



Katerina Vlachavas
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA

Head Office
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

By email to: Consumer.Switching@ofcom.org.uk

21 October 2016

Dear Katerina

Making switching easier and more reliable for consumers

SSE welcomes Ofcom's consultation on the above topic and reiterates its support for the coordinated development of Gaining Provider Led (GPL) switching processes across the board in the retail 'mass market' of switchable communications products. For consistency in consumers' experience of switching services, it is notable that GPL processes are the norm elsewhere in the economy.

We respond to the specific consultation questions in the appendix to this letter and set out below our main points on support for GPL switching and the need for a 'strategic approach' to design and management of switching processes.

Support for GPL switching

Of the options presented in the consultation paper, SSE strongly supports option 2 – a GPL switching process for any or all of the 'triple play services' that Ofcom defines in this consultation and which can involve switches between different service 'platforms'. There are also points in the consultation document where Ofcom refers to the work it has been carrying out on mobile switching and suggests that if it adopts its preferred GPL model for mobile switching, then there may be cost synergies in aligning the processes for mobile and triple-play switching on a GPL basis. Again, SSE strongly agrees with this hypothesis. With the political climate, referred to at paragraph 4.9, favouring GPL switching arrangements across a whole range of services, we consider that there is a significant opportunity for Ofcom to mandate a framework for GPL-based retail switching 'across the board' in the communications industry, with the potential to align development and take a 'strategic' approach to design and management of these arrangements, as discussed further in the next section.

Any element of required contact with the Losing Provider (LP) in a switching process undermines the switching process and leads to lower sales conversion rates for Gaining Providers. Similarly, where products are being bundled, LP contact for any element of the bundle would chill the conversion rates for the other services in the bundle. The need for switching processes to encourage the development of competitive services from new

providers – as well as to encourage incumbent providers to offer good services in order to retain customers – is acknowledged in paragraph 2.32 of the consultation, where Ofcom considers their policy goals for a switching process. SSE agrees with these policy goals and considers that they are best satisfied by a GPL framework for switching.

A strategic approach to design and management of retail switching is required

We welcome the consideration that Ofcom has given to the coordination between GP and LP that would be required under both options put forward to improve consumers' experience of switching between platforms. This coordination would include the concept of 'make before break' which was introduced in Ofcom's earlier consultation on mobile switching and suggests that there could be some synergies between coordination of GPL switching for mobile and for the type of cross platform switching considered in this consultation. Building on Ofcom's suggestion, at paragraph 5.87 of the consultation, we consider that there would be synergies in designing mobile switching under the same overall architecture as inter-platform switching, as well as in aligning implementation timetables.

We also agree that the appropriate level of coordination to safeguard the consumer experience in switching also entails the need for the proposed 'communications channel' discussed at paragraphs 4.45-49 in the consultation. This is a matter of shared information systems design and development; and precedents exist in both the communications market (for example: the Equivalence Management Platform (EMP) used by Openreach and noted in the consultation; and the Syniverse porting system used by the mobile operators) and elsewhere in how to develop and maintain such systems. The key thing about these systems is that they must be managed so that industry users can access unambiguous documentation about how each system works and what they have to do, in detailed terms, to use it. Change management and system 'releases' are required to allow the systems to adapt to market changes or more efficient ways of doing things. Managing a multi-user industry-wide system requires industry-wide governance so that all users are bound in a transparent, independently-run administrative system that both sets out their obligations and provides opportunity to promote and/or react to proposed change in a disciplined manner.

In the retail communications 'mass market', there is no existing industry-wide governance body of this type, although 'tactical' solutions to emerging issues on the Openreach platform are pursued by the OTA organisation under Ofcom's direction, as discussed in Annex 7 of the consultation. The required degree of coordination across all relevant market participants will not emerge naturally in a market and, in our view, needs a regulatory or statutory basis on which to be built. This type of organised coordination can be seen in operation in other service markets: various industry codes exist in the energy market (for example, the 'master registration agreement' or MRA is the one that governs retail switching for the electricity market) and have been designed for the opening of the English non household retail water market next year. The Government's consideration of switching principles in 2015 also included parts of the financial services sector such as current accounts so this sector might also provide some examples of how switching systems can be designed and governed.

