Office of Communications
Riverside House – floor 2
2A Southwark Bridge Road
London   SE1 9HA

Head Office

Inveralmond House

200 Dunkeld Road

Perth

PH1 3AQ

Our Reference:

Your Reference:

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Dear Matthew

Consumer Switching

SSE welcomes Ofcom's further consultation on consumer switching. It has been a view long-expressed by SSE, since entering the communications retail market, that consumer switching of retail products should take place on a coordinated basis across the market. This should entail impartial, independent operation of switching systems and organisation of necessary changes to the systems, processes and documentation that define the switching experience for domestic and small business customers.

We have participated in the various switching working group meetings held by Ofcom and the Office of the Telecommunications Adjudicator (OTA) since the last consultation on this topic and provided information and views into Ofcom's project to put forward a preferred single option for retail switching processes, which is now presented in this consultation.

Our response to the individual consultation questions is attached as appendix 1 and these provide more commentary on the main themes of our reaction to Ofcom's proposal, which are summarised below.

Main themes of SSE's response
- We very much **support a gaining provider led (GPL) switching process**, which is the norm in other markets and allows the GP to look after the back-end processes on behalf of his new customer.

- We **support the development of a central hub and/or database** as proposed in the to GPL options considered: although detailed design cannot be undertaken as yet, the concept of centralisation and standardisation of dataflows to support switching is well understood and successfully implemented in other similarly structured markets such as energy and water.

- We **support the development of switching systems that work independently of any single market participant** – to give all users confidence in the independent and equitable running of the switching systems.

- Linked with the above point, we believe that **specification of independent governance of switching systems is vital** to allow the framework to be adapted as required to address market and product developments, with all market participants having an equal ability to influence future developments.

- We understand Ofcom's concern to ensure robust customer consent validation in switching processes, although we believe there are a number of ways to tackle this in the design of the switching systems themselves. We have some reservations about potential costs of an additional third party validation (TPV) step in the switching process and would **prefer an approach to consumer protection that relies on systematic recording** of supplier behaviour in the use of switching systems. However, if Ofcom's evidence is clear that malicious slamming rather than data issues is a significant problem, then we would **support the concept of a form of independent verification of customer consent**. We would hope that, if required, it could be developed in a way that:
  - is flexible and non-prescriptive in determining workable approaches depending on the sales environment;
  - makes appropriate use of technology; and
  - thereby minimises additional costs and 'hassle' in the sales and switching process.

- Although SSE suggested the **Unique Service Number** (USN) variant on the GPL options considered at the working groups, we do not consider that the description in the consultation fully reflects all aspects of the process we were seeking to suggest. We discuss this in more detail in appendix 2 but, in essence, believe that some form of unique reference number for the premises where retail communications services are consumed is essential in order for centralised systems to work properly and thus to ensure a positive customer experience of switching, or of the related area of coordinated **house-moves**.

- We support Ofcom's analysis of the **competitive issues that are an intrinsic part of losing provider led (LPL) switching processes** such as counter-offers being provided (if commercially beneficial to the LP) as a result of the customer signalling his intention to switch. As with the implications of switching, it need not be only at this point in time that new offers are made to customers. Better offers for customers prepared to switch implies those that do not show interest in switching are paying more than they need to for services. We note that Ofcom's own research shows that a significant proportion of switching customers find LPL processes difficult – and also that a significant number of customers have been put off switching at all due to perceptions of LPL-related hassle.

- As a relatively new entrant, we have also found it more **time-consuming and expensive to gain customers through the LPL MAC process** for broadband compared to the GPL notification of transfer (NoT) process for switching talk customers. With bundles of these two services now common, the sales process for telephony is being adversely affected by the LPL MAC process for broadband. Our experience and views on the issues with LPL transfer processes are discussed in appendix 3.

- On another point related to the health of the competitive market, we strongly believe that there should be '**equivalence of information**' about technical aspects of the communications link at a premises that affect what retail and wholesale products are available at that premises. Ofcom has already identified customer detriment arising from lack of information about unbundled premises using LLU technology leading to a difficulty in unambiguously identifying the premises concerned. The same issue is likely to have

contributed to the difficulties in broadband switching experienced a few years ago. As different access technologies are now becoming available on the Openreach network, competition and customer interests are not well served by such information only being readily available within BT: enquiry systems used to support switching processes should allow any relevant communications provider (CP), on a controlled access basis, to check the relevant aspects of communications capability at the premises of a potential customer that he is in dialogue with. This will both promote a good customer experience in that only suitable products will be sold and avoid competitive distortion in the market.

- Finally, it is worth considering the **future-proofing of centralised systems**. Other infrastructures such as cable, that belonging to KCOM, next generation access platforms and mobile and pay TV services are mentioned as being part of future stages of the current review. Consideration of this diversity should inform the way that specifications are developed at detailed level. We would also point to the fact that other small, geographically distinct fibre networks have already been developed by independent parties and these might merit inclusion in national switching processes at some point. In fact, given that Ofcom has a new duty to report on UK communications infrastructure and the services it supports, it appears to us that the statistical information available from switching systems would help Ofcom to obtain some of the information it needs centrally when reporting on infrastructure capability and take-up of different services and wholesale products.

We will provide any further evidence we can separately from this response.

The rest of this response consists of the following appendices:

Appendix 1   Response to consultation questions

Appendix 2   Re-assessment of USN option

Confidential
Appendix 3   Concerns with LPL switching process

Confidential
Appendix 4   Data Protection and Security Considerations for the Green Deal initiative

I hope these comments and the further detail in the attached appendices are helpful and would welcome the opportunity to discuss our response with you. Please let me know if you have any queries in the meantime.

Yours sincerely

Aileen Boyd
Regulation Manager

Response to Consultation Questions

Section 3
Question 1: Do providers support (i) each of the different order type processes (ii) Linked Orders (iii) Parallel Orders processes? Where providers do not support each of these individual processes, please explain why you think this is the case? Please provide evidence to support your view.

This question follows figure 6 in the consultation and we note that figure 14 is similar in setting out to list the various technologies used in switching bundles: both the LLU technologies of MPF and SMPF and WLR. We are surprised that there is no mention in the tables of the IPStream-based technologies for broadband, which is what SSE uses, even though it is acknowledged in paragraph 5.27 as being one of the two wholesale processes commonly used by new entrants. While SSE uses the Openreach Equivalence Management Platform (EMP) for switching customers to our fixed voice product (called talk), it is not possible to use this in conjunction with the IPstream-based broadband product as a separate portal is required for this with BT Wholesale, who provide that product on an unregulated basis. We understand it would be possible, though expensive, for BT to link the operation of the portals and such a move would clearly be of benefit to the large number of new entrants who use these two wholesale products in combination to provide their retail offering.

In our case, use of Linked Orders or Parallel Order processes is not possible and in order to switch a bundled sale of talk and broadband, SSE has to process and complete the talk switch first and then process the broadband switch. This is not a satisfactory situation as, amongst other consequences of the delay in processing the broadband element of the sale, the provided MAC can often reach its expiry date before the combined process is complete. This necessitates a further discussion with the LP for the customer, entailing further hassle and another reactive save opportunity.

Section 4
Question 2: Are gaining providers currently able to correctly advise consumers at the point of sale on the correct switching process to follow (e.g. do agents have access to and the ability to use Dialogue Services and have access to information on which technology will be used to supply the service to the customer)? Please provide any evidence you have to support your views.
For switches on the active Openreach network, where the line has not been "unbundled" away to another operator, SSE's agents can use the Openreach Dialogue Services to establish unambiguously, in discussion with the prospective customer, that this is the status of the telephone line and can advise that a notification of transfer process can be followed for the talk product whereas the MAC process should be followed for broadband.

