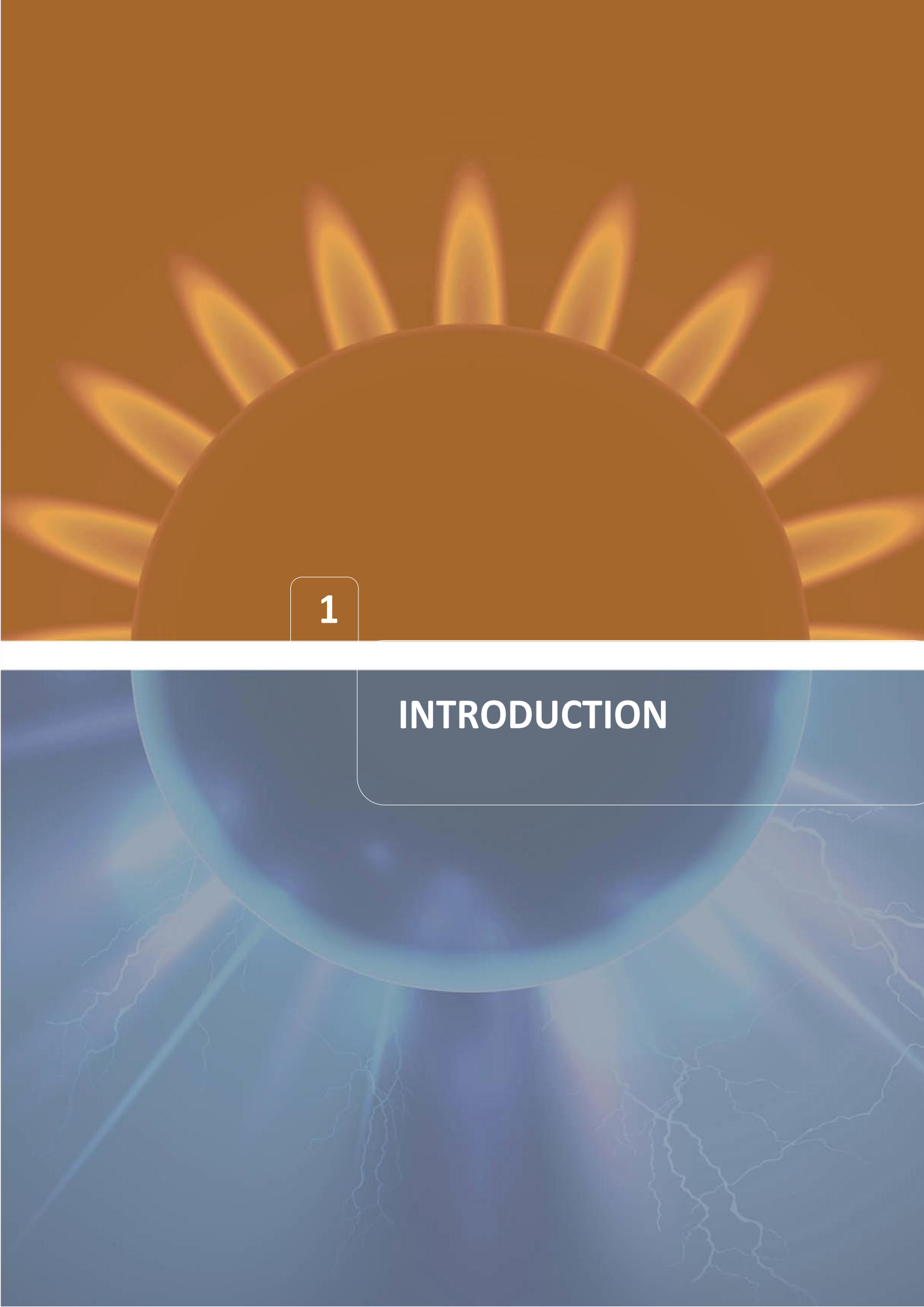
When asked to revisit their earlier views around timescales in light of new information on smart meters, only a few consumers changed their views. These consumers, who tended to be younger, tech-savvy consumers, reduced the time of their recommended CoS process to between same day and a few days.

ROLL-OUT OF SMART METERS AND IMPACT ON CUSTOMER EXPERIENCE

Participants were explicitly probed on the fairness of different consumers potentially receiving different standards of service during the CoS process due to staggered roll-out.⁴ However, this question was perceived to be less important, as most considered the benefits of an improved CoS process to be limited relative to any improvements to make the process of choosing a tariff easier.

Consequently, participants unanimously agreed that consumers should start benefitting from a faster, more reliable CoS process from the moment they had their smart meter installed and that improvements should not be put on hold to wait for all consumers to have a smart meter.

⁴ Participants were introduced to the idea that roll-out of smart meters would be staggered over a few years and consequently the potential advantages of having smart meters would not be available to everyone at the same time.

The background of the slide is a composite image. The top half features a large, solid orange semi-circle representing the sun, with several elongated, flame-like rays extending upwards. The bottom half shows a blue sky with white, jagged lightning bolts. A large, semi-transparent blue circle is centered over the bottom half, partially overlapping the sun's rays and the lightning. A white rectangular box with rounded corners is positioned on the left side, overlapping the sun and the blue circle.

1

INTRODUCTION

1. INTRODUCTION

In March 2013, Ipsos MORI ran the second wave of this year's Consumer First Panel on behalf of Ofgem. This wave of Panel research examined views on the Change of Supplier (CoS) process.⁵ Panellists were reconvened to take part in workshops in six locations across GB. Alongside the workshops, additional research was conducted with groups of particular interest: triad depth interviews with energy consumers who had switched supplier in the previous twelve months; and mini-discussion groups with customers with an Advanced Domestic Meter⁶ (ADM) and Electronic Consumption Data Display⁷ installed in their homes (referred to as 'ADM customers' in the rest of this report). The findings presented in this report will feed into Ofgem's work on proposals for a future CoS process.

1.1 BACKGROUND

The Gas and Electricity Markets Authority (GEMA) is the regulator of Britain's gas and electricity markets, and Ofgem carries out the day to day functions of GEMA. The principal objective of GEMA and Ofgem is to protect the interests of current and future consumers.

Ofgem carries out a wide range of research with consumers to better understand their interests and to include their voice in the policy making process. Since 2007, it has run the Consumer First Panel. The Panel, which is fully refreshed every year, consists of around 100 domestic consumers who meet 3-4 times in a deliberative process, whereby they build their knowledge and understanding of energy related issues, and offer Ofgem their views to help inform key policy decisions.

Ofgem asked Ipsos MORI to supplement the 'core' approach on this wave of Panel and conduct additional research events with specific groups of domestic energy consumers:

- Consumers with ADMs and Electronic Consumption Data Displays installed in their homes were included to ascertain the extent to which their experience of this technology influences their views about the CoS process. These consumers were recruited to the research as a proxy for smart meter customers.⁸
- Consumers who had switched supplier in the previous twelve months (i.e. 'recent switchers') were able to bring recent experience of the CoS process to the discussion.

Incorporating these extra audiences into Panel research helps Ofgem to understand the opinions and experiences of a broad range of energy consumers in regard to current CoS arrangements, as well as their needs and expectations for a future CoS process.

⁵ The CoS process involves a series of stages that starts when a consumer agrees to transfer from one supplier to another and ends when they receive a final bill from their old supplier and have an account activated with their new supplier.

⁶ An Advanced Domestic Meter is a gas or electricity meter for domestic customers that can measure consumption for multiple time periods, which are at least daily, and can provide the supplier with remote access to that consumption data.

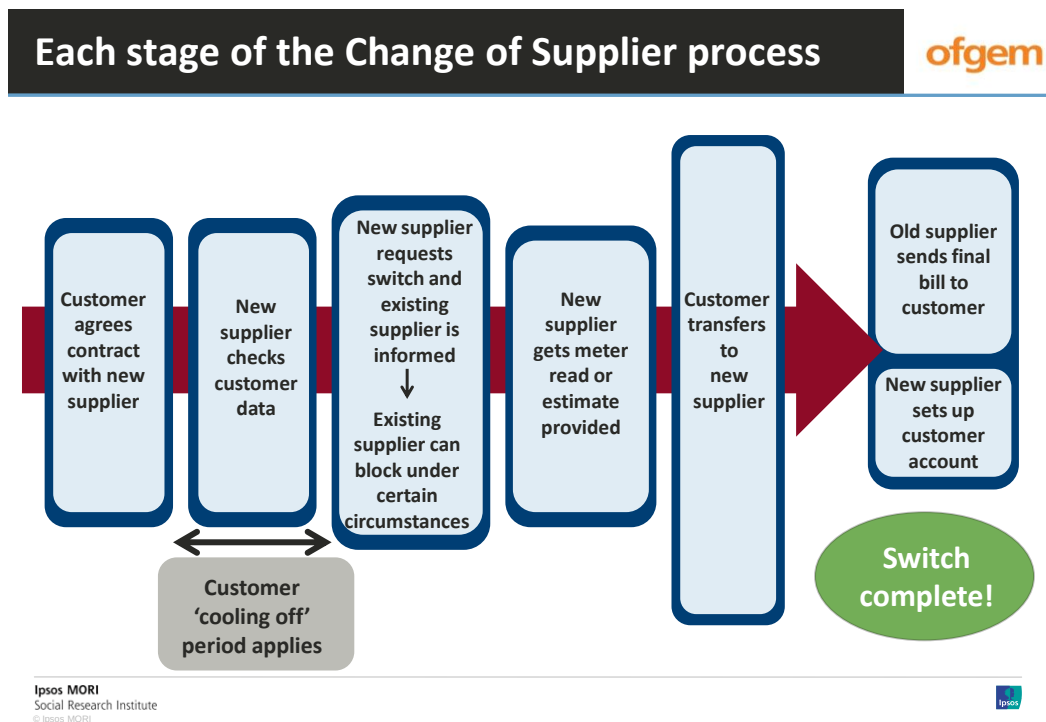
⁷ An Electricity Consumption Data Display is an electronic device that provides information on the quantity of electricity supplied to a domestic premises and/or information relating to charges for the supply of electricity to the premises.

⁸ At the time of this research, it was not possible to include a large enough sample of smart meter customers to take part in face-to-face qualitative research in a single location.

THE CURRENT CHANGE OF SUPPLIER PROCESS

For the purposes of this research we defined the Change of Supplier (CoS) process as starting when a consumer agrees to transfer from one supplier to another and ending when the customer has an account activated by their new supplier. Currently the CoS process typically takes five weeks including any cooling-off period.

Figure 1: The Change of Supplier process



Each stage of the current CoS process is described below:

- Customer agrees contract with new supplier: The CoS process starts when a customer agrees to transfer from one supplier to another. Electing to switch energy supplier can be done online, by telephone, or physically signing a hard copy contract.
- Customer cooling-off period: Energy suppliers are required to provide domestic customers with a cooling-off period⁹ although energy consumers are currently entitled to 'waive' this if they choose.
- New supplier checks customer data: The supplier will check identify the unique supply point number for the customer's home address. Additionally, the new supplier may conduct consumer credit checks.

⁹ The cooling-off period is a time during which the customer can change their mind about their new supply contract. Cooling-off periods, such as may be applicable, currently extend for between five and 14 calendar days (or longer, if agreed with the supplier). However, this will be subject to change when the European Consumer Rights Directive is transposed into GB law by 2014.

- New supplier requests transfer and existing supplier is informed: The new supplier will inform the customer's existing supplier that a change of supplier request has been submitted.¹⁰
- Existing supplier can 'block' the switch under certain circumstances, for example if the customer is in financial arrears.
- New supplier obtains meter reading: To activate the customer's energy account the new supplier needs either an actual meter reading or estimate. To obtain the reading a supplier will either ask the customer to submit their meter reading or will send someone to do a meter reading or will obtain one remotely if the customer has an ADM fitted. If an actual meter reading cannot be obtained, the new supplier will use an estimate so that the transfer can still proceed.
- On receipt of an actual meter read or estimate the existing supplier will send the customer their final bill.
- New supplier activates customer account: A customer will have finished the CoS process once the new supplier activates the customer's energy account based on a meter read.

1.2 OBJECTIVES

Ofgem aims to ensure the energy market operates effectively for consumers. Previous research has helped Ofgem to understand what improvements are needed to make it easier for energy consumers to engage with and navigate the energy market, and ultimately switch tariff or supplier. Specifically in relation to the Change of Supplier process, previous research has shown that consumer concerns about the process of transferring from one supplier to another can deter engagement.¹¹ Furthermore, Ofgem considers that the current CoS process can lead to delays, errors and costs which are often borne by consumers. Over five million customer transfers have occurred in the last year¹² and each typically takes 5 weeks including the cooling-off period and up to the point where the customer transfers to the new supplier. A significant number have complications which can take time and effort to resolve.¹³ Ofgem is currently undertaking a review of the CoS process with the aim of making it faster, more reliable and more cost effective.

In this context, Ofgem's overall objectives for the second wave of Year 5 of the Consumer First Panel were to explore what characteristics consumers would value in a future CoS process and to better understand how different factors relating to the CoS process influence, or are likely to influence, engagement with the market.

The following aims were considered throughout the research project:

¹⁰ In reality the new supplier will inform central systems that a consumer has requested to change supplier and the existing supplier will be informed that a change of supplier request has been submitted. To ensure that discussion stayed on topic participants were presented with a simplified version of the processes that take place "behind the scenes".

¹¹ Consumer engagement with the energy market, information needs and perceptions of Ofgem
<http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/Consumer%20engagement%20with%20the%20energy%20market,%20information%20needs%20and%20perceptions%20of%20Ofgem.pdf>

¹² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208286/qep_june_2013.pdf

¹³ Examples include the customer's old supplier objecting to the transfer on the basis that the customer has an unpaid bill or an attempted erroneous transfer of a customer who has not asked to switch.

- To ascertain what impact possible issues arising during the CoS process (e.g. errors) could have on consumers' engagement and likelihood to switch in future.
- To understand the importance of speed and timings in the CoS process. As part of this there was a desire to explore how the cooling-off period impacts preferences around optimum timescales.
- To understand what consumers want out of the process in terms of simplicity and efficiency as well as customer involvement.
- To understand whether the roll-out of smart meters is likely to impact the views and expectations of consumers in regard to the CoS process.