Against this background, we believe it will be important for Ofcom to build on the work done in 2015 to implement the harmonised Openreach GPL process and the recent work on process maps by Cartesian in order to develop an appropriate governance model for retail

switching, with a view to codifying this in an appropriate General Condition. We see this governance model as having the following components:

- An authoritative and independent market body, owned and funded by relevant industry participants, whose remit is to ensure that retail switching is efficiently coordinated across market participants for the benefit of consumers;
- Documentation of switching rules, processes and agreed procedures: these to be held centrally by the market body and subject to transparent change control to incorporate market developments and suggested improvements etc; and
- An underlying comprehensive data model of how the retail market operates, from the point of view of switching, incorporating all relevant infrastructures and technologies in scope.

It can be seen that the recent work by Cartesian could feed into the last of these elements. In a steady state, the industry switching data model would be relatively unchanging; but while Ofcom and the industry are seeking to develop the scope of regulated switching arrangements, as at present, there will also need to be a plan for development and extension of the data model itself. The least-cost approach to the succession of industry change processes required to bring a range of different types of consumer switching into a single 'reformed industry-wide switching process', which Ofcom refers to at paragraph 3.55 of the consultation, is likely to be where the final state of the data model is decided at the outset and a 'road-map' developed for the succession of changes needed to get from the starting position to that point.

SSE supports the various comments in the consultation that look towards a 'single type of process to switch all relevant services' (paragraph 5.42) in the communications market. We think that this will be in the interests of consumers and something that they will increasingly expect. It will certainly be necessary, in the interests of making progress on what can be readily achieved in the short term, to leave some types of switch and some types of network out of scope for the next change process – as discussed at paragraphs 2.3-6 of the consultation. However, we believe that a strategic plan should be developed by Ofcom and the industry that establishes the vision for comprehensive retail switching arrangements in communications – across all platforms; all networks offering 'mass market' retail products; all technologies; in all situations. For the consumer, there would be a 'single front end process' to switch; for industry, a logical model of data flows and coordinated communications. With that vision comes outline architecture for the final comprehensive design and a roadmap of feasible extensions and developments that build towards it in a series of change processes that keep within the industry's capacity to deal with process change.

Thus, there is a need in our view for Ofcom to consider how to establish, across the relevant players in the communications retail markets, that shared understanding of a vision for how switching systems will look and feel to consumers and to industry participants in the longer term, as well as the series of development steps that will be implemented to reach that point. In setting up that shared vision and strategic understanding, it will be necessary to consider smaller players on an equal basis to the larger, more vertically integrated players that Ofcom has already consulted about systems and processes for triple-play switching, as noted in the consultation, for example at paragraph 4.12. We understand that retail CPs number in the hundreds – and that many of the smaller ones operate at the end of long wholesale supply chains involving a range of third party intermediaries, as noted in Cartesian's work. All these parties need to be

included in the process that establishes strategic plan for switching development and the later one that coordinates the implementation of the different stages of change.

For all players in the communications industry, we suggest that they can more readily work with authoritative and clear instructions on development requirements for industry processes issued in good time to allow necessary IT and process design work than with an unpredictable series of tactical fixes to 'industry' systems. In our view, this would be one of the benefits of a strategic approach to development and the establishment of an independent authoritative market body from whom such instructions can clearly be issued in relation to genuinely industry-owned systems and processes for consumer switching. We believe that Ofcom has to be involved in setting up the framework for this type of coordinated development in order to ensure that the principles of better regulation – for example, transparency and proportionality – are carried forward into the design of industry systems that will allow regulatory policy objectives to be fulfilled. Otherwise, there seems nothing to stop larger CPs designing systems and processes that work for them with no consideration of the impact and burden on smaller CPs. Ultimately, this would risk undermining the benefits of a competitive market that GPL switching processes are aiming to protect and enhance.