If the line has been unbundled away from Openreach control, no information is available about how the current services are supplied – reflecting the absence of generally available 'look-up' facilities that sales agents can use to establish what products can be provided at any relevant premises. It also demonstrates that while CPs using LLU technology can use the Openreach systems to find new customers to transfer to their unbundled services, it is more difficult for other CPs to find definitive information on unbundled customers in order to provide appropriate advice to these customers about switching back to their Openreach-based products. It is also worth noting from figure 6 that most combinations of transfers to LLU products do not need to use an LPL process at all unlike the WLR+SMPF and WLR+ IPStream transfers that Ofcom notes in paragraph 5.27 are mostly used by new entrants, which in itself has competitive implications.

Question 3: Do you agree it will become more difficult for Gaining Providers to advise consumers at the point of sale on the correct switching process to follow as new technologies or new combinations of existing technologies are rolled out? Please provide any evidence you have to support your views.

Yes. As the range of underlying access technologies, separate networks, products and services grows, there is an obvious need, at the start of the sales process, for a comprehensive single enquiry service that sales agents can use to establish which services over which infrastructures are currently being supplied to a prospective customer. This sets the foundation for a good customer sales experience as it can then quickly be established whether or not the products being offered by the sales agent can be supplied at the premises concerned – and if so, what the next steps in the switching process are: if they cannot, the sales agent will not wish to continue the sales discussion.

Gaining providers have every interest in either achieving a sale where the product can be readily provided or ceasing to pursue a sale if it is known that the product cannot be delivered at that premises. Accurate information on the capabilities of the underlying infrastructure allows them to: provide the best possible customer experience; maintain a good reputation with customers; and minimise their cost of sales. It is therefore obviously helpful for them to be able to see as much relevant information as possible via a dialogue service enquiry. Going forward, we would hope that a unified central switching approach would develop the range of relevant information available on a single enquiry service in order to support the switching process. Competition for the supply of services can only be effective if all suppliers in the market have equal access to relevant information about the wholesale capabilities of the supply points. This links to the point about equivalence of information in our covering letter.

Question 4: Do you agree there is lack of competitive neutrality from having multiple processes? Please provide any evidence you have to support your views.

We do agree that, apart from the inefficiency of having multiple switching processes, there are, on the face of it, competitive concerns about the position of different suppliers in the market having to use different processes to gain/lose customers. It also appears that there may be competitive implications in terms of information asymmetry, as discussed in response to question 2 above and that this could get worse, as discussed in response to question 3. Overall, we believe that larger, established CPs will tend to have an advantage when there are multiple, switching processes that lead to increased switching costs, as new entrants must use these to grow their business while established players have more choice in how they engage strategically in the market. Furthermore, all other things being equal, if industry processes are complex, there are economies of scale in terms of the costs of developing expertise and dealing with matters arising out of that complexity.

Question 5: Do you agree with our assessment of Problem 1: Multiple switching processes? If not, please explain why you disagree.

Yes. It makes no sense to us that multiple switching processes have been allowed to develop in the communications market. It appears to us that there are then multiple parties trying to keep track of which CP is serving each customer rather than there being a "single source of truth" available from one central body. Across the market, that suggests duplication of costs and scope for errors to creep in. One underlying switching process with a familiar 'look and feel' to both communications customers and CP sales agents would do much to reduce the uncertainties, queries and costs generated by the current situation of multiple processes. It would also appear to allow any regulatory reporting associated with numbers of switches to be produced automatically for Ofcom from central systems.

In summary, harmonisation of switching processes and controlled access to relevant underlying data is needed to support switching processes where all CPs can be equally

informed and provide consistent advice to customers on switching process and technical implications.

Question 6: Do you agree that the current switching processes are likely to become less reliable in the future? Please explain your answer and provide any evidence you have to support your views.
Yes. We firmly believe that the reliability of back-end switching processes is linked to the necessity of having some unique way of identifying the relevant property unit so that all switching operations can be uniquely focussed on the correct premises. If this is lacking, the sort of problems discussed in this section of the consultation will continue and get worse. We discuss this further in appendix 2.

Question 7: Do you agree with our assessment of Problem 2: Back end system deficiencies? If not, please state why you disagree.
Yes. The deficiencies described all point to a lack of appropriate coordination of switching systems and processes. We discuss this further in appendix 2.

Question 8: Do you have evidence to suggest that the incidence of slamming has changed significantly? Please provide any evidence you have to support your views.
We have always been sceptical that the level of deliberate slamming is as high as has been claimed in communication market. We have no specific evidence on changes in levels of apparent slamming but do note that when Ofcom asked us to look into a number of apparent 'no-contact' slamming cases in March 2010, we found that around half were due, in effect, to data issues when the detailed circumstances around each case were analysed.

Ofcom recognises in paragraph 4.63 of the consultation that so-called 'erroneous transfers', when data issues – typically around house-move processes – mean that the wrong assets are switched by mistake, have the same characteristics for end-customers as deliberate slamming. This effect, together with other reasons which can explain apparent slams (such as end user internal communication issues at the premises concerned) must make it difficult to monitor absolute levels and trends in data on slamming in the communications markets. We also note that Ofcom's own data in Figure 16 of the consultation document shows that complaints to Ofcom on the subject have fallen in recent months.

Question 9: Is there further action you think could be taken to help tackle slamming (e.g. preventative measures to stop it from occurring or enforcement activities after it has happened to act as a deterrent) under the existing processes? Please explain your answer.
Not within the current framework. Ofcom has described a comprehensive approach to enforcement and the perceived limitations of this. We believe that the way forward for tackling this issue is to formalise a centralised switching process such that every CP and every one of their agents is uniquely tagged when using systems to initiate the migration of a customer's product between suppliers. Then, when combined with a facility for customers to cancel transfers, centrally produced statistics would be able to demonstrate which agent(s) of which CP(s) are initiating a significant number of transfers that result in complaints/cancellations from the end customers concerned – relative to overall successful transfer volumes. This seems a more direct way of collating evidence of behavioural slamming than the range of bilateral information requests and investigations that Ofcom describes currently. Where auditable statistics are automatically produced by switching systems, investigations are expedited due to the ready availability of evidence and sanctions quickly follow the undesirable behaviour, we believe that there will be greater incentives on CPs not to engage in slamming than currently appears to be the case.

Question 10: Do you think it would be more appropriate to introduce stronger upfront consumer protections within the switching process or continue with the current reliance on enforcement to tackle slamming? Please explain your answer.

We agree that there should be protections for consumers from slamming in switching processes and recognise that the EU framework requires this. However, we also consider that protections should not add to the customer's perception of hassle in the process. On this point, we understand that a fundamental principle of process design is that the main structure of the process should assume a "happy path" where all participants carry out their role correctly. Amendments to cater for various problems and issues are then considered as second order qualifications to the underlying design approach.

These considerations lead us to favour reforms to switching systems and processes that, as discussed above, provide direct, auditable information on individual market participant behaviour. Within such a framework, we believe that enforcement is likely to be quicker and more effective. As market participants will be aware of this, there is then more incentive on them to ensure that their use of the switching systems does not cause concern. The fact that their identity is known and their behaviour tracked would work in much the same way as CCTV cameras reducing crime in public places with the result that consumers are protected not just upfront but all the way through the process.

We note that the recital to the 2009 Amending Universal Service Directive quoted at paragraph 2.27 of the consultation emphasises "minimum proportionate measures" to minimise the risk of slamming – and sets store on not reducing the attractiveness of the switching process for consumers through any such measures while still protecting them "throughout the switching process". The approach we have suggested seems to line up with the elements of the recital and would have the benefit of not burdening well behaved CPs with additional processes and costs.