1.3 METHODOLOGY

A qualitative approach was considered the best way to allow participants to explore this topic, from both a personal and a citizen¹⁴ perspective. Qualitative methods allow participants the freedom to express the issues that are salient to them. We used three different, complementary qualitative methods:

- **Panel workshops with a broadly representative cross-section of GB energy consumers:** These were conducted in six different locations and were three hours long to allow Panellists enough time to express their views about the CoS process (current and proposed) and its likely impact on their engagement with the energy market.
- **Triad depth interviews with recent switchers:** These were ninety minutes long and were conducted in four Panel locations (London, Dundee, Southampton, and Wrexham). These small groups (2-4 participants in each) ensured participants had enough time to discuss their actual experience of, and preferences around the CoS process.
- **Two mini discussion groups with ADM customers:** These were ninety minutes long and were conducted in Milton Keynes¹⁵. These groups of around 6-8 participants consisted of consumers with a range of understanding of, and engagement with, their ADM and Electronic Consumption Data Display.

Each of the research events (Panel workshops, triad depth interviews and mini discussion groups) were deliberative in nature, so that participants were given information about the energy market and the CoS process as the events progressed. Participants were encouraged to develop their views in the light of new information they received during the sessions.

During the research events, participants were encouraged to think about what things they would want in a future CoS process and were given time and structured exercises to help them develop and illustrate the key principles underlying their views.

Activities that participants engaged with throughout the research events included:

- **A poster activity (Panel workshops only)** whereby Panellists wrote their top-of-mind thoughts about changing supplier in the energy market before the main workshop began. This encouraged Panellists to engage immediately in the discussion and allowed everyone to feel like they could

¹⁴ Where a participant takes into consideration the perspectives of other members of the public when forming opinion about a topic.

¹⁵ Milton Keynes was included as a research location due to the high penetration of ADM customers in this area.

have their say early on. It also allowed for a more focussed discussion on the current and a future CoS process later on as Panellists had already aired their views on earlier stages of the consumer journey e.g. comparing tariffs. The same questions were asked of participants who attended triad depth interviews and mini-discussion groups in initial discussions.

- **Group discussions about changing energy supplier and specifically the CoS process:** this allowed participants to discuss the issues that matter to them as consumers (e.g. tariff comparison); as well as those characteristics that are most important to them in the CoS process.
- To understand the spontaneous and more considered views of each aspect of the CoS process, participants were presented with information, in the following order, which outlined:
 - **The beginning and end stages of the CoS process:** participants were encouraged to think about the sorts of things that might need to take place in between, with the aim of gauging consumers' existing knowledge and awareness of the process. It was also intended to highlight the points of contact that consumers expected from suppliers.
 - **Each of the different steps involved in the CoS:** this gave participants the information they needed to both consider existing CoS arrangements and to begin to create a future CoS process.
 - **Speed of CoS processes and the concept of the cooling-off period** were presented separately to understand firstly what overall timescales consumers would want when transferring from one supplier to another, and secondly to draw out how these expectations were impacted by cooling-off periods.
 - **Information about smart meter roll-out** allowed participants to consider their earlier views with regard to the characteristics of the CoS process which smart meter technology should be able to affect e.g. reliability and speed.
- **'Ideas books'** were used to encourage participants to record their views independently before discussing them as a group to ensure individual views were captured.

The presentations, participant stimulus and discussion guides are published separately.

Figure 1: Panel Locations



1.4 SAMPLE AND RECRUITMENT

PANEL

The Panel workshops involved 109 Panellists from different backgrounds across six locations (Birmingham, Dundee, London, Morpeth, Southampton and Wrexham) as shown in Figure 1.

Almost all Panellists had taken part in the previous round of workshops in January, though a small minority were newly recruited to account for people who were unable to attend this workshop.

Panellists were recruited to broadly reflect the adult population of Great Britain, taking into account a

number of key criteria that are likely to influence their views on the most salient issues. All participants were solely or jointly responsible for their household's energy bills. In addition, the following recruitment variables were used:

- Gender
- Age
- Ethnicity
- Socio-Economic Group (SEG)
- Housing tenure
- Fuel poverty
- Long-term condition/disability
- Supplier
- Electricity only vs. gas and electricity
- Payment type
- Employment status
- Family status
- Urban/rural

In order to ensure Panellists broadly reflected energy consumers in Great Britain, the quotas set within these variables corresponded to national demographic figures derived from the 2011 Census figures and other relevant data sources¹⁶. It was necessary to up-weight quotas to ensure the following groups were represented sufficiently for sub-group analysis. These included:

- Ethnicity – black and ethnic minorities (BME) were up-weighted to ensure that these groups were represented in each workshop location.
- Rural – we over-recruited those living in rural areas, including those living off the gas network to ensure we could capture their views, as they can often have different experience to those living in urban environments.
- Tenure – we also over-represented those living in social and privately rented accommodation, as they can often have different experiences to those who own their properties.

Panellists were re-contacted by Ipsos MORI. Re-contact happened by letter a few weeks prior to the event and a follow-up call by Ipsos MORI was made to confirm attendance. The Panel was initially over-recruited to take into account a dropout rate of 20%, which is a common feature of Panel research. For the second round of workshops, replacements were recruited to boost attendance to 109¹⁷. Panel replacements were fully briefed by the Ipsos MORI project team to bring them up to speed with previous Panel work, ensuring continuity for the Panel. In the previous wave of Panel (held in January) Panellists were asked how the Priority Services Register (PSR) might best serve vulnerable customers.¹⁸ It is worth bearing in mind that some of the issues discussed in the PSR research, for example vulnerability and smart meters, were also discussed in this wave of Panel research.

TRIADS AND MINI-GROUPS

Triad depth interviews involved ten recent switchers in total (changed energy supplier in previous twelve months), and these took place in four of six Panel locations.

¹⁶ Full details of quotas including the sources used and numbers of achieved are available on request.

¹⁷ The overall achieved sample of those who attended the first Consumer First Panel workshops is published separately.

¹⁸ Research to inform Ofgem's review of the Priority Service Register

<http://www.ofgem.gov.uk/SUSTAINABILITY/SOCACTION/Documents1/Consumer%20First%20Panel%20-%20Report%20on%20Priority%20Services%20Register%20June%202013.pdf>

The two mini-discussion groups involved twelve ADM customers in total, recruited from in and around the Milton Keynes area.

A limited number of these key variables (age, gender, and social grade) were used to recruit ‘recent switchers’ and ADM customers. This ensured a range of consumers from different backgrounds were involved at each supplementary research event.

Recent switcher recruitment was conducted face-to-face on street, again by specialist Ipsos MORI recruiters. Recruitment took place within easy travelling distance of the venue. ADM customer recruitment was carried out by telephone using ADM customer lists provided by energy suppliers¹⁹.

1.5 INTERPRETATION OF FINDINGS

It is important to note that qualitative research approaches (including deliberative methods) are used to shed light on *why* people hold particular views, rather than how many people hold those views. The research is intended to be illustrative rather than statistically reliable and, as such, does not permit conclusions to be drawn about the extent to which something is happening. In the case of this study, we intended to develop an in-depth understanding of attitudes to the CoS process, including consumer appetite for an improved process and what that might look like. Where possible we have stated how common a particular view was amongst participants, but as this is qualitative research, these proportions should be considered indicative, rather than exact.

Throughout the report, verbatim comments have been included to illustrate particular viewpoints. Where this is the case, it is important to remember that the views expressed do not always represent the views of all participants. In general, however, verbatim comments have been included to illustrate where there was a particular strength of feeling about a particular topic.

1.6 REPORT OUTLINE

The rest of this report is structured as follows:

Section 2: Views of changing energy supplier – this section looks at what participants think about changing their energy supplier, and puts in context what participants think about CoS process in comparison with earlier stages of the consumer journey.

Section 3: Views of Change of Supplier process – this section explores participant views of the actual CoS process in detail. It covers awareness, expectations, concerns and ideas for improvement.

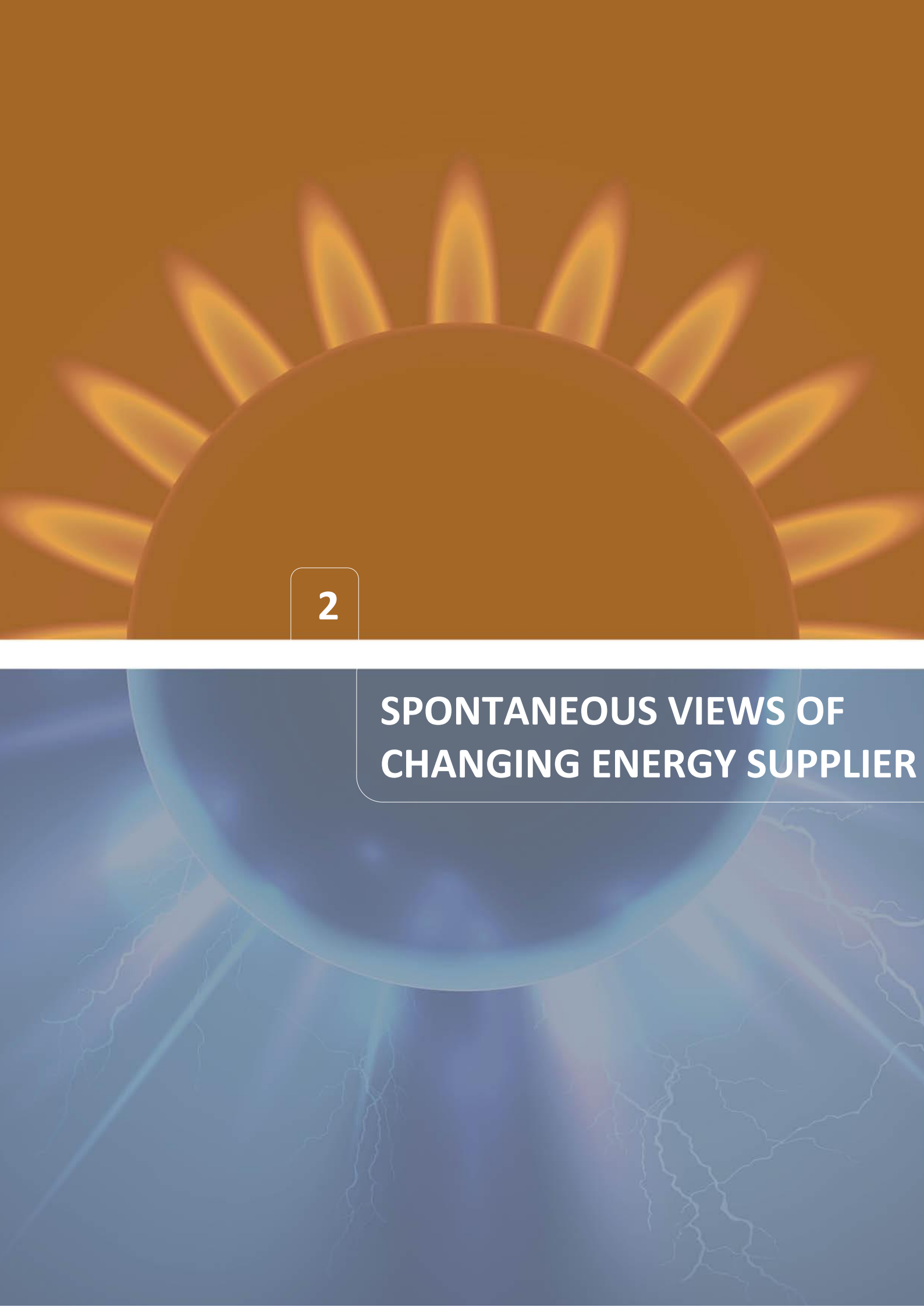
Section 4: Issues arising during the CoS process – this section briefly examines the types of things that participants thought could go wrong during the process and outlines the impact on consumers’ engagement with the CoS process and the wider market.

Section 5: Speed of Change of Supplier process and cooling-off period – this section looks in more detail at participants’ views about timings of the CoS process, considering also the timing impacts of the cooling-off period, and explores the impact of timings on likelihood to switch.

¹⁹ Ofgem requested these customer contact details for the purpose of this research, in line with good practice for data protection and Market Research Society guidelines.

Section 6: Impact of smart meters – this section looks at participant perceptions of smart meters and any impact this has on earlier views in regard to CoS process.

Section 7: Conclusions and implications – this section brings together findings from the whole study to provide Ofgem with a set of final conclusions.

The background of the slide is a composite image. The top half features a large, solid orange sun with several bright, flame-like rays extending upwards against a darker orange background. The bottom half shows a blue sky with white lightning bolts. A large, semi-transparent blue circle, representing the sun's disk, overlaps the boundary between the two halves.