Conclusion

SSE supports Ofcom's continuing work on retail switching processes in the communications market at both the strategic level and in relation to the specific type of 'triple play services' that are the main subject of this consultation. We agree with the assessment that development of a generic GPL coordinated switching process for these types of services will address the consumer confusion and detriment that Ofcom's research has identified. We also support Ofcom's consideration that there would be synergies in linking this work with that on mobile switching, about which Ofcom has consulted in the last few months. In fact, SSE's view is that all types of communications consumer switching should be developed to work on a GPL basis, as this aligns with what is easiest and most familiar to consumers from all other parts of the UK economy and also supports competition, as Ofcom has identified.

SSE's experience in other markets for essential services is that GPL switching systems are coordinated and governed in a transparent and inclusive manner by industry bodies, whose aims are to ensure smooth switching processes for consumers. In our view, this needs to be established in the communications market to support and protect the customer experience as well as the participation of smaller companies in cross-market systems development and maintenance. We have discussed this topic above and in response to some of the consultation questions and would be happy to discuss these ideas further with Ofcom, as required.

I hope that this response is helpful.

Yours sincerely

Aileen Boyd
Regulation Manager

Response to consultation questions

Q1 Do you agree that current cross-platform switching arrangements lead to consumer issues with loss of service and double paying when switching, and issues with contacting losing provider / cancelling a previous service?

Given the evidence that Ofcom has presented on these topics, we agree that there can be issues falling under these headings when consumers seek to switch across platforms.

Q2 Do you agree that consumers would benefit from clearer switching processes and information about switching?

Yes. SSE has always supported a gaining provider led (GPL) approach to switching across the board in the communications retail markets. We note Ofcom's research indicating that a substantial proportion of cross platform switchers are not sure what they need to do to switch and that this also affects a significant number of those considering but not actually undertaking a switch. As it is used in other UK service markets, a GPL process is inherently familiar and logical to prospective switchers. We believe that it presents the clearest and simplest option for CPs and any other providers of support to consumers to describe and provide information about, as well as the option that best supports new and growing retailers, thus promoting competition, which also benefits consumers.

Q3 Do you have any other comments on the matters raised in Section 3?

We are not in favour of option 1 – 'enhanced cease and re-provide'. We agree with Ofcom's final comment at paragraph 3.55 that the friction generated by an LP touch point in the switching process is best addressed in a "reformed industry-wide switching process". We believe that the reformed process should be developed on GPL lines and should develop standardised approaches where possible, which would support consumers becoming familiar with how they undertake switches in the communications market (in a similar manner to services in other markets) and, from a systems point of view, allow system elements to be efficiently re-used, where feasible.

We also believe that the thrust of Ofcom's further work on switching matters in the short term should be directed towards how best to develop and embed the right administrative framework within the mass-market operations of the communications retail market with which to support the development of an industry-owned plan and design for a reformed industry-wide switching process. We discuss this further in our response to Q8 and in our covering letter.

Q4 We would welcome views on the proposal for an EC&R process (Option 1), in particular:

- (a) whether is it effective in reducing the consumer difficulties and deterrents identified through our analysis;*
- (b) whether you agree co-ordination by the new provider should be opt-in for the consumer; and*

(c) if the information on implications of switching provided at the cancellation stage is likely to be as effective as receiving it in durable form during the transfer period?

(a) We are not in favour of an EC&R process as the basis for cross platform switching and believe that, even with the proposed increase in the available methods of contacting an LP, there will be some consumers who prefer to use the phone in the traditional manner (rather than IVR) to cancel and would therefore still encounter the problems that Ofcom has identified with this route.

We are also concerned that this option entails mandating significant additional costs on all retail CPs in order to seek to mitigate the identified difficulty that some consumers find in contacting some LPs to cease their services. While coordinating cross platform switches as a GP is optional, as retail CPs could decide not to provide services to that sector of switchers, no retail CP can avoid being an LP in the context of these proposals on cross platform switching. Particularly for smaller providers, installation of interactive voice response (IVR) systems and other online channels, all of which must link to real-time data in order to provide the consumer with information on the implications of switching according to the proposal, would be a significant burden, especially when considered in relation to the small number of potential cross platform switches away from them that they may have to support under these proposals. Some of this information may be difficult for a consumer to digest in the matter of seconds before he is required to confirm his decision to switch, so we do question whether these proposed requirements would actually be effective in informing the consumer.