Some elements of enforcement and sanctions could also be delegated to the industry to police itself through the body involved in independently running the switching processes on behalf of the market as a whole, which is likely to increase the speed of corrective action. This could reduce the current burden of enforcement for Ofcom on this issue.

Question 11: Do you agree with our assessment of Problem 3: Insufficient customer consent? If not, please explain why you disagree.
We have some reservations about Ofcom's assessment on the matter of customer consent for switching – in particular, the emphasis on stronger up front controls as the only means of tackling the problem. We have noted our view above that a change to the framework of switching systems is likely to have a beneficial effect on CP behaviour in the switching area and this forms an alternative approach to the issue.

Nonetheless, we recognise the strength of Ofcom's resolve to bring additional steps into the switching process to protect customers from 'slamming', where a switch to another provider takes place without their knowledge or consent. If the final choice for a harmonised switching process lay between any form of LPL switching process and a GPL switching process that included some up-front checks on customer consent, we would not hesitate to choose the latter option. Our concerns with LPL processes are discussed further in appendix 3.

A final comment on Ofcom's discussion about Problem 3 relates to the description of the further sorts of harm suffered by customers who are slammed in paragraph 4.94 and 4.126. It appears to us that the initial issue of being slammed is made worse for customers by the subsequent behaviour of some CPs – it cannot be legitimate for a CP who has 'slammed' a customer to then charge them an early termination charge (ETC) when they succeed in extricating themselves from that service arrangement. If they have not legally agreed to the transfer, it is difficult to see how they can be liable for any payments to that CP, let alone ETCs. Other sorts of harm in this vein could include a consumer being charged for ceases and re-connections in this context.

Similarly, there seems little justification for the CP from whom the customer has been slammed to insist on the start of a new contract period once they return, as described in paragraph 4.66, assuming no additional equipment or other costs have been incurred by that CP. The general point here is that the overall customer detriment due to slams – however caused – could be ameliorated by all CPs behaving in a responsible manner.

On this point, we take the opportunity to point out that arrangements which protect the customer from further harm such as this can readily be established through the detailed rules of customer switching processes, overseen by an industry body that has customer protection and welfare as one of its guiding objectives. Such an industry body would require key protections of customer welfare around the operation of the processes to be devised, adopted and communicated clearly to the consumer community.

As evidence, we would point to the development in 2001 of the "erroneous transfer customer charter" in the energy market. This was developed via discussion between suppliers under the auspices of the market body known as the MRA Service Company and has been amended a few times since its initial edition: the current version can be seen on the MRA website[1]. The general intention of this procedure and charter is to put the affected customer back in the same position with their previous supplier as quickly and smoothly as possible. The existence of the central registration data is a key enabler of the process: it provides the official record of when each supplier was registered as supplying the customer. In the case of the erroneous transfer, it forms the base against which bilateral settlement of billing can be carried out. Section 2.8 of the procedure enshrines the principle that the affected customer "will only pay once for the energy consumed", although allowing flexibility on how this is achieved between the two relevant suppliers. However, in practice, the customer continues to deal with company they consider to have been their supplier throughout the period of any erroneous transfer.

Experience from energy markets suggest that there will always be a residual level of transfers that need to be unwound for a variety of reasons including slamming, whether inadvertent or not. The key enabler of consumer welfare is to ensure that back-stop restoration processes such as that referred to above are in place and, particularly for the communications market, that the enthusiasm of some CPs for pursuing ETCs is suitably controlled in the detailed, customer-oriented rules that accompany them.

Question 12: Do you agree with our assessment of Problem 4: Lack of awareness of the implications of switching? If not, please explain why you disagree.
We believe the implications of a customer switching from one retail contract to another can be divided into two main headings: contractual issues and technical implications.

For <u>contractual issues</u>, which include liability for ETC charges, we strongly believe that an element of customer confusion about liabilities, for telephony at least, has developed following the introduction of fixed-term contracts into this market in recent years – initially by the largest providers. This confusion on the part of customers has had a knock-on effect on figures for use of Cancel-Other (and thus the perceived levels of mis-selling in the market) as some customers have effectively used this process to "change their mind" about a new contract due to ETCs without contacting the GP.

While we agree with Ofcom that customers should be well informed of the commercial implications of switching away from one contract and starting another, the point of switching away is not a unique opportunity to set out this information for customers. Information about a new contract should be provided at point of sale and followed up in writing, as noted by Ofcom, following requirements in both consumer protection law, General Condition 24 (for

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[1] See http://www.mrasco.com/admin/documents/MAP10%20v2.8.pdf

telephony) and Ofcom's Additional Charges guidance. Other communications during a customer's life cycle with a supplier could also set out the main commercial features of the contract – such as any bundle discounts, the length of time any fixed-term contract has to run and the way that an ETC would be calculated if one still applies.

Regular communications with a customer include statements and bills – which all customers should be able to expect if they are paying regularly for a service provided: not least to detail the VAT that is being added. We are greatly surprised by Ofcom's research finding noted at paragraph 2.75 that a significant proportion of customers said that they did not receive a bill/statement and believe this should be a point of concern if it reflects reality rather than customers' perceptions.

Notwithstanding the above, we agree that it is reasonable for the commercial implications of switching away to be re-confirmed to customers during the switching process. The GPL process already allows for both GP and LP to send letters and we agree with Ofcom that communicating the information in a durable format, such as the losing NoT letter, is appropriate so that the customer is better able to digest this potentially complex information.

It is often cited as an advantage of the LPL MAC process that information about the implications of switching can potentially be given before the customer has started the formal process of switching although, as Ofcom notes, there is no obligation on LPs to do this and no easy way to check and enforce that the information is given in an easily digestible format. Furthermore, we agree with Ofcom that the LP can be incentivised to provide vague or confusing information about the actual level of ETC in a verbal discussion in a way that is calculated to dissuade a customer from switching. GPs under the NoT process, on the other hand, are incentivised to remind their prospective customer to check for contractual implications of switching in order to avoid having to unwind a sale that the customer subsequently wishes to cancel for these reasons.

We would describe as technical implications of switching such issues as whether a new retail service is actually available or technically compatible with the existing services at a customer's premises. It is, for example, not possible for a customer on an unbundled Openreach exchange line to be provided immediately with a retail communications product using a BT wholesale service – such as IPstream for broadband. We believe that these technical implications will steadily become more significant for customer switching and for house-moves as the technological change of fibre to the premises gains ground – leading to an even greater variety than currently of different communications configurations at customer premises.

Our proposal for dealing with this developing technical complexity, as discussed in response to questions 3 and 5, is to ensure that GPs can enquire on the relevant technical characteristics of the customer's premises, with their consent, through the centralised database/hub proposed to deal with GPL switching systems. This promotes a good switching experience for the customer, in that the GP can check that the products he is offering can be provided without technical problems at the customer's premises and means that he can abandon the sales process, providing the customer with the explanation for this, if they cannot.

Bringing these two types of implications together, we do not wholly agree with Ofcom's assessment of Problem 4. We agree that there is a level of customer harm where customers are not aware of the commercial/technical implications of switching contracts but consider that there are a number of options to improve this position. In general, we are in favour of relevant information on implications being available to all users of the switching database, as discussed for technical implications above. It would even be possible to lodge information about certain types of commercial information such as 'end of fixed term' date on the central

systems so that the GP, as well as the LP, could also see this information in discussion with a prospective customer.

Question 13: Do you agree with our assessment of Problem 5 Unnecessary switching costs/hassle? If not, please explain why.
We certainly agree that the MAC process is associated with higher switching costs and hassle for customers, not to mention an in-built opportunity for the LP to dissuade the customer from switching at all. We provide further commentary in appendix 3 on the disadvantages of the MAC process.