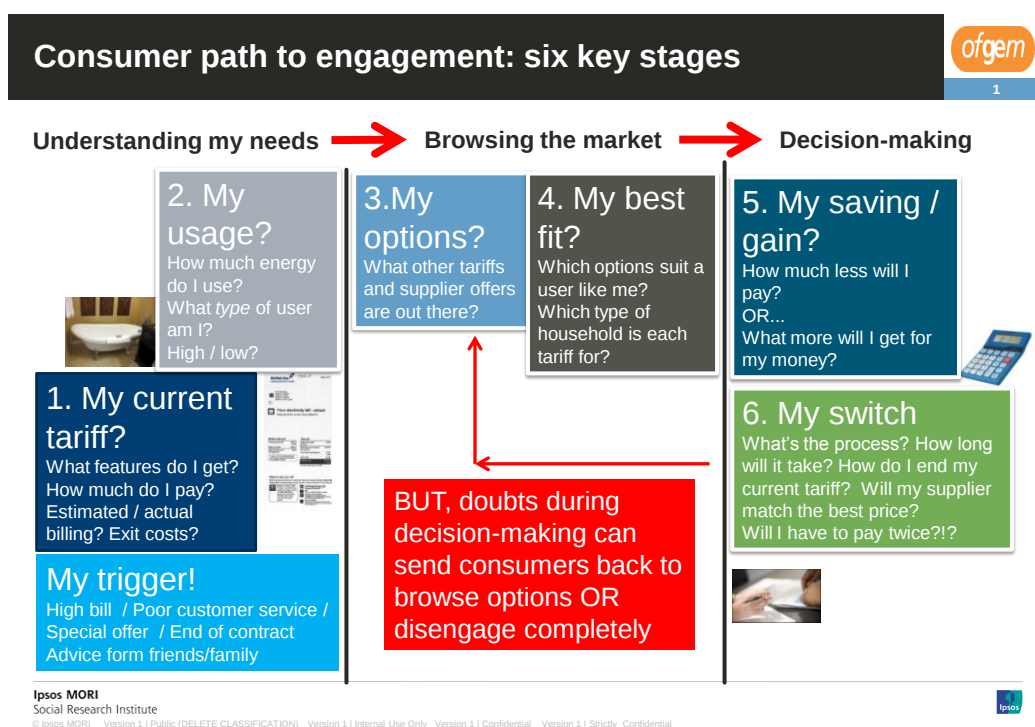
2

SPONTANEOUS VIEWS OF CHANGING ENERGY SUPPLIER

2. SPONTANEOUS VIEWS OF CHANGING ENERGY SUPPLIER

This section sets out participants' spontaneous views of changing energy supplier and what improvements consumers believe are necessary to make it easier for them to engage and navigate the energy market. It also describes how participants view the CoS process within the context of the wider consumer journey towards market engagement.

When a consumer embarks on the process of switching energy supplier, they typically go through a number of stages which have been identified in previous Ofgem research²⁰ (described as the “consumer journey” throughout this report). The early stages may involve the consumer thinking about their current tariff and levels of energy use before reviewing an alternative tariff or tariffs. After deciding to switch to a particular tariff and agreeing a contract with the new supplier, the consumer embarks on what we have termed the ‘Change of Supplier’ process. This will finish when they commence supply with their new supplier.



2.1 SPONTANEOUS VIEWS OF CHANGING ENERGY SUPPLIER

During the research events (workshops, mini-groups, triads), participants were first asked a series of questions about changing supplier in the energy market. The responses which followed provided useful context for later discussions around what consumers consider to be important when transferring from one energy supplier to another. Questions were intentionally not focussed on the CoS process itself in

²⁰ Consumer engagement with the energy market, information needs and perceptions of Ofgem
<http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/Consumer%20engagement%20with%20the%20energy%20market,%20information%20needs%20and%20perceptions%20of%20Ofgem.pdf>

order to ascertain the extent to which the CoS process was a spontaneous issue when thinking about changing supplier.²¹

The following questions formed the basis of early discussions at each research event:

- What things come to mind when you think about changing your energy supplier?
- What is/do you think is easy about changing energy supplier?
- What is difficult/do you imagine is difficult?
- How do you think the process could be improved?

This section outlines the main responses.

LIMITED BENEFIT FROM A SWITCH

Many participants felt there was little incentive to change their energy supplier. This is because they doubted that switching could lead to the kind of benefit that would justify their time and effort: financial saving or improved customer service. A view supported by some recent switchers who having switched felt they were no better off.²²

Furthermore, participants (mostly non-switchers) had a strongly held belief that energy prices in the market are “much of a muchness” which encourages them to stay with their existing supplier. This perception of limited differences in the market prompted a few Panellists to say that even a poor customer experience would not make them engage in the energy market. Others felt there was no good reason to switch based on the belief that on-going energy price increases would remove any savings gained as a result of switching, or could leave someone who switched worse off in the medium or long term.

Even some experienced switchers questioned whether significant savings are possible by switching. However, because of their knowledge and skill in navigating the market, they seemed willing to engage as they felt a small saving is better than no saving at all.

CONSUMER INPUT

Most participants, and mainly non-switchers, spontaneously suggested that changing energy supplier would be a “hassle”. This view seemed to be driven by the perceived hassle associated with reviewing the market ahead of a possible switch e.g. checking paperwork to locate tariff information and searching multiple online comparison sites to “price-check” supplier quotes.

It was evident that experiencing confusion and complexity at this stage can cause some consumers who have attempted to engage with the market to ‘give-up’ before they get to the CoS stage. Whereas others perceive the entire journey to be so off-putting they do not engage in the first place.

²¹ The inclusion of recent switchers meant their views could be compared with the views of the Panellists (many of whom had not switched) to ascertain the extent to which opinion about the changing energy supplier and CoS process itself were driven by actual experience or perception of the market.

²² These views reflect findings in last year’s Panel research that reported key barriers to consumer engagement: <http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/Consumer%20engagement%20with%20the%20energy%20market,%20information%20needs%20and%20perceptions%20of%20Ofgem.pdf>

“It’s all jargon, units, how much are you using in a month...In the end I couldn’t work it out. So I just abandoned it.”

While recent switchers also felt reviewing the market was often an onerous task, they said that their knowledge of where to find their tariff information and how to make comparisons meant they were more likely to follow-through to the point where they instigate a switch.

COMPLEX MARKET

In all locations participants said the number of tariffs on offer and their different pricing structures all contribute to the perception that the market is too complicated. There were also mentions of “hidden information” and “small print”; terms and conditions and termination fees were particular concerns.

A few said market complexity was the reason why they would visit different websites (participants mentioned price comparison and advice websites), so they could get a better understanding of different tariff products. Less confident consumers (who typically had limited access to the internet) said they were cautious about contacting suppliers as they were worried about making an ill-informed decision. They were specifically concerned that they would not be given the necessary product information while others did not trust suppliers to recommend the most appropriate tariff to their needs. As a result, they were less likely to have experience of engaging with the market.

ADM customers expressed similar concerns to those outlined above, in particular the perception that changing supplier was a hassle, and required a lot of input from them. A few ADM customers said they were worried that they might lose the perceived benefits of their meter i.e. accurate billing, if they changed supplier.²³

2.2 SPONTANEOUS VIEWS OF IMPROVEMENTS TO CHANGING ENERGY SUPPLIER

As a result of the concerns outlined above, there were many who felt that suppliers should do more to help consumers to make informed choices in regard to the energy market. Suggestions of what these measures should be centred on ways to simplify the market and make it less confusing to navigate. Indeed many participants felt the number of tariffs available made choosing one suited to their circumstances difficult. By contrast, switchers were generally more positive about the number of tariffs in the market since they felt it was important to provide consumers with choice. As a result, many switchers said they would prefer more action to simplify tariff structures. Similarly, standardisation of tariff information was another improvement mentioned by many participants. Again, this was linked to the point that consumers currently find it difficult to make tariff comparisons.

A few participants acknowledged that suppliers had “upped their game” with the provision of information on cheaper alternative tariffs on their communications. However, most participants wanted further action so that consumers are better informed.

²³ Unlike smart meters, where an ADM is installed and operated by one supplier, there is no guarantee that another new supplier can operate the meter. This means that ADM customers may not be able to switch without losing some or all of their ‘smart-type’ functionality. Following the initial discussion on changing energy supplier we asked ADM customers to imagine they could switch and still retain this functionality.

2.3 SPONTANEOUS MENTIONS OF THE CHANGE OF SUPPLIER PROCESS

During initial discussions about changing energy supplier, there were a few spontaneous mentions of the actual CoS process. Where participants (in all locations) did make a spontaneous comment, these were mostly positive. These participants (mostly recent switchers whom had gone through the process) felt that the CoS process was “straightforward” and it was the stages prior to the transfer that were more onerous for them as consumers.

“Making the choice is the problem!”

Switchers who expressed this view explained that once they had made their decision they were able to transfer with ease, emphasising the point that suppliers manage the transfer (e.g. share billing information) on behalf of the customer.

“They [the new supplier] do all the work for you.”

Among some participants (mostly non-switchers) there were a few immediate concerns in regard to problems that they thought could arise during the Change of Supplier process. The most widely held of these were financial: consumers incurring cost as a result of double billing and erroneous charges, which they feared would take a long time to resolve. Others spontaneously mentioned practical things that would be involved during the CoS process such as the need to supply a meter reading. Some participants had graver concerns including loss of supply and one or two PPM customers believed they would need to have their meter replaced.

There were also one or two spontaneous mentions of timescales for transferring from one supplier to another. Most switchers described it as being “quick” (see section 4 for discussion on timescales). These participants believed they had switched more quickly than five weeks, although they could not be certain, as for them the transfer had been uneventful i.e. non problematic. By contrast, a few switchers had encountered a long drawn-out process as a result of a problem such as an erroneous transfer. For most participants (particularly non-switchers) discussions around the ‘speed of the switch’ appeared to be based on an assessment of how long the whole end-to-end process would take, including the time needed to investigate and compare alternative offers in the market.

“You do have to set aside a whole morning.”

The key finding from initial discussions about changing energy supplier is that the earlier stages of the consumer journey are a bigger disincentive to engaging with the market than the CoS process itself. For many participants, this was because the earlier stages of the journey felt more relevant to them and required more from them e.g. actively looking for tariffs, comparisons, calculations, decision-making. For the majority (the exception being participants who had encountered an erroneous transfer), the CoS process was not top-of-mind. Instead, it was generally viewed as a process that required little input from the consumer as it was felt most of the work would be conducted by suppliers. This seems to explain why most participants were ambivalent about the CoS process when prompted and only a few had any spontaneous views on the topic. The fact that many returned to the earlier stages of the consumer journey throughout discussions highlights the on-going relevance of Ofgem’s commitment to making the energy market simpler, clearer and fairer for all energy consumers.



3

VIEWS ON CHANGE OF SUPPLIER PROCESS

3. VIEWS OF CHANGE OF SUPPLIER PROCESS

This section looks at participants' views of the Change of Supplier (CoS) process in detail. It summarises the characteristics participants most valued in an ideal CoS process, suggestions they made for improvements to the current system and how they viewed potential issues that may occur during the Change of Supplier process.

3.1 CONSUMER UNDERSTANDING OF WHAT THE COS PROCESS INVOLVES

During the Panel workshops, groups and triads, participants were presented with different pieces of information about the CoS process. As such discussions covered both spontaneous and informed views of the CoS process. Spontaneous awareness of what was involved was generally low, particularly compared to awareness of other stages of the consumer journey. Low awareness of the process was not confined to those who had no experience of switching supplier; even some recent switchers were not able to recall much detail of the process.

Most Panellists assumed that the CoS process would be relatively problem free. This expectation was confirmed by many recent switchers who talked of a relatively “pain-free” and straight-forward process that required minimal input from them. However, a few participants had recent experiences of switching that they said lasted over five weeks (in one case the transfer took over 2 months). In these instances they felt the process was needlessly long and drawn-out. They were often unable to recall exact points where the process had gone wrong but simply remembered feeling frustrated and dissatisfied.

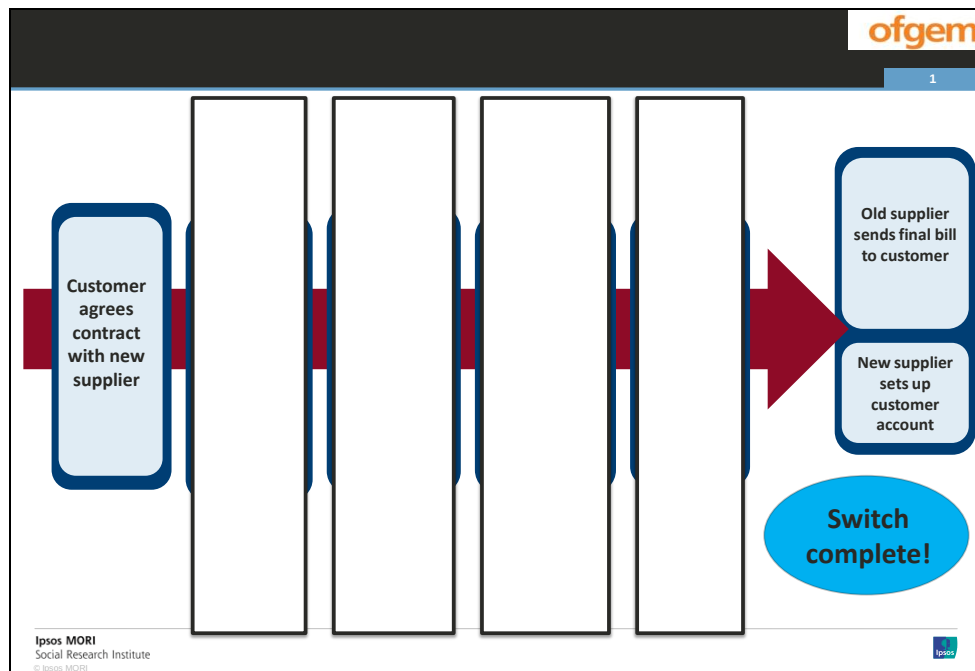
Participants with very limited experience of engaging in the market and therefore low awareness of what might be involved in changing supplier tended to be more apprehensive about the CoS process. These participants were more likely to voice concerns about potential issues that could arise and the worry that they might be left financially worse off. For example they worried that they might receive an incorrect final bill or be double billed, leaving them out of pocket. Several were nervous of potentially getting into financial difficulties – incurring overdraft charges and losing track of their monthly budgets as a result. Section 4 on ‘potential issues arising during the CoS process’ explores these concerns in more detail.

Non-switchers also tended to speculate that the process would involve a fair amount of “hassle”. Participants’ definitions of hassle ranged from new suppliers over-contacting consumers about the benefits of their tariff to existing suppliers making it difficult for a customer to terminate the deal they were on.

HOW PARTICIPANTS ENVISAGED THE PROCESS

Early on during the workshops, groups and triads, participants were shown a stimulus slide with empty boxes to indicate distinct stages of the CoS process (Figure 2 overleaf). It was explained that the process of choosing a supplier and tariff had been discussed in previous research, and that Ofgem was already working on this. It was therefore out of scope for this research.

Figure 2: Change of Supplier process – stimulus slide



As Figure 2 shows, participants were not presented upfront with what each stage of the process involved. Instead, they were asked to imagine what might occur at each stage and mark this down in their ideas books²⁴. In groups of recent switchers, participants were asked to recall their experience and fill in the boxes. Participants were also asked to record what feelings and thoughts they associated with each stage.