In short, there remain inherent shortcomings in the C&R process due to the touchpoint for the consumer with his LP. Attempting to mitigate this as part of the EC&R option entails mandating additional costs on all LPs, which could readily be seen as disproportionate, especially for small CPs only likely to process a small number of customer losses to other platforms. We note that Ofcom recognises the larger cost per customer for smaller providers – especially for this option – at paragraphs 5.84-87 of the consultation; this cost would be significantly magnified when considering the cost per customer leaving smaller providers that go to another platform, as the majority of switches are currently carried out on the Openreach platform that smaller providers are able to use under regulated arrangements and where a GPL switching process is already in operation.

Where the GP is involved in this option, it can lead the coordination necessary to align service start and end dates – but it plays a similar role, with more benefits and less cost in the GPL option 2, with the added natural benefit of reducing consumer confusion about how to switch by aligning with other familiar switching processes, both within the communications retail market and beyond.

(c) We do not believe that the ‘instant’ provision of information on the implications of switching to the consumer when they approach the LP to cancel would be as effective as

receiving that information in a durable medium early in the transfer period, where the consumer can take due time to consider the information. At the same time, as noted above, we are concerned that the costs for every retail CP in providing this ‘instant’ information will be significant. The reasoning is the same as noted in response to part a). All retail CPs would have to incur costs to do this which, particularly for smaller providers, would be a significant burden, especially when considered in relation to the small number of potential cross platform switches away from them that they may have to support under these proposals.

Q5 We would welcome views on the proposal for the GPL process (Option 2), in particular:
(a) whether is it effective in reducing the consumer difficulties and deterrents identified through our analysis; and
(b) if the ten working day transfer period is a sufficient length of time for a consumer to receive, understand, and act upon implications of switching information that is sent to them by the old provider?

(a) Yes, we believe it will be effective in reducing consumer difficulties as it is easy for consumers to use. The benefits of this approach can be seen in the fact that the GP acts as an informed and empowered agent for the consumer in organising and coordinating the switch. This aligns well with the incentives that the GP has to make the switch go smoothly, while the required ‘back office processes’ should allow the industry coordination that underpins the mechanics of ensuring that smooth transfer. The friction and confusion for consumers that arise from any LP touch points are removed in this option and the consumer is given an adequate period to review durable information from the LP in written form about the implications of switching before the switch is set in motion. We note that the ‘back office processes’ will have to ensure that the GP does not face similar difficulties to some consumers in actually being able to contact the relevant section within the LP’s operational staff to arrange the transfer.

(b) We believe that the ten working day transfer period, as currently used in the fixed-line switching processes on the Openreach network, has operated to provide consumers with enough time to consider and act on information from their old provider on the implications of switching. We note that Ofcom intends to strengthen the information available to consumers in both options with the requirement on all retail CPs to set out information on the implications of switching on consumer bills. While we are not sure that all consumers will look at such information, we agree that it forms another useful channel to increase consumer awareness and one that GPs can remind consumers about when they are in discussion about a potential switch.

Q6 On both process options, we would welcome views on whether old providers are provided with sufficient time during the respective transfer periods to:
(a) stop existing services and administer the end of contracts; and
(b) if not, can you provide detail of what actions/steps are necessary to undertake such activities, and how long these would take?

SSE only has experience of using the existing harmonised GPL process on the Openreach platform. While the 10 working day transfer period specified for that is an adequate basis for the LP completing the necessary administration, we cannot comment on whether that view would hold good for all types of cross platform switching. We believe that greater flexibility in the transfer period timing, along with parallel requirements on upstream wholesalers to conduct any required engineering work within appropriate timescales, is likely to be necessary for the GP, where new provisions are required on different platforms.