We have found the NoT GPL switching process for talk to work reasonably smoothly and have not noticeably experienced other CPs deliberately cancelling transfers through abuse of the Cancel Other feature. However, if this is an issue for some CPs, we consider that a centralised switching process that removes control of the actual transfer from individual CPs into the hands of an independent party is likely to remove this possibility. We would also note also that, with the growing frequency of switching bundles of talk and broadband, the disadvantages of the MAC process are affecting the customer experience of the combined switching process.

Question 14: Are there any other key problems with the existing Notification of Transfer and Migration Authorisation Code processes that we have not identified? Please provide evidence to support your answer.
We agree with the range of issues that Ofcom has identified but would also highlight a further area where switching processes could evolve to better support both the competitive market and the customer transfer experience. The matter relates to the information provided by the switching process and is referred to in our covering letter as an issue of "equivalence of information". Ofcom has referred in the consultation to the detriment caused by a current lack of information about services that are managed by MPF providers. This is one aspect of a more general issue: all relevant CPs should be able to find out relevant information about the capability of a communications supply point in order to support competition, innovation and a good customer experience in a sales or house-move situation. We discuss this in more detail in our response to questions 3 and 12. In time, this facility could potentially be extended to allow a geographic look-up as to whether any alternative communications infrastructures are available to provide service in the vicinity.

Section 5
Question 15: Do you agree with our assessment that a prohibition on reactive save activity under the LPL process would be difficult to enforce effectively? Can you suggest how enforcement of a prohibition on reactive save may be made effective?
Yes, we agree with the competitive issues that Ofcom has identified with reactive save activity in this chapter and with the proposition that a prohibition on this activity under an LPL process would be difficult to enforce effectively. As discussed in appendix 3, there are many subtle ways in which the LP can frustrate the process of customers switching away from them if they have a necessary role in the process. Under an LPL process, we consider that the LP would have both the means and the incentive to "get round" any formal regulatory requirement not to engage in reactive save activity. We do not believe that enforcement of such an obligation could be made effective. In particular, requiring mandatory recording of the entire suite of inbound and outbound telephone traffic would appear disproportionate and burdensome – particularly to smaller CPs.

Section 6
Question 16: Are there other enhancements that you think should be included in the Enhanced NoT specification to help protect consumers both now and in the future? Please explain your answer and provide any supporting evidence.

It is worth considering the enhanced NoT process, as this may be used as an interim step while the full harmonised switching process solution is being developed. The list of enhancements seems sensible but, in relation to mandating use of the Linked Orders process, we would comment that this is not possible for CPs in our situation of using different portals for talk and broadband delivery (see response to question 1 above). We would welcome this approach being applied to broadband transfers as part of interim arrangements.

If the LPL process is allowed to continue in any interim solution, our view is that the switching of bundles of talk and broadband defaults to being governed by this process with all its disadvantages.

Question 17: Do you think strengthening record keeping obligations for consent validation would increase protection against slamming? Would this be adequate to safeguard consumers now and in the future? Please explain your answer and provide any supporting evidence.
We agree with Ofocm's conclusions that it is not proportionate or necessary to require widespread call recording by CPs to protect against slamming and do not believe that, of itself, such requirements would reduce slamming by those CPs that are inclined to operate in this way. We therefore do not support the path of onerous record-keeping requirements on individual CPs to protect consumers and have provided Ofcom with figures on expected call recording costs in response to earlier formal Information Requests.

Instead, as discussed in response to questions 9 and 10, we do believe that auditable records produced automatically by centralised switching systems on switching requests by individual CPs/agents and on the proportion of customer cancellations of these would act as a deterrent for GPs to behave in a way that generated concern and closer inspection by switching authorities and/or Ofcom.

As evidence for this, we would cite the fact that such centralised switching systems operate in the energy markets – for services which are generally-speaking of a higher value than communications retail products – and 'slamming' is not a concept that dogs this market. Indeed, the 'code on bill' that is the key to switching in these markets is freely available and can be enquired on centrally by authorised CPs. We are not aware that this freedom, which Ofcom wishes to guard against in developing a harmonised switching process for communications retail markets, has been abused in the energy markets. The existence of robust centralised systems that record the behaviour of CPs and agents is likely to be a contributory factor in deterring slamming and other types of mis-selling behaviour in the energy markets. Furthermore, as discussed in response to question 11, a process that deals with erroneous transfers ensures that any residual levels of slamming are procedurally dealt with under a framework that minimises customer detriment.

Question 18: Do you think that the introduction a requirement to include specific information about early termination charges (ETC) and/or minimum contract periods (MCPs) in bills should form part of the enhancements to the current NoT process? What are the likely costs and benefits of such an approach? Please provide any evidence to support your answer.
We have discussed this in our response to question 12. We do not believe that the point at which the customer is considering moving away from a CP is the only time that information about the implications of switching can be provided. We therefore agree with this alternative approach in principle but do not expect it to be pursued if the enhanced NoT option is not being pursued or implemented for any significant length of time.

We would certainly incur costs to change billing systems in order to comply with any such new requirement but it is difficult to quantify this without knowing exactly what the rules would be. As noted before, we find it very difficult to believe that significant volumes of customers

do not receive a bill or statement of some kind on which contractual information could be provided. An alternative could be a tailored 'annual statement' type of letter containing such information, where there is not reasonable confidence that customers receive bills/statements. The benefits would be that at least some of the customers who might currently report that they unexpectedly found that were subject to an early termination charge would be better informed of this fact. However, it is worth noting that, over time, as awareness of the fixed-term contracts in the market for telephony increases and as individuals who have been "caught" by an ETC learn from this fact for the future, the number of customers who unexpectedly become subject to an ETC is likely to diminish.

Question 19: Do you agree that Cancel Other call recording obligations should not form part of the Enhanced NoT model? What are the likely costs and benefits of introducing Cancel Other call recordings? Please provide any evidence to support your answer(s).
Yes, we agree that obligations on Cancel Other call recording would be onerous and not justifiable in view of the relatively low level of harm reported on this topic. We have provided Ofcom with figures on expected call recording costs in response to earlier formal Information Requests. As in our discussion on preventing slamming in response to question 9, we expect that centralised systems showing which CPs/agents are using such a capability as Cancel Other would do much to ensure good behaviour by CPs in using any such facility.

Question 20: How can Ofcom best address competition concerns relating to reactive save activity through enhancements to the MAC process? What are the likely costs and benefits of such an approach? Please provide any evidence to support your answer.
We do not believe that there is any way that Ofcom can satisfactorily address the competition concerns that arise with the reactive save activity that occurs in the LPL MAC process. Due to the incentives on and ability of LPs to circumvent "no reactive save" rules, which we discuss in appendix 3, we believe that the enforcement programme needed would have to be visible, wide-ranging, thorough and onerous in order to act as a real deterrent and that the costs of this to Ofcom and the industry would be huge.

The only way that a MAC-code type process could be implemented without competition concerns, in our view, is if the GP has the role of interacting with the LP to obtain the code.

Question 21: Are there any particular issues that you think would need to be considered in establishing the hub and database under any of the GPL options (e.g. general practicability setting up and/or ongoing operation)? Please explain your answer.
As noted in our covering letter and other parts of this response, we certainly support the principle of centralised database/hub as a fundamental part of coordinated switching arrangements. We propose the following list of items that should be considered in establishing switching arrangements using a centralised database/hub approach:

- Establishment of a unique reference number for each premises – initially those served by Openreach, but extendable in subsequent phases so that customer, GP and LP can agree unambiguously on the premises at which the switch in supplier is to take place.