The following paragraphs provide an overview of the main expectations participants had of the CoS process, including the aspects of their actual experience that recent switchers recalled spontaneously. In summary these discussions included:

1. The 'mechanics': who does what when?

- Meter readings
- Consumer input and checks
- Interaction with supplier(s)
- Cooling-off period

2. Areas of initial concern

- Worries of financial loss
- Worries about temporary loss of supply for PPM customers

3. Spontaneous support for Smart Meters

- Potential for less consumer input
- Faster, more accurate and reliable switch

²⁴ 'Ideas books' were personal workbooks given to participants to enable them to write down their personal views before discussing them with the group. This enabled us to capture spontaneous views from all individuals effectively.

1. THE ‘MECHANICS’: WHO DOES WHAT WHEN?

There were a variety of expectations around exactly what occurred during the CoS process and who was responsible at each stage. Most participants were aware or able to make an informed guess that both they and suppliers would need to input into the process, but awareness of what this involved and when tasks needed to be done was mixed.

For example, some participants without recent experience of switching assumed they would need to get their personal finances in order, including cancelling and arranging direct debits. While others thought that depending on the time of year they may need to pay a “catch up bill” if their monthly direct debits were averaged out. A few participants thought they would need to agree an actual transfer date with their new supplier. Several who had never switched also thought they needed to sign and return paper contracts.

Taking meter readings

Most participants understood that in order to change supplier, a meter reading was needed. Some assumed that a meter reader would be sent by their new supplier to take the reading. This was often associated with further hassle as participants had to ensure they were home when the person visited. Several recent switchers recalled experiences of receiving courtesy cards asking them to take a reading themselves because they were out when the reader came.

A number of participants were unfamiliar with taking meter readings themselves and feared that they might misread the figure which would lead them to lose out financially. However, many were also concerned about estimated readings, believing they led to inaccurate billing. A few participants who had previously switched their supplier recounted direct experience of this.

When to take a meter reading was another concern among those with limited or no experience of switching. Many of these participants were uncertain how the energy they used between taking a reading and switching supplier would be accounted for. This in turn led some to worry about double-billing and errors during the switching process that might incur cost.

Consumer input and checks

Participants’ understanding of how much they had to input into the switching process varied. Some, generally those without experience of switching, automatically assumed that the burden of involvement would fall to them. This tended to be linked to the negative associations they had with earlier stages of the consumer journey, for example understanding and comparing their tariff options.

Those with some experience of switching tended to have greater awareness of the level of input required from them. For example, recent switchers knew what type of information checks took place and the checks that new suppliers ran on their personal data and credit status. Many of these more experienced consumers had been through a relatively stress-free process of transferring from one supplier to another and therefore did not perceive the input required from them as much hassle. Furthermore, they often appreciated why the supplier would want to carry out certain checks e.g. consumer credit checks.

“They need to research the acceptability of the customer. They must be able to guarantee they’ve got that [financial] info. They can’t take someone who has loads of debts.”

Interaction with supplier(s)

Most participants envisaged a process that involved several points of interaction with their existing and/or new supplier. Many without experience of switching thought they would need to inform their existing supplier of their intention to leave.

“Do you have to speak to both suppliers? Do you just talk to one of them? You’d have to get in touch with current supplier I think then... I don’t know...”

Switchers were generally able to recall that interaction with their new supplier was the priority, since the new supplier then liaised with their existing one²⁵. They valued this feature of the process as they believed it removed the burden from them and helped ensure a smoother transfer that was driven through by their new supplier. A few switchers also noted positively that the amount of work they had to put in initially to navigate the market and make a final decision was far greater than what was involved during the actual transfer, which involved minimal input.

“I don’t think there was a problem switching [i.e. with the CoS process itself]. It’s the other stuff. Generally they [suppliers] are quite happy to do everything. It’s quick and efficient.”

Cooling-off periods

At this early stage of the discussion some participants spontaneously referred to a cooling-off period either by name, or by describing a period during which you are allowed to change your mind about changing supplier. There was a general lack of clarity surrounding the cooling-off period. Some consumers thought it would extend to 14 days, others to 21. Others who lacked experience of a recent switch were less clear on how it would work – would the existing or new supplier call them up to see if they had changed their mind? Or did it require the consumer to be pro-active and make the initial call if they had second thoughts?

Some participants (mostly those with more experience of navigating the market), often felt this ‘window’ provided them a valuable opportunity to play one supplier off the other, making the market work in their favour. Some even went so far as to say that the opportunities it gave them made pursuing a switch worthwhile in the first place. Some had experience of this scenario where their existing supplier then offered a good enough incentive to remain with them. However, other participants (mostly non-switchers) explicitly worried about receiving a call from their existing supplier “hassling them” to come back during this period. A full account of consumer views on the cooling-off period is given in section 4.3.

2. AREAS OF INITIAL CONCERN

Worries of financial loss

Participants without experience of switching were concerned about the financial implications of the CoS process and that potential errors might leave them worse off. They feared that they would be billed by both the old and new suppliers simultaneously in the month after they changed supplier.

²⁵ In reality information is shared between existing and new supplier via a central processing system. To avoid overcomplicating the discussion participants were informed that suppliers communicate information directly with each other.

Worries about temporary loss of supply for PPM customers

Participants with a prepayment meter (PPM) raised a different set of spontaneous concerns regarding the CoS process. Some expected they would have to wait for keys or payment cards to be sent out. Several recent prepayment meter switchers said they felt particularly vulnerable at this stage and worried that their supply might be cut off during the wait.

3. SPONTANEOUS SUPPORT FOR SMART METERS²⁶

Potential for less consumer input

During initial discussions about the CoS process, a small number of Panellists and recent switchers (non-ADM customers) suggested that “smart meters” might overcome some of their concerns. For example, they expected that smart meters would remove the need to wait around for meter readers to visit, and the burden of having to take a reading themselves.

“You won’t get any of that hassle when smart meters come in.”

Faster, more accurate and reliable switch

Many ADM customers said that an *actual* rather than *estimated* meter reading was a key advantage of having had a smart meter installed. Furthermore, some of these ADM customers reflected on how their device put them in a better position to carry out a faster switch compared with the majority of energy consumers whose consumption data is not directly communicated to their supplier.

“If it’s on a smart meter, they are all connected to it. It’s just numbers on a computer, and done!”

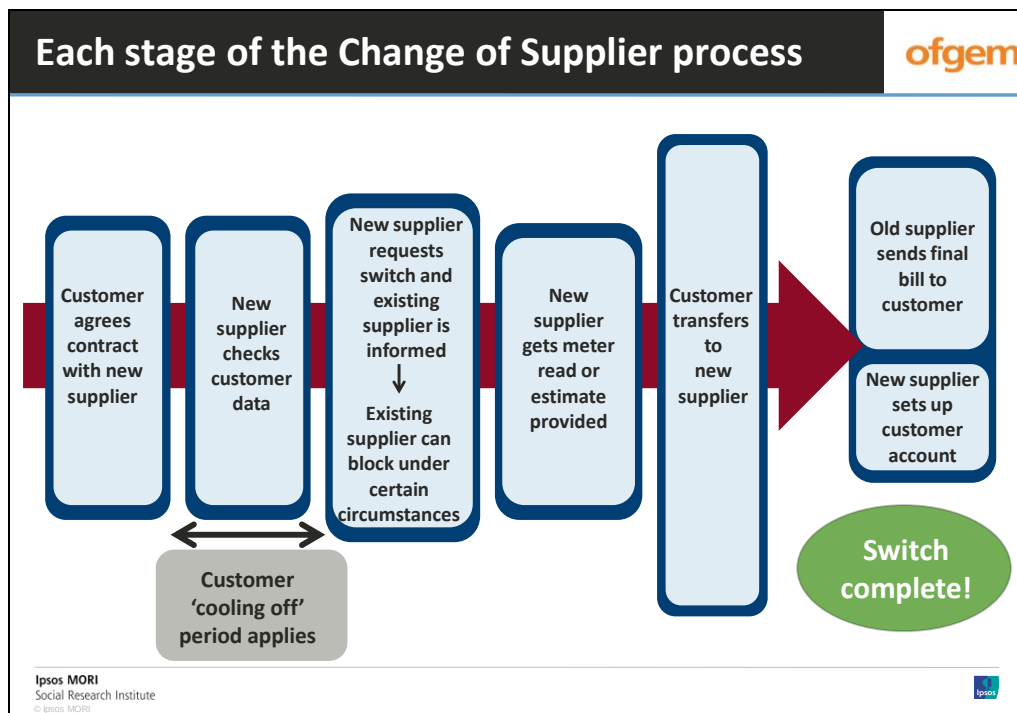
As shown by the paragraphs above, participants’ understanding of what the CoS process involved varied greatly, with many having only a vague idea of what could occur at different stages. This was true even of groups in which everyone had a recent switching experience, and highlights how the CoS process is generally less of a top-of-mind concern for consumers than earlier stages of the consumer journey.

3.2 REACTIONS TO COS PROCESS AFTER KEY STAGES EXPLAINED

After spontaneous discussions about the CoS process and what consumers expect to be involved, participants were given a step-by-step presentation of the process and details of what occurs at each stage (Figure 3 overleaf). It is worth noting that at this stage participants were not presented with any further information about the cooling-off period other than that one exists.

²⁶ During discussions with consumers the term ‘smart meter’ was used in place of the official industry term ‘advanced display meter’

Figure 3: Change of Supplier process – key stages explained



The following summarises some of the most common participant responses to this presentation.

'Seems reasonable'

Among Panellists and ADM customers (many of whom had not switched recently) a common response to the presentation of key stages in the CoS process was that it was largely as they would expect. Many who had not been clear what to expect during earlier discussions, said the reality of the process struck them as logical and sensible.

"It makes sense, I think it's all necessary."

'Seems like a lot of stages!'

Some participants with little experience of switching were struck by the number of stages involved and they were slightly put-off by this fact, associating more stages with more potential for hassle and error. This was usually the view of less confident participants who had either been previously affected by a bad experience of engaging in the market or deterred by the word-of-mouth experience of others.

'Seems to require a lot of time'

Some participants raised immediate concerns about the amount of time it would take for all these stages to be completed reliably. After seeing the amount of work that was involved, they felt anxious that neither suppliers nor consumers should be rushed through the process as they felt that errors would be more likely to occur. Similarly, some participants thought there were risks involved if some of the stages took place simultaneously and they wanted reassurances that suppliers would not take short-cuts that compromised the potential reliability and accuracy of the process.

“I do think that if we do things too quick, things could go wrong.”

‘Seems a bit intrusive’

A few participants were surprised at the inclusion of data-checks (e.g. credit checks). As a result, there were some concerns surrounding data-privacy and data-security which reflects a wider societal trend of distrust in organisations accessing data about customers.

“It seems a bit intrusive them looking through your data, why would they want that?”

Some were simply surprised that credit checks were undertaken by suppliers. Others were anxious that a poor credit rating might count against them and that they would not be given a fair chance to defend themselves, as they believed they should be allowed to. They were uncertain whether a poor rating meant they might be stopped from switching, or whether it would result in restrictive rules on how they could pay for their energy.

‘Seems consumer-friendly’

This presentation was the first time many had seen reference to the ‘cooling-off’ period and they seemed pleasantly surprised at what they perceived to be a consumer-friendly feature of this market.

However, some recent switchers were more negative as they were certain they were not made aware of having a cooling-off period and said it was something they may have liked to have waived (or at least they would have liked to know that they had the choice to do so).

Discussions around the cooling-off period, and the number of stages involved in the process, raised immediate questions about how long the CoS process might take in total. Even before a more detailed discussion around timescales, some participants suggested that certain stages could take place simultaneously to save time without compromising reliability. For example, they felt some stages might run in the background while the cooling-off period lapses. On the other hand, many participants assumed that if there was a cooling-off period the process would inevitably be slowed right down and they were happy to accept that it might take about a month for the CoS process to complete.

“Given the cooling off, a month seems quite reasonable.”

Section 5 provides more detail on participants’ views of timings of the CoS process and the cooling-off period.

3.3 IMPROVEMENTS TO THE COS PROCESS

In order to understand which characteristics were the most important to consumers in the CoS process, participants were given the opportunity to design their own CoS process. This exercise prompted discussion around how the current CoS process could be improved to better meet the needs of consumers, before the discussions focused specifically on timing and the cooling-off period.

The points below provide a checklist of characteristics which participants said they would want in a future CoS process and highlight where participants believed improvements needed to be made to the current

process. They include both participant ideas that recurred often and those that were expressed particularly strongly but only by a few people.

CHECKLIST OF CHARACTERISTICS IN THE COS PROCESS

1. Good customer care and communication

- Reassurance from suppliers
- Appropriate level of supplier contact
- Appropriate type of communication
- Existing suppliers working harder for customer loyalty
- Protection for PPM customers
- Clear guidance about cooling-off periods

2. Quality processes

- Efficiency
- Standardisation
- Equality of accessibility

3. Consumer-focus

- Minimal and easy consumer input
- Smarter data-sharing
- Smarter meter-reading

1. GOOD CUSTOMER CARE AND COMMUNICATION

Reassurance from suppliers

When discussing how the current CoS could be improved, many participants talked of wanting simply to be reassured that the process would run smoothly and, linked to this, that they would not experience unnecessary hassle. Examples of how this might work in practice included: suppliers keeping consumers informed of progress, courtesy calls to ensure consumers were comfortable with how things were progressing, and friendly, informative customer service from the new supplier.

However long the process might take, many participants valued the idea of having an indication of timescales up front and said they would find it reassuring to have this information from suppliers. Some participants said that they would not necessarily mind a longer process so long as the supplier flagged this at the start and ‘stuck to their word’. Once again, the main issue was building consumer trust in suppliers and creating good customer relations from the start of the process.

Furthermore, some participants said that they knew errors and complications might occur which could cause the process to take longer than planned but, on condition that their supplier took the necessary action to resolve the problem and kept them updated of the revised timescale (and stuck to it), they would not be too concerned.