Q7 Do you agree that the proposals should apply to all cross-platform services, whether provided in a bundle or on a standalone basis?

SSE has always advocated that all mass market retail products should be able to be switched using a coordinated, governed, industry-owned GPL switching process. As a coordination framework and ‘communications channel’ is developed in order to take forward the switching of bundles, we agree that it would be appropriate to apply this to single product ‘standalone’ switches as well, so that the consumer has a single process to engage with, whatever particular switch he wishes to make for a retail communications product(s). We believe that this represents the optimal solution for the consumer. However, in developing the overall implementation plan for this significant change to existing switching arrangements, we accept that there may be a need to exclude some types of switch from the scope of initial implementation phases.

Q8 For both process options, we welcome any views on the estimated 18-month implementation period.

This seems optimistic considering that the same overall timescale was used for implementing the harmonised GPL process in 2 stages between December 2013 and June 2015. Ofcom is proposing a change to switching arrangements that has not yet been clearly specified but entails a more complex industry change than the harmonised GPL change, whereby one largely existing GPL process was mapped to a further service (broadband).

In our view, as discussed in our covering letter, it will be necessary to develop the means for ‘industry’ to discuss, develop and agree on an overall model and process maps for the future intended coordinated switching process – perhaps building on those presented by Cartesian. Once this is in place – and all retail CPs, wholesalers, third party integrators (TPIs) and access infrastructure owners who have a role to play in the switching process have clarity on what they have to deliver to effect the change, then it may be possible to construct a project plan that delivers a specified set of switching arrangements within 18 months. We think it is too early to say whether that will be possible and that some time has to be allowed initially to develop the system specification, the project management arrangements and the ongoing industry governance mechanism that will be necessary for implementation. Out of that process, a realistic implementation period should emerge.

It is worth noting that a significant learning point from the implementation process for the harmonised GPL route was the difficulty that Ofcom found in identifying and contacting all relevant retail CPs via their wholesale supply chains, some of which are long and complex. From this experience, we believe it is clear that in order to have an 'industry' plan for the implementation of change, all relevant retail CPs have to be involved, not just the main retail/wholesale players. Successful engagement and thorough planning are fundamental to a successful industry change implementation project and, in our view, some time has to be allowed initially to allow a Project Manager to work out how this can be accomplished in the retail communications industry.

Q9 Do you have any other comments on the matters raised in Section 4?

In section 4, there is discussion of the generic transfer period and the 'back-end' communications channel. We comment on each of these areas in turn.

We support the use of a 'transfer period' within the switching process for any type of switch in order for the consumer to be provided with time for reflection and for absorbing relevant information sent to him by the LP on the implications of switching, while still having time to act to cancel the switch without penalty if he decides to change his mind based on the information provided. There is a degree of overlap between the purpose of the transfer period and the purpose of the statutory cancellation period, recently confirmed in new consumer rights legislation. Both allow durable information from the GP to be received and considered by the consumer. The difference is that for communications products, it is the LP that can sometimes shed light on other implications of switching that will affect the consumer in moving away from certain products that they currently supply.

We consider that there has to be a fair interaction for the GP between the point at which the consumer is allowed to cancel a switch without penalty and the point that the GP is required to start work to provision a new service. If the GP incurs costs to provision a service, which seems likely when the customer switches between platforms, it would be unfair on the GP if there is no choice about starting this process before the consumer reaches the end of the period during which they can cancel without penalty. For this reason, it may be more equitable for all parties if the transfer period is defined as being the period before a 'point of no return' (PONR) applicable to the particular switch being made, with the GP able to take a few more days if necessary to actually provision the service after that point. The GP will have the incentive to minimise this period and may start provisioning work before the PONR at his own risk. Our point is that it appears unfair to the GP for the regulatory switching rules to require him to do this.