- An independent party should be involved from day 1 to develop the governance around the centralised systems and potentially to run the systems themselves. This will provide confidence and transparency in how decisions are made, recorded and implemented. A number of companies have established a track record in providing independent administrative and technical support for centralised switching arrangements in energy and water markets.

- The independent party mentioned above should be accountable to an industry body that provides direction and funding. This could be constituted to encompass a "member

Board" along similar lines to the way that Ombudsman Services was governed, with Ofcom initially having a part to play in both of these areas.

- A competitively neutral mechanism for ongoing funding would be another area to consider.

- We consider that initially, a Design Authority would be needed to establish the structure of data and flows necessary to effect the switching arrangements and to establish a "single source of truth" for any enquiry on status or attributes of network termination points. The work that has been done so far, through SWG, has not brought in detailed systems design expertise to establish the optimum structure of data and this form of discussion is not likely to be able to develop detailed arrangements.

- One of the considerations for design of the data structure will be the use that can be made of existing data held by infrastructure providers. Openreach, for example, in order to operate the engineering side of its network will have to already have in place a unique label for each end user network termination point and be able to relate some data to it such as what CLI is being used there. Other items of associated data may include whether the line has been unbundled and what technology (e.g. DSL enabled or superfast enabled) can be used for broadband at that termination point.

- Following on from the above, as data items are defined, we suggest that it will be important to consider the likely future development of the database so that new developments can be accommodated more easily. An example of such a data item would be an identifier for the infrastructure provider: in the initial phase, it would be Openreach, with perhaps some modulation of this for an 'unbundled' line; in later phases, other infrastructures, including new regionally based fibre networks, could be added.

- A further area to consider is the mechanism by which relevant CPs – those providing the chosen retail products of fixed-line telephony and broadband to domestic and small business customers – would be required to cooperate with the GPL switching process. We suggest that a General Condition could be used to require membership of the industry body that funds the switching arrangements – again on similar lines to the requirement to belong to an alternative dispute resolution body. In this particular case, there would be one specified body to belong to and it would be instrumental in giving each member a "participant ID code" – perhaps based on the RID codes – that have been issued but not tightly maintained or universally used to date, as far as we understand.

- Whilst a General Condition might be used to establish the broad framework of overall requirements, we suggest that the detail of these are developed in subsidiary Code documents that can more flexibly incorporate change as this is needed.

Some of the above points are discussed in more detail in appendix 2.

Question 22: Do you agree that the GP staying on the TPV call should not be a mandated part of the TPV model? Do you think there are significant benefits from the GP closing the call with the customer after the TPV conversation? Please explain your answer(s) and provide any supporting evidence.
We do not object to the previously specified requirement for the GP to stay on the line while the customer speaks to the TPV agent being removed from the mandated process under this option. However, as a matter of ensuring a good experience for the customer, as a GP, we would want to have the last word with the customer after the TPV conversation, to ensure the

customer is happy and has no further queries we could help with. We recognise that different GPs would take different approaches on this point.

Question 23: Are there any particular data protection and/or privacy related issues that you think would need to be considered under the GPL TxC and/or the GPL TPV options? Are these issues likely to be significantly different to the issues that need to be considered under the current processes? Please explain your answer.
No – we believe that only a limited set of customers' personal data (for example: address, CLI) would be needed for the purpose of enabling that customer to switch suppliers as most of the relevant data would be technical. Switching is a valid purpose for holding such data in a competitive market and is likely to be covered by existing terms and conditions. We are aware of no data protection or privacy concerns relating to the way that centralised GPL switching processes already operate and hold data in other network based industries such as energy and water retail markets or under current processes in the communications market.

Question 24: Are there circumstances in which you can envisage that consumers would be likely to be distressed and/or harmed by the sharing of their personal data as required under the GPL TxC and/or the GPL TPV options? Do you think that consumers will object to the sharing of their data in this way? Please explain your answer.
It is a feature of modern life that many different data networks exist to allow goods and services to be provided in the fields of banking, travel, consumer purchasing and utilities. Customers have a right to expect that the data held about them is no more than necessary to allow the relevant goods and services to be provided and that it is looked after using sensible levels of security and risk mitigation by the relevant data controllers.

Many of these data networks will use data of greater sensitivity (including financial data) than would be needed to allow a single GPL switching platform to be established for the switching of telecoms retail services. For example, we are aware of plans pursuant to the Government's Green Deal initiative to set up a new database linking the bill-payer at any customer premises to the ongoing payment for capitalised energy efficiency measures at that premises under mortgage-like financing arrangements. The energy industry body MRASCo is setting up the database and the service provider gemserv will be the data controller for that database. We have provided some further information on this in confidential appendix 4 to illustrate the way in which security issues are intended to be addressed in the case of this more sensitive use of data.

Data protection concerns should not be used as an argument not to set up new database networks. Data protection legislation exists to ensure that only necessary data is kept for specific purposes and that it is appropriately controlled and secured. Any new features of data use to facilitate customer switching in the communications retail markets would be subject to data protection legislation and we see no reason why compliant arrangements could not be devised as they have been in many other areas of modern life. The key, in designing data structures to serve this purpose, is that the set of data is no more than necessary to facilitate the aims of the switching process. It seems unlikely to us that this would involve any sensitive personal data and certainly nothing beyond what a customer would reasonably expect to be available to third parties for the purpose of assessing whether the customer could be provided with an alternative service offering.

In short, we do not think that customers are likely to object or be harmed or distressed by the sharing of data necessary for this purpose.

Question 25: Are there any particular issues that you think would need to be considered in terms of the practicalities involved in setting up the TPV body and its ongoing operation under the GPL option? Please explain your answer.

An independent check that the customer has agreed to a particular sales proposition can be carried out in a number of ways. We do think that flexibility in the devising of appropriate "horses for courses" will be necessary to keep the verification burden as light as possible and help to improve the benefits case for this option.

The main TPV model described seems most aligned with verifying a sale conducted by telephone contact with a customer. Other sales routes exist including internet sales and sales conducted face to face at customer homes or at external venues. Particularly for venue selling, where small volumes of sales may be involved, we suggest that "batch processing" of verification information provided in writing i.e via customer signature is enabled. Interactive voice technology could play a role in the telephone verification process to reduce costs.

As the TPV acts as the "gatekeeper" in controlling whether the central systems can be used to allow a switch of supplier to go ahead, it would clearly be undesirable for this role to become a bottle-neck in the process. We believe that accreditation of a number of TPV entities is likely to be a reasonable approach that could reduce costs and potential service issues relative to a single TPV entity.

Question 26: Are there any particular issues that you think would need to be considered in terms of the practicalities involved in setting up the Transfer Code Issuing Authority and its ongoing operation under the Losing Provider Led options? Please explain your answer.
It is difficult to understand exactly how the Transfer Code Issuing Authority (TxCIA) would work in relation to a LPL process and why this element of separation from the LPL supply chain is superior to that of the GPL independent central systems we have discussed in other parts of this response. Some issues that come to mind are:
• How would anti-competitive effects be guarded against, given the link between the initial Access Operator (Openreach) and its related downstream retail business?
• How would the TxCIA be governed to provide independent oversight?
• Funding
• How cooperation of all relevant parties with the TxCIA would be assured /policed?

Question 27: Do you agree with the proposed specifications for each of the options? If not, please specify what changes you consider should be made to the specifications and the basis for this.
It is impracticable for any industry participant, in our view, to "sign off" specifications for the different options at the summary level put forward in the consultation paper. There is too much variability and "devil" in the detail of how the high level intentions would be put into practice. Similarly, specifications cannot be designed by committee in open forums where members take positions on the desired outcome and are not qualified to engage in design detail.