Many participants (both switchers and non-switchers) would want to receive good customer care from new suppliers during the CoS process as they felt this would reassure them that they had made the right ‘purchase’ decision in choosing them over their existing one. Several participants said that where supplier customer care was poor quality or lacking, it would lead them to doubt their decision and generally feel

less comfortable with the transfer. Some participants took this idea further and explained that they saw the cooling-off period as a chance to ‘trial’ their new supplier and expected suppliers in turn to work hard to win their loyalty.

Appropriate level of supplier contact

The frequency of supplier communication in the CoS process appeared to be generally related to how much experience an individual had of interacting with suppliers. Some participants were happy to leave the suppliers to “get on with” completing the process without needing regular updates or courtesy calls. Others appreciated suppliers keeping them informed of how the switch was progressing and found some amount of supplier contact reassuring. Participants with limited experience tended to be more anxious about the supplier’s ability to carry out the process accurately. As a result, a few suggested that suppliers should confirm upfront with new customers what level of contact they would like and in this way build a good customer relationship, rather than risk upsetting them by getting the level of contact wrong.

In general, participants with limited experience of engaging in the market and dealing with suppliers liked the idea of a tracking system that allowed them to find out what stage of the process they were at. There was a suggestion that something similar to what home delivery restaurants offer could be ideal (e.g. some fast-food outlets have a webpage where customers can see how their order is progressing from ‘being prepared’ to ‘in the oven’ and ‘on the bike’ and participants suggested energy suppliers could do something similar to keep people updated about their switch). Other participants who said they had limited or no access to the internet said they would prefer to be told in a letter at what stage their process was at. Participants with more experience of the market and switching tended to prefer minimal communication. Typically these individuals said they would be confident in their decision and happy to leave the supplier to get on with completing the switch.

Appropriate type of communication

Many participants concluded they should be given the option upfront of choosing the appropriate type of communication to receive updates in the CoS process, for example whether by telephone call, text message or email. While older participants would prefer traditional means of contact (e.g. hard copy documents via post and/or phone calls), some younger and middle-aged consumers valued the option of a mobile or online alternative.

“[I’d like to] check the details are clear and accurate before the customer signs a physical document. It’s nice to speak to a person.”

Suppliers working harder for customer loyalty

A few participants suggested that existing suppliers should do far more to win-back potential customers during the CoS process. Some participants went so far as to include an official stage in the CoS process which would oblige the existing supplier to contact the customer and incentivise them to stay by offering them their best deal. A couple of participants suggested that the existing supplier should match the new deal that they were intending to move to. Others were content to receive a one-off ‘welcome’ gesture from their new supplier, such as a high street voucher or extra credit on their pre payment card. In general however, consumers said they did not want to feel pressured by the supplier they were transferring from.

Protection for PPM customers

Some PPM customers said that they would want reassurance that they would not be left without power while they waited for their meter card or key to be transferred. As mentioned previously, PPM customers tended to feel that the period of waiting for the new card/key to arrive was a time of vulnerability and one suggestion for a way round this was to pick their new card/key up from a local newsagent or high street outlet.

Clear guidance about cooling-off periods

Many participants liked the idea of a cooling-off period and suggested that potential customers be made more aware of it when they begin the transfer. At this stage in the discussions, participants had not been asked to think specifically about the importance of the cooling-off period. However across all research events a few people felt it would be an important aspect of a future CoS process. Section 4 provides more detail on consumer views of the cooling-off period.

2. QUALITY PROCESSES

Efficiency

Participants were often divided on the optimal timescale for completion of the switch (discussed further in Section 4), but there was general consensus that the process should be as efficient and stream-lined as possible. Many voiced frustration over anything which appeared to waste their time as they said it was not a very interesting process to go through. The easier and quicker it was for customers to complete, the better. The priority was the extent to which the process can be quicker without compromising reliability.

Standardisation

A few participants said that standardising the procedures (e.g. data transfer and processing) which underpin the CoS process would, they believed, result in fewer problems (i.e. errors) and quicker transfer. However, while they embraced the use of new technology where appropriate they also specified that households with smart meters should not be able to access better deals than those without smart meters.

Accessibility

Some participants flagged up the issue of accessibility of information and the need to ensure that all consumers, whether offline or online, were given equal levels of service and opportunity. For example, they thought particular measures should be taken to ensure that non-digital means of communication were always available for digitally excluded consumers.

On the other hand, some younger and ‘tech-savvy’ participants saw potential for a more streamlined and efficient CoS process that takes advantage of online transactions and uses a more automated approach than they thought it currently did. They believed this would cut down administration times and some of the burden on consumers. However, given the concerns raised by others about differences in service levels, any alteration like this would need to be carefully designed to ensure those without online access are not disadvantaged as a result.

3. CONSUMER-FOCUS

Minimal and easy consumer input

Most participants recognised that they have a role at the initial (i.e. agreeing to transfer) and latter stage (e.g. submitting a meter reading) but want suppliers to manage the rest of the process. Some participants said they would prefer to only be involved in the process upfront so that their input did not “drag on” for the duration of the switch: for example they wanted to provide meter readings right at the start of the process.

If something did go wrong during the CoS process, participants said they would want the new supplier to investigate and resolve the problem and to ensure they were kept informed.

“My input should be minimal and easy.”

Smarter data-sharing

Some non-switchers said they would be put off switching if their old and new supplier had to contact them separately about a meter reading. This led them to suggest that energy consumption data should be shared automatically by suppliers rather than requiring additional input from the consumer. A couple of participants described a ‘data-cloud’ that allowed consumption and other relevant personal data to be shared among suppliers, speeding up the process and potentially being a more reliable way of transferring consumer data from one supplier to another.

Smarter meter-reading

There were several mentions among non-ADM customers of how dated the current process for taking a meter reading is, where consumers are often left waiting for a meter reader to visit. Suggestions were made for how the process could be modernised using digital and mobile forms of communication.

“They have ‘retro’ behaviour around meter readings. They should liaise with customers via text, not wait around for someone to come in to read the meters – it’s so dated!”

Furthermore, some non-ADM customers could see the potential for an improved CoS experience after the introduction of smart meters and several spontaneously included these in a future CoS process. The primary advantage they could see was that the smart meter removed the need for estimated or manual meter readings.

ADM customers also saw this as an advantage and in designing their future CoS process a few suggested that providing other consumers with smart meters would help improve the process overall.

LIKELY IMPACT ON ENGAGEMENT

Opinion was mixed on whether an improved CoS process would impact on consumers’ propensity to switch. Some said that a process that they believed was more reliable and accurate than the current one would make them more likely to switch in future. However, this was dependent on it being easier to choose an appropriate tariff. A few proactive switchers said that an improved CoS process might encourage them to switch suppliers 3 or 4 times a year. However, the majority of consumers said that their decision to switch would still be based on whether or not it would be worth it (i.e. significant

financial saving). In general however participants felt that until they saw evidence of effective competition around pricing an improved CoS process would not increase their propensity to switch.

“Only price would make you change your mind.”

ISSUES ARISING DURING THE COS PROCESS

4. ISSUES ARISING DURING THE CoS PROCESS

The previous section described the expectations and needs of consumers when transferring from one supplier to another. This brief section examines the types of things that participants thought could go wrong during the process and outlines which problems would cause most concern among consumers.

4.1 SPONTANEOUS CONCERNS ABOUT THE CHANGE OF SUPPLIER PROCESS

After being presented with the discrete stages of the CoS process, participants were asked to deliberate on the type of things that they thought could go wrong during the process. Outlined below are the issues which would cause concern among consumers.

The key finding coming out of this part of the discussion was, on the whole, recent switchers had generally had good or unmemorable experiences (with a few exceptions as noted below). However, both switchers and non-switchers were able to hypothesise about type of things that could go wrong, and usually their biggest fears were in relation to the financial impact of a switch if it were to go wrong.

Meter reads

As noted in Section 3.1, meter reading was a cause of concern for many due to the hassle of having to be at home, concerns about inaccurate self-reading and problems with estimates.

Some participants (mostly non-switchers) had concerns about erroneous readings. Specifically they were worried about receiving a bigger than expected final bill (from their old supplier) and opening bill (from their new supplier).

Non-ADM customers had concerns about inaccurate estimates. Although they said they had no direct experience of them, it was evident that they were concerned by the term “estimate” which seemed to convince these participants that there was a risk of being overcharged. Indeed, a few recent switchers were annoyed that they had, as a result of transferring, incurred a much higher than expected opening bill. This concern relating to estimated bills reflects more general views around estimated billing that has been highlighted in other research on behalf of Ofgem²⁷.

The widespread nervousness in regard to meter reading suggests that smart meters could allay many of the concerns around accuracy which consumers appear to be worried about. In support of this hypothesis, in this research ADM customers did not, to the same extent, share concerns around meter readings²⁸. However, a few of them had reservations about a process that was fully automated. This was because they believed that a failure of the technology underpinning smart meter functionality would result in billing errors.

²⁷ Consumer engagement with the energy market, information needs and perceptions of Ofgem
<http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents/1/Consumer%20engagement%20with%20the%20energy%20market,%20information%20needs%20and%20perceptions%20of%20Ofgem.pdf>

²⁸ ADM devices send a consumer’s energy usage data directly to suppliers meaning there is no need for physical meter readings.

Resolving billing errors

Some had concerns about dealing with inaccurate final bills, in addition to financial implications. Though generally not speaking from experience, these participants believed it would require a lot of input (e.g. speaking with two suppliers at once) from them to resolve such matters. For many participants (non-ADM customers), the accuracy of the transfer is the most important issue during the CoS process.

Timing of final bill

The timing of final bills was a significant worry for some. Specifically, they were concerned about being sent a final bill from their old supplier just as the Direct Debit started for the new one. They were worried that this would result in a particularly high energy bill in the first month which they feared might be unmanageable. Some took this concern about costs even further, suggesting it could result in accruing bank overdraft charges as well.

Tariff price increase during the transfer

Given the strongly held belief that energy prices will only continue to rise, some (especially non-switchers) were worried that the new supplier would be likely to put up their prices mid-way through the transfer, leaving them on a less competitive deal.²⁹

Poor conduct from suppliers

Some participants were worried about poor conduct from suppliers during the CoS process. Many initially accepted the fact that an existing supplier is able to block the transfer when a customer is in financial arrears. After further discussion, many became concerned that an existing supplier might try to block or otherwise delay a transfer to prevent a customer from leaving without a good reason. They presumed that a customer would ultimately become so frustrated by the behaviour of the supplier they would reverse their initial decision to switch, potentially leaving them worse off as a result. For example, one participant's supplier had legitimately blocked their transfer because of an unpaid bill, as a consequence her arrears were made worse because she could not complete the transfer to a lower-cost tariff. There were also concerns about the conduct of the new supplier. A few worried that a new supplier may not honour the cooling-off period, which one recent switcher claimed had happened in their transfer.

Information sharing between suppliers

Some Panellists were worried that the transfer may stagnate as a result of administrative errors (e.g. incorrect customer details) or mis-communication between suppliers. Individuals (in particular non-switchers) worried that their applications may “fall through the cracks” and their transfer may be forgotten about meaning they would be “stuck” on a more expensive tariff.

Credit checks

As previously mentioned, some consumers worried about errors during the credit check including mistaken identity. A few wanted to have the opportunity to explain anything apparently negative which appeared in their credit reference, and asked what scope there was for this in a future CoS process.

²⁹ At this stage of the discussions the cooling-off period had not been presented to participants.

Loss of supply

Only a handful of participants were concerned that loss of supply might occur during the transfer. This view was often spontaneously corrected by other participants in the group who said they believed that suppliers were not permitted to disconnect supply to any customer who had paid their bill.

Erroneous transfer

A couple of participants had been erroneously transferred. One person had been erroneously transferred to an energy supplier partner (a supermarket tariff) instead of the actual supplier. Another had been transferred without ever agreeing to the switch. However, most did not spontaneously mention this as an issue.

4.2 IMPACT OF POTENTIAL PROBLEMS ASSOCIATED WITH THE TRANSFER

Participants were asked to evaluate the impact of potential problems associated with the transfer. In order to complete the task, participants were presented with eight potential issues (published separately) and were asked to decide which should be classified as deal-breakers and niggles.

- **Deal-breakers** – would make them review their decision to transfer, and reduce their propensity to switch in future
- **Niggles** – participants would consider them annoying but would not make them disengage from the CoS process.

Individual reactions to the different issues were highly variable. Less confident consumers often said that all issues were ‘deal breakers’, whereas more engaged participants (typically those who appeared to be better informed about the energy market) said most were simply ‘niggles’. As illustrated in Table 2³⁰ overleaf there was no unanimous view.

³⁰ Analysis of reactions (captured during discussions and recorded in ideas books) to each of the problems associated with the transfer meant they could be grouped into “niggle”, “possible deal-breaker” and “likely deal-breaker”. Specifically, strength of feeling about a particular issue was balanced with frequency it was noted.