In relation to the communications channel, Ofcom notes that it has asked Cartesian to develop and cost two possible ways of designing this: firstly, by making use of the existing Openreach EMP platform used to underpin switching between retail providers using the Openreach copper access network; and secondly, by building a new direct inter-CP communications platform on a type of 'mesh' basis. In principle, SSE would prefer that

systems supporting switching were designed on a greenfield basis to implement the overall strategic system model at the outset and independently operated on behalf of the industry. However, we recognise that costs are likely to be lower and implementation quicker if existing functionality in the form of the EMP platform can be re-used. On a pragmatic basis, therefore, we accept that the back-end communications channel needed for coordinating cross platform switching is likely to be realised more efficiently by using some part of the existing Openreach systems. In taking this course, there would be some reassurance to industry that Ofcom is currently intent on making Openreach more independent within BT – and it will perhaps also be necessary to consider in planning switching changes the quantum of industry change that Openreach can deliver while it is also looking to progress the separation requirements that Ofcom has yet to finalise.

As discussed in our covering letter, we consider that industry governance will have to be developed for retail switching arrangements, as there is currently no mechanism for “industry” to make decisions about how any aspects of switching should be developed, as suggested at paragraph 4.46.

We would also note that some of the elements for the communications channel discussed at paragraph 4.45 seem unnecessarily prescriptive at this stage. For example, a requirement for ‘real time’ validation could significantly add to costs and may not be necessary. While it might be ‘time-sensitive’ for a consumer’s old provider to be identified, it may not need to be ‘time-critical’. We consider that hard specifications for such detailed aspects of the process are best left to the more detailed process design stage than being wired in as high level requirements at a policy level. If Ofcom were to relax this sort of requirement, we believe that implementation costs are likely to reduce.

Q10 Do you agree with the assessment of the consumer benefits of the proposals?

We agree that consumers will benefit from the proposal to coordinate switching of triple-play services and support Ofcom’s assessment of this.

Q11 Do you agree with the assessment of the likely costs of the proposals as set out in the Cartesian report? If not, please state how and provide information and evidence relating to the costs.

We are unable to comment on the overall likely cost of the proposals.

Q12 Do you think that a manual communication channel for small providers would be more appropriate compared to an automated communication channel? What costs would be involved in setting up a ‘manual’ communication system?

Yes. Industry systems should always be developed with low and possibly ‘medium’ volume interfaces as well as those for high volume automated interactions. Otherwise there is discrimination against smaller players and new entrants.

Q13 Do you agree with our preference for Option 2 (GPL)?

Yes. We discuss this further in our covering letter.

Q14 Could there be synergies across costs between implementing a GPL proposal for triple play services and mobile phone services?

Yes. Again, we mention this in our covering letter and suggest that Ofcom develops an appropriate form of mandatory industry governance of retail switching processes and the initial development of these. In our view, this would help to allow a strategic approach to developing GPL switching ‘across the board’ which would naturally entail seeking out synergies, standardisation and inter-operability in the design and implementation of GPL proposals for both fixed line and mobile switches, whether or not any particular switch involves an actual change of ‘platform’. There are various examples of switching processes in other service industries which suggests that generic switching models and processes should not be hard for the relevant specialists to design for the communications industry.

We note that the Digital Economy Bill includes a clause to give more powers to Ofcom in relation to setting General Conditions on switching. It seems to us that Ofcom has a significant opportunity to ensure that this Bill can provide it with the powers and potentially any additional funds it requires to establish an industry body to govern switching. It could then work with this entity and give it the task of developing a strategic approach to the best overall design for systems and processes to cover the range of different types of communications service switching – including fixed ‘triple play’; mobile services; the ‘quad play’ services that are emerging where fixed and mobile services are combined in consumer retail offerings; and any other type of switchable service that may be developed in the future.

Q15 Do you consider that Option 2 (GPL) could enable consumers to go through the switching process through TPAs/PCWs? Would this be beneficial to consumers?

The GPL Option 2 should enable intermediaries, acting on behalf of GPs or of consumer blocks, to assist consumers in the switching process. This has developed in other markets and should be subject to appropriate safeguards to avoid unintended consequences. We note that the CMA has just announced an investigation into the operation of such digital comparison tools.

Q16 Do you have any other comments on the matters raised in Section 5?

No.