In a project such as this, the high level principles of a required solution need to be set out by Ofcom and adopted by a Design Authority (with appropriate systems analysis capability) tasked with developing a workable detailed system solution. That Design Authority would have to interact with appropriately qualified staff in representative industry participants and the sign-off process would operate under an agreed governance process to ensure all interested parties had equal chance to comment.

All we can offer is a view on what we think could feasibly work. We consider that GPL switching options could be made to work and have been proved to work in similar market situations. On the other hand, as part of the more detailed SWG discussions and input, we did provide the opinion that the LPL option considered at that time was not workable in the general case (going beyond a specific Openreach-only implementation) due to the lack of a centralised Hub that standardised the interfaces between any access operator (AO) and the

many GP suppliers that would need to interface with them as typified by specified item 2: "GCP makes dialogue service call to losing AO" – how is the GP going to know who the losing AO for a particular customer is without centralised look-up facilities typical of the coordinated GPL switching processes?

Question 28: Are you able to provide an estimate of the time it would take to make the necessary changes to your systems and processes to implement each of the options? Please explain your answer.
SSE provided information to the SWG switching project about our views on the GPL and LPL switching options. Generally speaking, the GPL options would be a less disruptive change for us as we, along with many other reseller CPs rely on the services of third party integrators (TPIs) in order to link in with Openreach systems for the telephony GPL "notification of transfer" process and would expect to use their services for a re-engineered broadband GPL process. We anticipate that most of the changes would fall on the TPIs and that our change process would link in to theirs, though it is too early in the process for us to be able to say how long this would take.

On the other hand, a move to LPL standard processes would be very disruptive and much more costly and time-consuming than adopting a new GPL standard process as our largest communications retail product in terms of sales is the telephony product and a change to make this LPL would involve significant changes to both the gaining and losing customer side of the process. It is not clear the extent to which we could rely on TPI involvement in these processes.

Question 29: How could the switching process options be used (or amended) to support the WLTO process to deal with the problem of ETs in the context of a homemove? Please explain your answer.
The WLTO process, which is used to seek to coordinate phone service provision for a customer moving into a new premises with the timing of a customer moving out of the same premises, has a significant degree of overlap with switching processes generally. For the WLTO process to be successful, three distinct stages are needed:

• Identification of the premises/assets that "moving in" customer is going to take over;
• Checking that "moving out" customer at that premises/asset combination does intend to move out;
• Back office arrangements between relevant CPs to ensure switch of supplier at the premises/assets combination happens on correct day.

It can be seen that the first of these processes is also needed in the general switching process where no house moves are involved. If this fails then the wrong assets could be switched to the portfolio of a new supplier, as discussed in the consultation – looking like an apparent "slam" to that customer.

In our view, none of the options in the consultation clearly address this issue. The consultation paper discusses the problems of continuing, as in the current GPL process, to rely on the CLI as uniquely identifying the premises/assets to be switched. The USN model as set out in the consultation is defined by having a code that defines the premises/assets concerned in providing a customer with services but this is not allowed to be generally enquired upon by relevant CPs as it also provides authorisation to switch, which Ofcom has determined should be more tightly controlled in their specification of an acceptable process. However, the transfer codes that underpin most of the other options do not necessarily assist in the identification of premises, as discussed below.

Our understanding of the purpose of the transfer code is that it is a "machine to machine" code that allows the correct assets (once identified) to be unlocked up and down the relevant supply chain of CPs (resellers, wholesalers and infrastructure providers) for a switch of supplier in a particular switching event rather than a long-lived code that actually identifies the premises/assets. In this sense, it is a necessary part of the back-end switching processes, invisible to the customer. However, in the course of discussion with a customer about switching, there is no link to an actual transfer code at this stage – the premises/assets must be identified first and if they are identified wrongly, a requested transfer code will work successfully to transfer the wrong premises/assets. Logically, the premises/assets must be identified first and then a transfer code requested relating to those premises/assets. In our view, the unique premises/assets code should be readily available to customers (on bills/statements), to LPs (they would know this as part of the standard information relating to the customer they already serve) and to GPs (through enquiry services). In this way, all three interested parties have a much better chance of identifying and agreeing on the correct premises/assets to represent to the industry switching systems as needing to be switched – or indeed, be subject to a WLTO.

Another important part of the WLTO, in our view, is that the "moving in supplier" already requested by the customer to provide service at the new premises should be able to look at the capability of the communications link to that new premises and have an informal discussion with his customer about what services he will be able to supply at the new premises. This discussion is already relevant given that some premises can be provided with service by unbundled exchanges and some cannot. It will become an increasingly important part of ensuring a good customer WLTO experience as fibre technology adds further permutations to the communication capability of the end user's choice of new premises to move to. Another element that the "moving in supplier" should be able to check is whether there already is a "moving out" order pending for the new premises to help confirm that a house-move is planned.

Our response to the question is therefore that the USN process could be readily amended, as discussed further in appendix 2, to address all the issues highlighted around switching in the consultation and also to support the WLTO process. In summary,

- The USN process is the only one based explicitly on a unique identifier for the premises/assets used to provide the communications capability and could be amended by allowing that identifier to be used to look up attributes associated with the communications link;
- The enquiry facility of a USN-based switching process could then be used in WLTO situations to help identify the premises/assets being moved to, along with their communications capability and status with respect to pending house-moves;
- The NoT process could be adopted to require both "moving in" and "moving out" suppliers to send letters and/or make telephone contact with the relevant premises as a check that the current occupants are indeed intending to move out; and
- Another part of the switching process facilities that would be relevant to WLTO is that of a process to reverse an erroneous transfer, as a final safety net. The process used in energy is described in response to question 11.

Section 7
Question 30: Do you agree with our assessment of the options regarding multiple switching processes? If not, please explain why you disagree.
Yes.

Question 31: Do you agree that the Options 2b (GPL TxC) and 2d (TPV) are likely in practice to deal effectively with homemove ETs? Can you foresee any problems with adopting this process for homemoves? Please explain your answer.

Not really. We agree that a database look-up capability is necessary to deal with the problem of house-move ETs (erroneous transfers) but we do not agree that this, on its own, is sufficient – addresses provided can be misleading, duplicated or wrong. As discussed in our response to question 29 above, there needs to be a unique identifier for the premises/assets concerned and this is not part of the specification of these two options.

Question 32: Do you agree that the Option 2c USN and Options 3a-b LPL TxC and LPL ALT are unable in practice to deal with homemove ETs? If not, please explain how these options could be used to deal with homemove ETs?
No. The USN option is based on processes in the energy markets where switching and house moves are catered for without problems. We therefore consider that the USN option has the potential to deal with these processes very well in the communications market, as it is based on the indispensable factor, for these processes, of using a code to uniquely identify the premises/assets used to provide the services concerned. We discuss this further in appendix 2. However, the availability of the code is curtailed in the USN option as described in the consultation, compared to its use in the energy market. If the concerns on customer consent were dealt with such that the correct code for premises could be looked up, we believe the modified USN would score very highly on this aspect of evaluation of the switching options.

The LPL options do not appear to use a centralised database approach, which would allow other CPs to enquire upon the codes relating to target premises. We therefore agree that these options would not deal well with house-move ETs.

Question 33: Do you agree with our assessment of the options regarding back end processes? If not, please explain why you disagree.
We largely agree with Ofcom's overall assessment except for the evaluation of the USN option: our point of disagreement is set out in response to questions 31 and 32.