Table 2: Impact of potential problems associated with the CoS transfer	Niggle	Possible deal-breaker	Likely deal-breaker
Long process	Seen by some participants as a minor problem, as the end result is a positive one: <i>"It's annoying, but in the end you get what you wanted"</i> <i>"If the saving is big, it's worth it [the wait]"</i> For some a slower process meant fewer errors which was seen as a benefit A delay of a few weeks i.e. around 8 weeks in total is not a problem for many if they are kept informed		A few participants put this as a deal breaker: <i>"I wouldn't like this to go on forever"</i> Some felt it reflected poorly on the new supplier: <i>"It's not a good sign if they take twice as long as everybody else. It's not a good first impression"</i>
Lots of involvement from consumer		Goes against what many people valued in the process to begin with: <i>"I don't want to be overburdened. I want to get the ball rolling and then let them take over"</i> <i>"I work long hours, I'm busy...what am I paying them for?"</i>	Several participants did not believe that the benefits of transferring to a new supplier warranted a great deal of consumer input: <i>"If you have to put in extreme time it has to be worth the effort (I don't feel it really is)"</i>
Lots of contact from supplier(s)	Seen as driven by good intentions, and at worst is only a problem for a short time: <i>"If they are communicating with you, they are trying to make you feel important. It's only for a short period"</i>		Seen as inefficient and a waste of everyone's time: <i>"Time is money, if the salesperson rambles on too much, I assume they've got too much time on their hands"</i> <i>"It's a waste of my time, I just want them to do their job"</i>
Lack of contact from supplier(s)	Some weren't worried as they can do something about it: <i>"If you were that worried you would get on the phone wouldn't you"</i> Others felt it's annoying but as long as they make some contact it's ok.	More of a problem if seen as incompetence or deliberate delaying tactics from the supplier: <i>"It would depend but if I want information by a certain time because I asked them and they are dragging their feet I would look elsewhere. I would lose patience."</i>	
Existing supplier prevents you from transferring	Most thought that there would be a way of dealing with this issue, such as paying off any arrears in a one-off payment. Others thought: <i>"It would just make you more determined to leave"</i> so although in the short term it might prevent a switch it might make future switching more likely		Many pointed out this was literally a deal breaker in that it actually prevents the transfer When asked to think about how it might influence their future attitude to a switch, some said it would make be off-putting.
Erroneous transfer			Almost unanimously viewed as a serious breach but not thought very likely to occur
Hassle factor	Thought to be annoying but just something you 'put up with' (hassle in this instance included: <i>"being bombarded"</i> and <i>"checking through paperwork"</i>)	Hassle a problem for different people depending on context: <i>"A deal breaker if you were feeling really intolerant. Depends how you feel"</i>	<i>"[Hassle is] all the things that I have to do, I don't want the hassle. The last thing I want to do is sit on the phone."</i> Pressure selling was seen as an example of deal breaking hassle
Errors and delays in final billing	Only a few saw this as a niggle <i>"If they don't give me my bill, I keep my money"</i> Double billing was thought to be easy to correct		A deal breaker for some: <i>"To get your money back it is a problem. It's not easy"</i> Some ADM customers said they would be less tolerant of errors because suppliers already have the data
Other			Higher than advertised costs or price hikes part way through the process. Poor customer care during the CoS from new supplier would cause individuals to doubt their decision and potentially pull-out of a switch.

The issue of reliability and accuracy during the CoS transfer was the most important issue for many. While there was no consensus on whether an unreliable transfer would make them reverse their decision to complete the transfer, most felt that problems with billing (e.g. inaccurate billing) would deter them from switching in future. This is because participants said they would be fearful of engaging in a process that could potentially leave them worse off.

Differences in opinion in regard to each issue presented seemed, to some extent, to be linked with the participant's perception of their confidence in their own purchasing decision as well their past experience of changing supplier. This was true of potential problems like hassle, consumer input, and it being a long process.

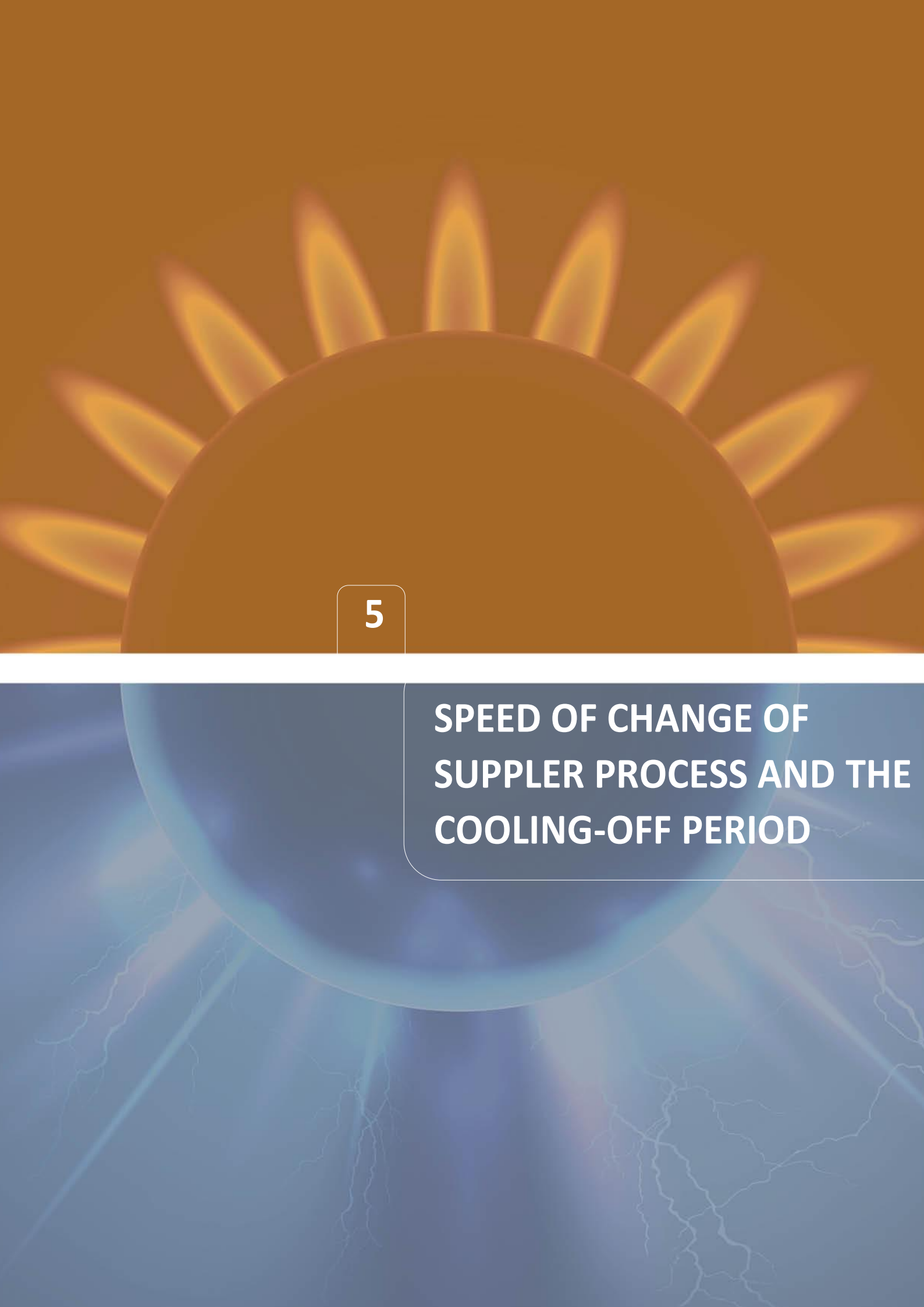
Some consumers were able to dismiss problems like the ones described above as a slightly irritating part of transferring from one supplier to another (which they felt are not unique to the energy sector). Those who were less confident seemed less tolerant of them and said if these problems did happen they would probably be less likely to switch in future. Responses towards issues with cost implications appeared to be driven by their own current personal financial circumstances. For example, those living on a tight budget typically thought billing errors would be a 'deal breaker' as consumers are at risk of losing track of their monthly budgets and potentially getting into financial difficulties.

While most participants thought an erroneous transfer would be unlikely to occur, there was a general agreement that this would be unacceptable and many concluded that it would deter them from switching in future.

As previously mentioned, some participants saw good customer service as pivotal. What participants meant by this would often depend on the type of service they felt was needed to overcome a particular problem. For example, some participants accepted that errors will occasionally happen, but as long as they were being kept informed that suppliers were taking steps to resolve these matters then they said they would not reverse their decision. Reliability during the CoS process is important and when things do go wrong consumers want to be reassured that those things will be resolved quickly.

"If they improve their customer service and if something goes wrong, they can get to you quickly and rectify things."

Those participants (typically less confident consumers) who said that many of the problems would make them disengage from the transfer did, upon reflection, suggest that, ultimately, it would not necessarily deter them from switching in future if the perceived saving they could make would be significant. It was evident that during discussion, these participants became more pragmatic and began to agree with others that it might not be possible to have a process that was always error free.

The background of the slide is a composite image. The top half features a large, solid orange sun with several bright, flame-like rays extending upwards against a darker orange sky. The bottom half shows a blue sky with white lightning bolts. A large, semi-transparent blue circle, representing the sun's disk, overlaps the boundary between the two halves. A small white box with a rounded top is positioned on the orange background, containing the number 5.

5

SPEED OF CHANGE OF SUPPLIER PROCESS AND THE COOLING-OFF PERIOD

5. SPEED OF CHANGE OF SUPPLIER PROCESS AND THE COOLING-OFF PERIOD

This section sets-out participants' views on speed of the Change of Supplier process and the current cooling-off period arrangements. It examines participants' expectations and views of current timing arrangements, reactions to alternative timescales, and whether or not this would increase consumer engagement. Finally, it looks at the speed of the CoS process in relation to the cooling-off period.

5.1 EXPLORING OPTIMAL TIMESCALES

The question of optimal timescales was addressed at several stages of the workshops. This ensured that participants' initial views could be compared with their more considered expectations during later discussions.

The initial question in regard to timing was asked immediately after participants were presented with a diagram showing the first and final stage (all other stages were hidden) of the CoS process. (see Figure 2 on p27). Participants were then asked to estimate the current length of the CoS process.³¹

Following table discussions on the reasons why people had made their estimates, participants were asked to write down how long they thought the CoS process *should* take. These views about ideal timings were then discussed fully. Finally, participants were informed that a typical timescale for the CoS process is about 5 weeks. Following discussion they were then presented with a range of alternative timings³² for a CoS process. Each one was introduced separately and discussed, allowing participants to weigh up optimal timescales. By this point, participants had also been asked to consider the potential errors that could occur during the process.³³

CURRENT LENGTH OF COS PROCESS

There was considerable variation in consumers' initial spontaneous estimates of how long the CoS process currently takes. These views varied for a range of reasons, including awareness of the CoS, and, for those who had switched, experience and recall. Most believed the CoS process (see footnote 34 below) takes somewhere between 2-6 weeks. Some thought the transfer could happen within a few days, and others thought that it would happen instantly.

³¹ It was explained that participants should factor into their estimates from the moment the customer agrees to the transfer up to and including the new supplier setting up the customer account. They were instructed to write their estimates down in their ideas books before any discussions took place. This helped to ensure that participants' views were not influenced by others.

³² The alternative timescales presented to participants were: 3 weeks; 7 days; 2 days; and next day.

³³ It is worth bearing in mind that this may have influenced the views of participants in regard to the speed of transfer.

A few recent switchers who had experienced a problematic transfer said the process could take up to three months. One participant who had an unresolved erroneous transfer said it could last for “months and months”. However, these participants acknowledged that their experience might have been atypical.

Most recent switchers’ spontaneous estimates converged around the 4 week mark. Some believed it had happened quicker although many could not be certain because the transfer had been unproblematic. This meant that their input had been minimal making recall of the process difficult. ADM customers’ estimates varied between a day and eight weeks³⁴.

When participants were asked their spontaneous views on how long the process *should* take, timescales were almost always lower than their estimates of how long it *does* take. This suggests that there is some appetite amongst consumers for a quicker CoS process. At this stage, most suggested an ideal timescale of between 2 and 4 weeks (discussed below), though there was a small core of participants who thought it should be much quicker than this. These participants tended to be tech-savvy, younger and said they felt confident making purchasing decisions.

However, when the current average timescale of five weeks was revealed to consumers halfway through the workshop, reactions on the whole were fairly muted. Some said this was broadly as expected. For example, a few offline consumers said they had factored into their estimates the time it takes to post their meter reading to their new supplier.

“It’s about what I would have thought.”

A few switchers said that they had not been particularly concerned that it had taken that long given the minimal input that had been required:

“I don’t care about 5 weeks; I decide the tariff I want then forget about it!”

While most were not particularly concerned that it currently takes roughly 5 weeks, others were surprised that it could take that long as they felt that better use of technology could create efficiencies. This view was more likely to be held by those who were keen on the quickest possible switch:

“Looking at the process I can’t see how it takes 5 weeks.”

OPTIMAL LENGTH OF COS PROCESS

Discussions about the optimal length of the CoS process generally led to a debate between those who wanted the switch to be quicker than it currently is, and those who didn’t want the switch to be *too much* quicker because they felt this heightened the risk of errors. Most consequently settled on 2-4 weeks from the point at which the consumer confirms their intent to change supplier to the

³⁴ For the purposes of the research ADM customers were asked to imagine that their ADM device would retain its “smart” functionality when they transferred to another supplier.

point where their new account is activated as discussed below. During this part of the discussion, if participants spontaneously raised the idea of a cooling-off period they were asked to assume that it would run in parallel with other processes so that their focus was on how long they felt the actual CoS should take, rather than on how long the cooling-off process should be.

The participants who were in favour of the quickest possible transfer were often, but not exclusively, younger and more tech-savvy people. Some of these consumers were very engaged frequent switchers but some were non-switchers hypothesizing about what they would like and expect from a future CoS process. This core sub-group included some Panellists, recent switchers and ADM customers, who tended to be confident in their decisions and in the perceived capabilities of suppliers. However, the majority of participants had doubts about the prospect of the switch happening instantly or over night or even within a week. This is because they felt it would simply not be possible to do the transfer in that time, or that a fast transfer would lead to more errors.

2-4 weeks

As outlined above, participants who wanted a timescale of between 2 and 4 weeks were concerned that a quicker transfer would increase the risk of error, in particular around subsequent billing. They believed that improvements in timing might involve a trade-off with quality checks.

“I don’t want the new supplier to rush things through. It’s a large organisation, they need to produce accurate documents, I need reassurance that everything will be alright.”

Some participants found that these practical considerations prohibited them from believing that the process could be completed much quicker than it was. After talking through the different tasks that needed to be completed during the CoS process, many took the view that there was simply too much for the supplier to do from an administrative perspective for the transfer to be instant. Some also factored into their estimates the presumed length of the cooling-off period.

“I’ve just realised what I said a minute ago [immediate switch] is completely unrealistic.”

However, some felt that better use of technology by suppliers could speed up these “back office” processes (see below). It was, in part, the assumption that such efficiencies could be made that led them to think a faster switch was possible.

Some participants viewed the transfer as an opportunity for their existing supplier to contact them with the best available deal. They therefore thought that a significant reduction in the length of the CoS process would be counter-productive. As they saw entering into the CoS process as a means of starting negotiations, if it happened too quickly they thought that there would not be an opportunity for them to get a better deal from their current supplier.

“If I’ve got two suppliers playing off each other that’s good for me.”

As quickly as possible

Other participants thought the quickest possible process was the best. Often, they said that the transfer should be done immediately because that was what people expect in ‘*this day and age*’. These were typically younger tech savvy consumers who tended to be more confident when making purchasing decisions. Some presumed new technology would mean that credit checks could be carried out instantly, customer records could be immediately transferred from one computer system to another, and readings could be taken remotely. Some participants thought smart meters would enable improvements to this part of the process and others thought meter readings could be supplied via text message.

“Nowadays people want things done now, not tomorrow, not next week. The internet is instantaneous. Bank transfers happen at 2am. Life in general has speeded up. You expect things now!”

A few ADM consumers used a similar narrative, but incorporated their own meter into their rationale:

“In this day and age it [the transfer] should be instant. We have smart meters, we should be able to do it straight away.”

“The switch should happen at the push of a button”.

“It should take 24 hours with a smart meter, longer if you don't have one.”

A few argued for an **immediate** or **next-day** CoS process on the basis that they ought to be able to take advantage of cheaper tariffs as soon as they become aware of them. However, most said it should not happen this quickly, as for them the low price differential between suppliers meant that a quicker switch would deliver limited benefit and only increase the risk of something going wrong during the process. Others felt that those who want to switch because of poor customer service should be able to leave the old supplier and move to a new one quickly.

5.2 SUPPORT FOR SPEEDING UP THE COS PROCESS

Participants were asked whether particular circumstances might make customers want or need a faster switch. Few thought that there were specific circumstances or points in life that would necessitate a quicker process. It was suggested by researchers that moving house might be one such occasion, but participants did not see a faster CoS as necessary in this situation, because people tend to have advanced warning of a house move during which there is the time to contact a new supplier and initiate a switch.

A few participants said that particular *lifestyles* rather than *life events* would make a quicker CoS process more convenient; for instance a couple of participants had jobs which involved extended time away from home. A quicker switch would mean that they did not have to worry about needing to input into the CoS process while they were away.

When consumers were asked their final views on length of CoS process, they had been presented with a diagram (see figure 3, section 3.2) that illustrated the steps involved in the process. In light of the additional information, many consumers revised their preferred timescales upwards, building in an extra few days or weeks to minimise the risk of error and to include a cooling-off period.

On the whole, most participants did not have strong feelings about the process being overhauled and suggested only conservative improvements in timings. This is because most participants perceived a quicker process to involve a ‘trade-off’ in the quality or accuracy of the process or consumer protection. For most the major consideration influencing their decision to switch was the financial saving on offer, but due to the belief that tariff prices are all very similar most said they would be inclined to wait ‘a couple of weeks’ as they assumed that any faster would increase the risk of error.

“Unless it saves you money, I don’t mind waiting...”

5.3 CONSUMER VIEWS OF COOLING-OFF PERIOD³⁵

Ofgem were keen to understand the extent to which consumers would be interested in a very quick switch and whether individual consumers would be likely to waive their cooling-off period to achieve this.

The cooling-off period was briefly presented early in the workshop during the moderator-led discussion on the existing process. It featured in some consumer’s ideal processes. However, it was only towards the end of the discussion the cooling-off period was explained to participants through a detailed presentation. The presentation included the supplier’s obligation to offer a cooling-off period in certain circumstances and the consumer’s right to waive it. Consumers were then asked to share their views on the cooling-off period.

Initial reactions to the concept of a cooling-off period were positive. Most saw it as a valuable safeguard which works in the consumer’s favour.

“It’s like an insurance policy. If you change your mind, it’s there.”

Participants felt that all consumers should be made more aware of both the cooling-off period, and their ability to waive it if they wanted the transfer to proceed more quickly.

WAIVING THE COOLING-OFF PERIOD

Consumer views diverged on waiving the cooling-off period.

³⁵ For the purposes of this research, and for reasons of customer familiarity/legal certainty, cooling-off periods were discussed in the context of the existing rules and legislation. The EU Consumer Rights directive puts in place new requirements around cooling-off that are due to be transposed into UK law by the end of 2013 and effective from mid 2014.

A minority of participants (in particular frequent switchers) said that they would waive it to achieve a quicker switch as they felt having done their research before they chose and agreed to a new contract they would not want to re-engage in the market. They also said they would be keen to waive so as to speed up the transfer process and thus save money on their better deal, as even a limited saving was thought to be better than none at all:

“It’s a benefit to you if you’re eager to get going with a new contract.”

Others were opposed to waiving the cooling-off period, because they were not confident in their own decision-making; especially where a salesperson had been involved. Some thought that the ability to waive should not apply where a customer had been cold-called or stopped in the street as those customers were less likely to have done their own research and were therefore more vulnerable to being put on an inappropriate tariff.

There was concern that suppliers could use the ability to waive as a marketing tool to ‘take advantage’ of elderly or otherwise vulnerable people:

“A supplier might use it [the ability to waive] ...to take advantage, to persuade you “did you know you can get it done quicker”...”

Despite the mixed opinion about whether or not to waive, ultimately most felt that the savings over the cooling-off period would be insufficient to warrant forgoing something that they saw as intrinsically valuable:

“What difference does it make, in terms of money? I’m not really fussed about it. I like that there is a cooling-off period but it’s each to their own.”

Taking all participants’ views into account, three general typologies emerged with relation to the cooling-off period:

Happy to waive

These consumers (a minority of participants) were relaxed about waiving and valued the choice to do so. They were generally confident consumers and were often recent switchers. They did not believe that any further time spent looking into tariff options would bring them any additional financial benefit. Indeed they said they would be motivated to waive by impatience to get onto a new tariff. There were also a few who hypothesised they might encounter a poor customer experience which would make them want to get away from their supplier as quickly as possible. They tended to be young, “tech-savvy” consumers who valued a ‘fast as possible’ CoS process.

Reluctant to waive

These participants were typically either non-switchers, or people who had had poor switching experiences in the past. They felt that the cooling-off period would give them breathing space, in particular after the stress of the early stages in the consumer journey (comparing tariffs, dealing with salespeople). Those who were reluctant to waive also tended to hold the view that a longer

process would be likely to mean fewer errors, and therefore the cooling-off period was also valued insofar as it slowed the pace of the process down.

Ambivalent

The third typology is typified by consumers who were neither very interested in the cooling-off period as a consumer right, nor enthused by the potential time or financial savings that waiving it could bring. These consumers cut across all demographics and included both switchers and non-switchers.

Impact on views of speed of transfer

The key finding in regard to discussion of the cooling off period and speed of transfer is that the majority of Panellists maintained their original positions on the optimal length of the switch. Those who wanted a switch in less than 2 weeks were willing to consider waiving their cooling off period to achieve it and would like to be offered this option. However, most consumers believed there was little incentive to do so due to the perception of low price differential in the market.

IMPROVING THE COOLING-OFF PERIOD

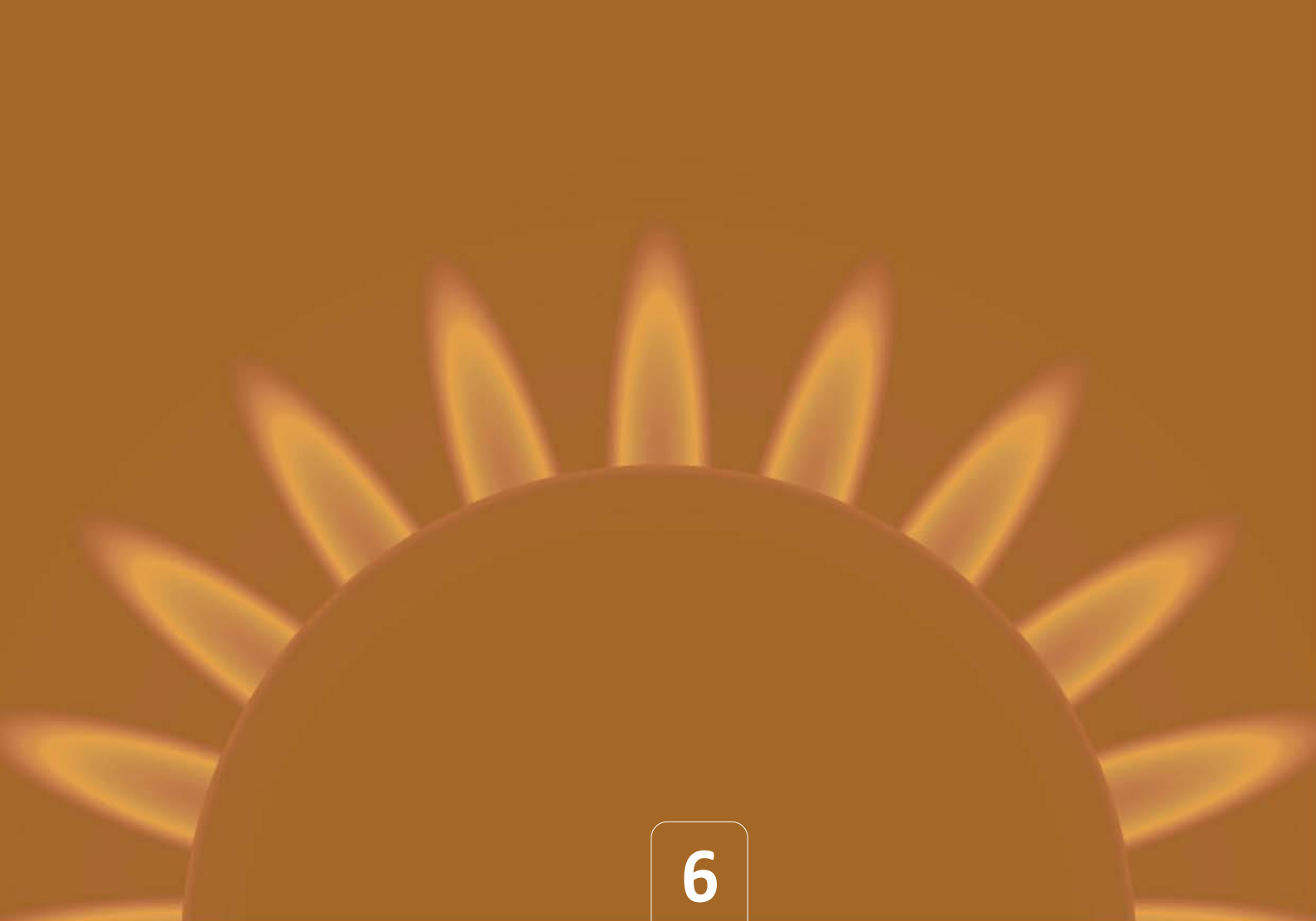
Whilst Panellists were not prompted to think about how the cooling-off period might be improved, some participants spontaneously suggested changes that they thought might make the cooling-off period more useful for consumers:

- A cooling-off period after the CoS process has finished – a few participants did not understand how the cooling-off period provided much consumer protection as it now stands. They were of the view that it needed to run *after* the point of transfer, allowing them to ‘try before they buy’, otherwise they felt it served no great purpose.
- A shorter cooling-off period - some participants preferred the idea of 7 day cooling-off periods to 14 day cooling-off periods to get some of the benefits of waiving (i.e. faster process and thus potential financial saving) without losing their protection as a consumer.
- A cooling-off period followed by an immediate transfer – For a 7 or 14 day cooling-off period some participants advocated a final transfer occurring on the 8th/15th day. These consumers felt that the suppliers should be running the other checks in the background as the cooling-off period elapsed to make this possible. However, other consumers objected to this view because they felt it would be unfair to suppliers as businesses since they would spend staff time and resources on preparing for a switch which may never happen.

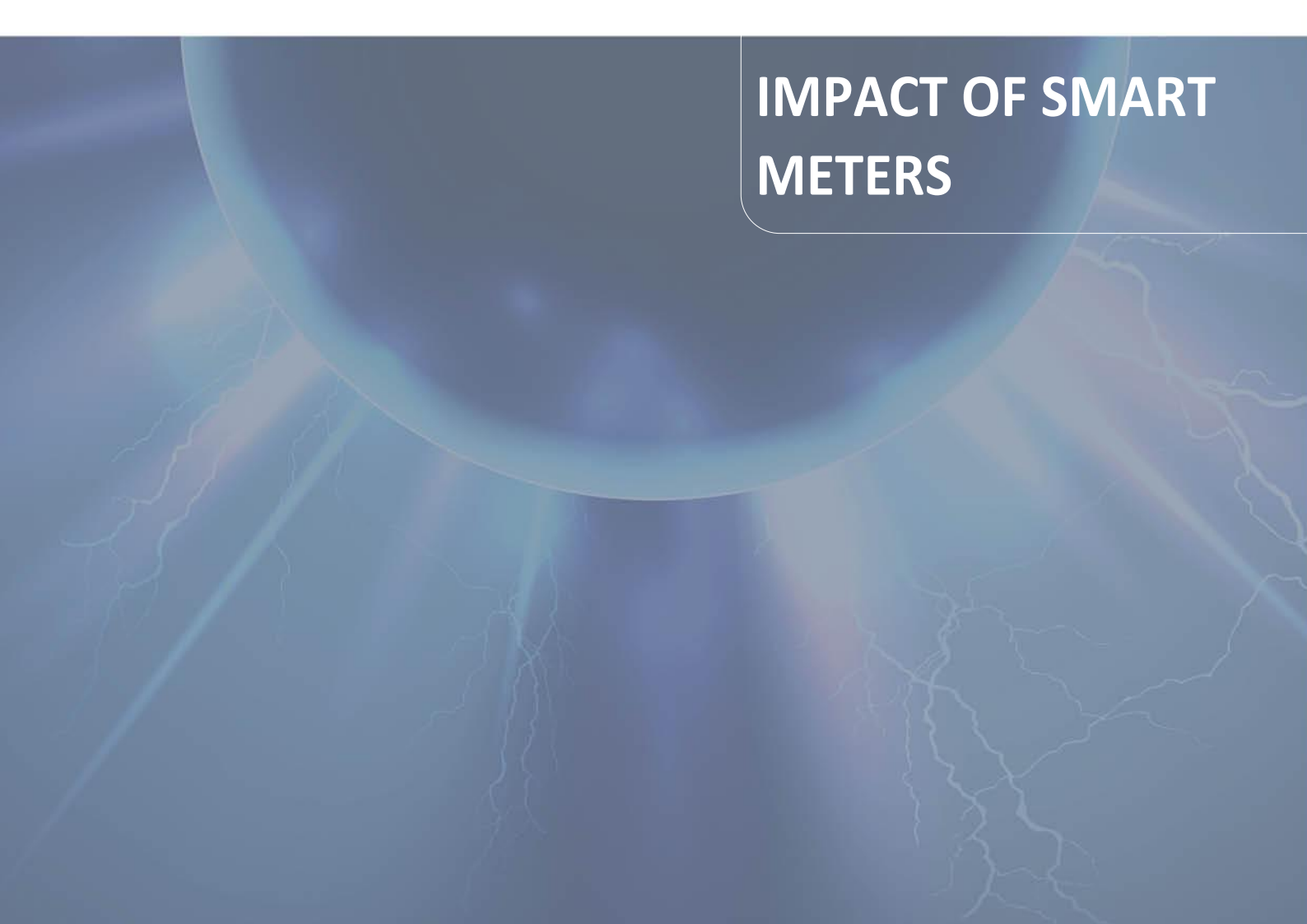
IMPACT ON ENGAGEMENT

Consumers felt that the cooling-off period (or the right to waive it) and its subsequent impacts on the speed of switch, did not have an obvious impact on their decisions to engage with the energy market. No one said that they were put off shopping around as a result of a lengthy cooling-off period.