Question 34: Do you agree with our assessment of the options regarding consumer consent? If not, please explain why you disagree.
Partly. As discussed in other parts of this response, we believe that it may be possible to address slamming issues through process design in an option based on the USN approach. If verification is also judged to be needed, then "TPV" would also work but should be implemented as flexibly as possible – as discussed in our response to question 25.

Question 35: Do you agree with our assessment of the options regarding the implications of switching? If not, please explain why you disagree.
No. If customers are more informed generally about switching implications, as discussed in our response to question 12, then the options that Ofcom considers as 'amber' would become 'greener'. Whereas, on the face of it, LPL options have the capability to ensure that the customer is well informed, we share Ofcom's concern about what happens in an LPL discussion. Firstly, there is no requirement for the LP to discuss the switching implications in a comprehensive manner. Secondly, there is the matter of the adverse selection problem discussed around paragraph 5.21 of the consultation: if it is only commercially worthwhile for LPs to consider saving around 50% of customers by offering them a save offer, it could be assumed that the discussion from the LP on implications of switching would only be comprehensive and thorough for that 50%: customers they would wish to "let go" may not be provided with all the relevant information in a clear and readily understood manner. We therefore agree with Ofcom's concerns about the LPL processes generally and discuss these further in appendix 3.

Question 36: Do you agree with our assessment of the options regarding unnecessary switching costs/hassle? If not, please explain why you disagree.

We do generally agree with Ofcom's assessment on this point. The current mix of processes clearly causes some hassle and confusion, while LPL options require customers to contact two CPs. Any harmonised GPL process should allow the GP to take care of back-end processes without further input from customers, which represents the best outcome for customers. Performance data generated automatically via the centralised switching systems underpinning the GPL options would also be a further safeguard that the behaviour of any CP that was causing measurable customer hassle (e.g. disproportionate levels of delay or customer cancellations) would be evident and the basis for follow-up action by switching authorities.

We have a further comment on the assessment of the USN option, which scores less well than the other GPL options. As discussed in response to question 32, we believe that some tweaks to the USN option in terms of availability of the USN code itself (i.e. allowing GPs to access it via a central enquiry facility) would reduce the hassle that Ofcom describes for this option, recognising that protection from slamming would then have to be addressed by other means. It is also not necessarily the case that multiple USNs would be needed for a customer's premises depending on the design of the underlying data structure: if the USN codes for the premises/assets used to provide the service(s), the actual services taken can be represented separately on the database without needing separate codes themselves.

Question 37: Do you agree with our assessment of the options regarding reactive save activity? If not, please explain why you disagree.
We would assess both LPL options to be 'red' rather than just one; we strongly believe that any LPL option, however developed, allows the LP an unfair opportunity to frustrate the switching process. Whatever rules were devised to minimise the occurrence or effect of reactive save, LPs would have the incentive and the means to look for ways to get round them. It is also the case that in the selling of bundles that currently involve both GPL and LPL processes, the sales outcomes of the GPL-related product are adversely affected by the LPL element, as both products are then subject to reactive save activity. Clearly, if bundles can be sold by some providers without involving LPL switching at all, then there is also a competitive issue in the market.

Question 38: Do you agree that we should discard options 1a (status quo), 1b (enhanced NoT and MAC unharmonised) and 2a (enhanced NoT harmonised) on the basis that they fail to adequately address the current and anticipated future problems? If not, please provide your reasoning.
Yes, we do not believe they would address all the issues identified. However, the enhanced options may have a place in an overall scheme for implementation of the chosen switching option, as a transitional step.

Question 39: Do you think that the payment of a TPV fee for each sale is likely to be a significant barrier to entry for smaller CPs? Please provide any supporting evidence.
One way of avoiding barriers to entry arising from specific switching costs is to require these to be recovered from general wholesale network charges rather than additional transactional charges per switch. SSE has argued this before in relation to the switching transaction fee – currently around £3 per WLR switch. This is the case in the energy industry, where the costs of running switching systems are recovered in network use of system charges payable by all suppliers using a particular infrastructure. This ensures a level playing field between those suppliers who are tending to gain customers through the switching process and those who are not but whose customers benefit from the competitive market conditions and the ability to switch should they choose. The proposed TPV charge could also fall into this category and we believe that this overall approach to switching costs deserves consideration; otherwise it is new entrants and others seeking to grow their customer base who pay disproportionately for the switching systems that benefit the whole market.

It is also worth noting that there are currently hidden costs for those suppliers who use LPL switching process in terms of the overhead of increased sales cancellations compared to a GPL process. A modest TPV fee may actually be a lower net cost for smaller CPs than the effect on them of an LPL switching process. When considering the details of TPV implementation, we would urge Ofcom – as discussed in our response to question 25 – to allow flexibility and appropriate use of technology to make this burden as light and efficient as possible.

Question 40: We welcome stakeholder views on whether the additional cost of the TPV option over the GPL TxC option is justified due to the superior protection against slamming? If Ofcom's evidence proves that slamming is maliciously caused, then we would agree that a TPV step of some sort is required. If the evidence points to data problems and customer changes of mind being the main elements of apparent slamming, then it would appear to us that the centralisation of GPL systems based on unique identifiers of both premises/assets and CPs/agents, as discussed in appendix 2 and in our response to questions 9-10, might provide enough comfort that target premises will be notified and have the chance to stop any unwelcome switches and that patterns of misuse by CPs will be clearly evident and followed up. In other words a focus on the back-end systems and processes might be sufficient rather than specifying an additional verification step.

We do have concerns over the proposed additional costs of the TPV but wonder whether this "verification step", if needed, can be accomplished with less up-front cost. We suspect it will only be when the switching processes are considered in detail by systems professionals that cost elements can be seen more clearly and we would hope, at that stage, that cost estimates for verification could be revised downwards.

For example, we do not recognise that a central database/Hub would need to access a larger amount of customer data in the TPV option, as put forward in paragraph 7.145. So long as central systems have a unique reference code for premises/assets involved in providing a communications service and this is provided in each case to the TPV by the GP, we would expect that the verification process would only need to establish the three elements pointed out in paragraph 7.59/60 of the consultation i.e.

- Customer has agreed to transfer one or more specific services away from his current supplier(s);
- Customer is aware of the identity of the CP that he has agreed to transfer his service(s) to; and
- A tangible record of the consent is collected through the verification process and stored in case of later query or complaint by the customer.

The identity of CPs would be managed by means of codes in any centralised database/hub system and the recording and keeping of a valid form of consent from the customer (which could be voice recording in some cases and written signatures in others) would be the main purpose of the TPV entity. We do not envisage that they would need to get involved in any discussion of the GPs product offerings. The next back-end stages that the TPV undertakes would depend on the design of the processes but could include unlocking the assets associated with customer's service for switching and sending dataflows to both GP and LP to initiate the letter facilitation part of the process.

Governance of the body or bodies carrying out the TPV step would be necessary, as mentioned at paragraph 7.145 of the consultation, but this would be unlikely to form a major part of the governance of the switching process overall: at least one "default" TPV might, in fact, be part of the centralised switching governance with other accredited TPV organisations able to interface with central systems on a similar basis.

Question 41: Do you agree with our assessment that the TPV option should be preferred to the USN option. If not, please provide your reasoning.

As discussed in other parts of this response, a USN type approach works both for switching customers and for dealing with house moves in the energy markets and so it is an option that we feel could be made to work for communications. In particular, our response to the previous question 40 discusses unique identifiers for premises/assets used in providing communications services. This is our vision for what the USN represents, with ability for this code to be communicated to customers and freely looked up on central enquiry systems by relevant CPs. The question 40 response also provides our view on circumstances when, additionally, a 'verification step' would also be justified if slamming is very much seen as a malicious issue rather than one of mistaken identity. Furthermore, we are not convinced that a verification step, if added to the USN option, would need "more customer information" to be made available in the central database/hub structure, consistent with our discussion in response to question 40.