It was therefore considered unlikely to be a major factor in many consumers' decisions to switch supplier. However, waiving the cooling-off period was attractive to the most engaged participants if it allowed them to move between suppliers more quickly.



6



IMPACT OF SMART METERS

6. IMPACT OF SMART METERS

This section looks at views towards smart meters and in-home display units (IHD)³⁶ among both ADM and non-ADM customers. It briefly covers awareness, experiences and expectations of smart meters. It then examines their impact on expectations around the CoS process and associated concerns of both ADM and non-ADM customers.³⁷ It also covers the perceived potential for inequity of different consumers possibly receiving different standards of services at CoS due to staggered smart meter roll-out.

Overall, the introduction of smart meters was largely considered to be a good thing, and many ADM and non-ADM customers were able to see benefits that would help participants in the long run. In particular informing them of their energy usage, increasing confidence in understanding energy costs, and consequently helping them navigate the market.

However, there was little evidence to suggest that the installation of a smart meter would encourage most participants to consider switching supplier (at least not in the immediate future). On-going concerns were mainly around the earlier stages of the consumer journey and participants wanted to see these addressed as a priority. In this respect ADM participants were similar to the non-ADM participants; they showed limited interest in the specific improvements that smart meters could bring to a future CoS process, such as reduced timings and increased reliability. This was due to the fact that problems with speed and the reliability of the final transfer were generally not the main barriers blocking participants' initial decisions to switch. As outlined in previous chapters, some participants mentioned the use of modern technology to speed up processes and improve accuracy; there was some recognition of the role of smart meters in this but it was also seen as a broader issue, for example, some suggested automated credit checks would improve the process.

6.1 CONSUMER AWARENESS, EXPERIENCES AND EXPECTATIONS OF SMART METERS

Among non-ADM customers spontaneous awareness of smart meters was mixed. Many participants had heard of the term 'smart meter' but most were not fully aware of how they differed from other types of energy monitoring device.³⁸ One or two had a small business where a smart meter had been installed, but most had no direct personal experience of what having one actually meant.

Participants were presented with basic information explaining smart meter functionality and plans for the future roll-out. Many non-ADM customers showed enthusiasm about the possibility of having a smart meter installed in their home and were able to see some of their immediate advantages.

³⁶ An electronic device, linked to a smart meter which provides information on a consumer's energy consumption

³⁷ In discussions with ADM customers, ADM devices were referred to as a smart meters by both consumers and facilitators. While ADMs may have some differences from smart meters, this report reflects consumer language and therefore uses the term 'smart meters' when discussing the findings.

³⁸ In the previous wave of Panel research smart meters were mentioned briefly during discussions about the obligations of energy companies in regard to consumer's meters.

One of the most common expectations and perceived benefits of having a smart meter was the likelihood that it would lead to reductions in household energy usage. Many non-ADM customers believed that if they were continually able to see how much energy they were using it would help them regulate consumption and ensure they were more efficient.

Other perceived benefits of smart meters noted by non-ADM customers were the fact that they removed the need for consumer provided meter readings, estimated billing and the hassle of waiting for meter readers.

Most ADM customers were positive about their ADM devices (which have similar capabilities to smart meters), whether or not they valued the display function. The clearest benefit was the increased accuracy of their energy bills and removal of the need for estimated bills and manual meter readings.

“The key benefit is it gives you guaranteed meter readings and bills.”

Some ADM customers consulted the display daily and reported changes in their behaviour (e.g. installing energy efficiency appliances) since it had raised their awareness of consumption and the associated costs.

“My heating is off during the day. My bills have gone down. It’s an awareness thing”

Other ADM customers described their ‘in-home display’³⁹ as a simple but useful information tool; educating them and their families on their energy usage and relative efficiency of devices but without having a noticeable impact on their behaviour.

A few ADM customers were becoming more confident energy shoppers. They felt that the fact their energy usage was displayed on their ‘in-home display’ in pounds and pence as well as units used made it easier to make direct comparisons with other tariffs. This highlights the potential of smart meters to increase consumer confidence in navigating the market, as the way information is presented can empower some consumers to shop around.

6.2 IMPACT OF SMART METERS ON VIEWS OF CHANGE OF SUPPLIER PROCESS

Most participants could immediately see the potential for a quicker and more streamlined process as a result of automated real-time meter readings. Several ADM customers appreciated that this removed a degree of hassle that non-ADM customers usually had to endure.

However, very few consumers had considered or understood the potential implications of improved data sharing and more efficient supplier systems for the CoS process. This was true also among ADM customers, many of whom had not noticed whether communications with their supplier had become easier or quicker since having a smart meter installed. Once facilitators reminded

³⁹ Technically called an Electronic Consumption Data Display

participants of key stages of the CoS process and explained smart meter capabilities, most could see how smart meters would eventually contribute to a more accurate, reliable, and potentially quicker CoS process.

Once this became evident, some participants seemed to be pleased that smart meters could potentially resolve many of the problems associated with the CoS process that they had discussed earlier. However, when prompted most participants did not wish to reconsider earlier views around timescales although a few participants (mostly, but not exclusively, ADM customers) did, and as a result lowered their estimates of how long the CoS process should take to between same day and a few days – these consumers said they would waive the cooling-off period to do so.

6.3 COMMON CONCERNS ABOUT SMART METERS

While most participants were ultimately positive about the potential impact of smart meters on particular aspects of the CoS process, acknowledging fewer errors and accurate meter readings as key benefits, there were also some concerns that smart meters would lead to greater reliance on technology.

Perhaps most concerning to participants was the risk that the smart meter might become faulty and send erroneous data to suppliers, without displaying any obvious signs of being broken. Some older participants were anxious generally about moving towards more automated systems, removing the ‘human element’ and reassurance of having someone at the end of the phone or the supplier sending someone to read the meter.

6.4 ROLL-OUT OF SMART METERS AND IMPACT ON CONSUMER EXPERIENCE

After discussing the potential impact of smart meters on the CoS process, participants were introduced to the idea that the roll-out of smart meters would be staggered⁴⁰ over a few years and consequently the potential advantages of having smart meters would not be available to everyone at the same time.

Participants were explicitly probed on the fairness of different consumers potentially receiving different standards of service for the CoS process due to staggered roll-out. Most agreed that consumers should start benefitting from a faster, more reliable CoS process from the moment they had their smart meter installed and that improvements should not be put on hold to wait for all consumers to have a smart meter.

Due to the widespread view about the low price differential between suppliers, many felt there was little, if anything, to be gained from a quicker CoS process and therefore felt that the question of whether or not some customers should benefit from an improved CoS process earlier than others was irrelevant. While others simply felt that it was a ‘fact of life’ that the benefits of such a large-scale operation would reach some people before others.

⁴⁰ Participants were informed that smart meter roll-out would be completed by 2019.

Finally, while most participants were happy for those with smart meters to have access to a potentially quicker and less error-prone switch, they were less comfortable with the prospect of early smart meter customers having access to cheaper tariffs compared with those who did not have smart meters.

CONCLUSIONS AND IMPLICATIONS

7. CONCLUSIONS AND IMPLICATIONS

This wave of research revealed that concerns about the earlier stages of the consumer journey (e.g. complex pricing structures) and navigating the energy market (e.g. making tariff comparisons) are top-of-mind priorities for consumers when thinking about changing their energy supplier⁴¹. It is these concerns which are the main reported factors in deterring consumers from engaging with the energy market rather than the change of supplier (CoS) process as they have experienced or imagine it to be.

The research also revealed that the CoS process itself is unfamiliar to most consumers and some consumers are not aware of specific elements of the process such as the cooling-off period and their rights around cooling-off. Indeed, consumers said they want suppliers to do more to ensure that customers are aware that the cooling-off period exists and any rights around waiving it.

In comparison with earlier stages of the consumer journey (e.g. choosing an appropriate tariff), most consumers considered or imagined the CoS process to be straightforward and easy, as they believe suppliers manage the bulk of the process on behalf of the customer. As a result, very few consumers spontaneously see the CoS process as being problematic.

A key finding is that consumers found it difficult to explore their preferences around speed and reliability separately due to the widespread belief that a faster switch meant a higher risk of error. **Reliability and accuracy**, therefore, were valued most in a future CoS process. Indeed, most consumers would be content with a CoS process that is error free and not held up by delay rather than a shorter process which might be less predictable. Particular concerns were around errors in billing which could have financial implications for the consumer.

The association of **speed with error** convinces most consumers that a *much* quicker transfer could leave them worse off financially (e.g. increase the likelihood of billing errors) and could require a lot of time from them to resolve such matters. The widespread nervousness that a quicker switch will result in suppliers making more errors with regards to meter readings suggests that smart meters could allay some consumers' concerns. However, there was limited evidence for this among current ADM customers as they had not thought through the implications for the CoS process of their meter's additional functionality. Some felt the process could be more efficient, with some processes happening simultaneously, but were unsure what these would be.

Among most consumers with limited experience of the energy market there is appetite for a *slightly* quicker CoS process. The importance of retaining some sort of cooling-off period and concerns about rushing the process too much and reliability makes most settle for an ideal timescale of between **2 and 4 weeks** from agreeing to change supplier to the point where the new account is set up, and including any cooling-off period. This timeline assumes consumers will benefit financially from a quicker switch (i.e. switching to a cheaper tariff).

⁴¹ Ofgem is already addressing these concerns through its Retail Market Review (RMR) proposals.

A minority of consumers (confident in technology and their own purchasing decisions) however, would be interested in a CoS period of **2 weeks or less**⁴². While they recognised the cooling-off period can protect certain types of consumers (e.g. vulnerable customers), their confidence, skills and knowledge means they believe it is of less value to them potentially, and they are confident enough to waive it and enter another transfer process if their new supplier failed to meet their expectations. A few of these consumers (some recent switchers and ADM customers) said they would want an immediate or next day transfer. Consumers who were closer to the two week mark would want the transfer to complete immediately after their cooling-off period ended.

On the whole consumers did not have strong feelings about the process being overhauled and a majority suggested only conservative improvements in timings. That said, the things that consumers want in an improved future CoS process were:

GOOD CUSTOMER CARE AND COMMUNICATION

- **Reassurance from suppliers** – consumers want to feel reassured the transfer will happen smoothly and any issues will be resolved efficiently;
- **Appropriate level of supplier contact** – consumers want to be kept informed during the process, though desired frequency is dependent on consumers' experience in the market;
- **Appropriate type of communication** – suppliers should do more to understand their customers' preferred channel of communication and provide progress updates accordingly;
- **Suppliers working harder for consumer loyalty** – some consumers want the existing and new suppliers to compete for their custom during the transfer, though they do not want to feel pressured by salespeople and some disagreed on this aspect;
- **Protection for customers** – suppliers should do more to reassure all consumers, in particular PPM and vulnerable customers, they will not lose supply during the CoS process;
- **Clear guidance about cooling-off periods** – consumers want to be told they have a cooling-off period and the option to waive it to facilitate a faster switch. However, the research illustrates that very few (mostly recent switchers) would do so for a quicker transfer.

QUALITY PROCESSES

- **Efficiency** – consumers want a process where each stage happens as quickly as possible *without* compromising reliability or which does not pose a potential risk to the consumer (such as waiving their cooling-off period when they have been put under pressure to switch);
- **Standardisation** – standardising the procedures (e.g. data transfer and processing) which underpin the CoS process would, consumers believe, result in fewer problems (i.e. errors) and a quicker transfer;
- **Accessibility** – whether offline or online, consumers want to be given equal level of service and opportunity; although some participants felt it made sense for early adopters of smart meters to benefit from quicker switches if the technology allows it.

⁴² A majority of these consumers would waive the cooling off period while others factored a shortened one into their timescales.

MINIMISING CONSUMER INVOLVEMENT

- **Minimal and easy consumer input** – consumers recognise they have a role at the initial (i.e. agreeing to transfer) and latter stage (e.g. submitting a meter reading) but want suppliers to manage the rest of the process;
- **Smarter data-sharing** – timely, accurate information shared between suppliers would reduce the risk of errors and transfer duration;
- **Smarter meter-reading** – although most recognise the potential for an improved (i.e. speed and reliability) CoS process, the end of estimated billing is viewed as the primary benefit of smart meters.

Finally, until consumers see signs of simplification in the market and that competition is working effectively there is little evidence to suggest that an improved CoS process would prompt increased engagement in the market, except for the most informed and confident of consumers. However, most informed and confident consumers are not currently put off by the current CoS process, so there is limited demand for change although some improvements in terms of reliability, and to a lesser extent speed, are generally welcomed. Ultimately, for all, making their experience of selecting a new tariff or supplier easier is their main concern.