Question 42: Do you agree with our assessment that the TPV option is pro-competitive relative to the LPL TxC option? If not, please explain why you disagree.

Yes – we would certainly agree that a GPL switching system that also incorporates a TPV function is pro-competitive compared to an LPL switching option. It is interesting that Ofcom brings into the discussion other aspects of switching implications, citing potential loss of specific services such as alarm care systems as being an area where LPL options might deliver an additional benefit. We have two comments on this.

Firstly, as with information on tied-in periods and ETCs, there is nothing to prevent a CP regularly informing their customer of services (such as alarm care systems) which may be affected by switching at other times of the customer life cycle such as bills or statements.

Secondly, it may be possible to share information, with the customer's consent, about the existence of alarm care systems at particular premises in the central records of premises/assets used to provide services. This would allow GPs enquiring on the potential for them to provide services at a premises to see this attribute and handle the sale accordingly. Such an approach would fit in with the theme of "equivalence of information": making relevant information about the characteristics and capability of a communications link available to all relevant CPs – not restricting it for the benefit only of the retail arm of the infrastructure provider. There are some similarities here with the requirements in the energy market for infrastructure providers to keep a register of those customers – irrespective of current supplier – who are particularly vulnerable to loss of service. Such customers are dealt with differently in circumstances of network unavailability on a planned or unplanned basis.

Question 43: Do you agree that the TPV is the most proportionate way to deal with the problems identified? If not, please provide your reasoning.

As noted in other parts of this response, we consider that a modified USN approach would deal well with the problems identified including slamming. However, if Ofcom's evidence is clear that slamming for malicious reasons is a significant problem, we would agree that some form of verification step for customer consent, as outlined in the TPV option, may also be justified.

Question 44: Do you have any other comments on our option assessment?

The following is a suggested list of items that we consider would benefit from further consideration and discussion – perhaps in the further consultation paper that Ofcom intends to issue later in 2012.

- How the independent centralised systems and processes underpinning switching will be set up, funded and governed

- The remit of any central bodies required on either a temporary or an ongoing basis to support the switching processes, their development and maintenance
- The means by which cooperation of all CPs with central market bodies will be achieved – perhaps through the establishment of a General Condition
- The links between switching and fixed number porting
- How email portability affects broadband switching
- Review of how switching considerations were tackled when LLU technology became available and allowed customers to be switched away from the main Openreach systems – as far as we understand, soft switching solutions could have been adopted which may have had lower overall life-time costs but these were rejected on the basis of initial cost; we believe it would be useful to understand this further, particularly as other new fibre-based access technologies are currently being trialled
- Following on from the above, it can be seen that the ability for the switching systems to be "future-proofed" to cater for market developments is an important aspect of their initial design
- New independent fibre networks have already been built and we understand through the Broadband Stakeholder Group[2] that their owners would, in general, like to promote open access for their connected customers to the services available from other CPs. As well as the incorporation of switches to and from the Openreach copper network to the further infrastructures planned for later phases of the current project, the inclusion of these independently provided "altnets" in future developments of switching systems could also benefit their aspirations and those of their connected customers to the benefit of UK citizens generally.

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[2] Specifically the "Commercial, Operational and Technical Standards for independent local open access networks" group – the "BSG COTS" group – more information available at http://www.broadbanduk.org/content/view/374/43/

Re-assessment of USN option

As presented in the consultation paper, Ofcom's USN option does not capture the way that this type of option works in, for example, the energy industry. The difference lies in the accessibility of information and the approach to avoiding misuse of the switching systems. So we set out below a further brief description of how the USN approach, as we see it, would work.

We agree with Ofcom's comment at paragraph 4.42 that there are two sides to the switching process: the consumer-facing elements and the back-end processes. The USN process deals largely with the back-end systems for switching that are seen and used by relevant CPs but not really apparent to customers. However, there are also parts of the USN process that appear in the consumer-facing elements and we return to these below.

1. The USN is intended to be a unique identifier for the premises/assets used to provide a relevant service – in this context, a retail communications service. This number or code becomes the unique key of a logical relational database which links other attributes of the premises/assets e.g. CLI used; which services provided by which CP, postal address etc. We note that CLI and even postal addresses can be amended for individual premises.

2. A database/hub structure provides a framework for enquiring on the USN if needed to find this out from some of the known attributes of the premises/assets and/or looking up relevant attributes of the premises/assets if the USN is known. It also allows messaging and dataflows between CPs to support the back-end switching process.

3. This sort of structure is not expensive to establish and maintain – this can be attested by the professional organisations who provide governance and various types of technical service to the other types of utility markets where switching of network-based services already takes place based on these database/hub principles.

4. It is also the case that the data needed to facilitate switching already exist: for phase 1 of the Ofcom switching project, Openreach must already have network referencing codes for network termination points and other technical details associated with them such as CLI. Systems to support switching can build on already existing access operator data to either construct a new central database or establish a virtual one by allowing controlled enquiry and messaging access to the databases of the relevant access operators.

5. As Ofcom notes in paragraph 4.43, the original back-end switching processes in the communications market have not been kept up-to-date with changes to technology and services provided. This illustrates the self-evident need to maintain and govern any central system used by numbers of players so that systems are documented, controlled and amended in an orderly way both to tackle areas which could be improved and adapt to changes needed due to market and technology developments.

6. The detailed working of the systems and the obligations of relevant market participants are set out in detailed codes, which must be followed otherwise a system of sanctions, leading ultimately to regulatory enforcement, would come into play. Governance structures ensure that users of the systems have to sign up to following the codes but also allow them to propose amendments to the codes.

7. This is the way that switching systems allowing competition in the supply of services over network infrastructure have been developed and currently work for energy and the non-domestic water market in Scotland. These systems cater, without problem, for the switching of services, house moves and dealing with the consequences of erroneous

transfers – all areas that still have problems in the communications market. Unambiguous reference numbers for premises is the foundation on which these systems are built.

8. It is worth noting, in the context of premises identification, that the Ordnance Survey organisation has been developing for government a single, definitive, spatial address register database for Great Britain. It has been working in conjunction with Royal Mail, Local Authorities and Valuation Offices and is looking to work with private companies such as utilities to increase the useful application of this work, which may be useful in developing a central database for switching in the communications market. Further information is available at the following weblink: www.ordnancesurvey.co.uk/oswebsite/products/geoplace/

9. Another feature of the centralised switching systems in these markets is the fact that there are also unique identifiers for all parties using the switching systems. Every use made of the system is recorded in an auditable manner and unusual patterns of behaviour or links with customer actions such as cancelling transfers can readily be spotted and reported on.

10. An important third element is that service providers using the switching systems can use the USN code to look up the data associated with a customer's premises that is kept within the centralised systems in order to ascertain characteristics of the supply point that they are entitled to know. It is also possible in energy to use data on the attributes of the supply point to look up the USN if the customer does not know it – again in a controlled and audited manner.

11. This is a pro-competitive facility that allows all relevant players in the market to be aware of the technical capabilities of the supply point – as this might affect the characteristics of the services that can be supplied to the customer using that supply point, rather than only being clearly known by the downstream retail operator of the infrastructure provider.

12. The ability to enquire on the USN code in energy could be mis-used, as it is only necessary for a GP to present the code via a dataflow to the central system in order to start the switching process. However, with controlled use of this facility and auditable figures produced automatically by switching systems on how the facilities are being used and by whom, transfers of supply points to GPs without consent – or 'slamming' in communications parlance – is not a big issue in the energy markets. There is a residual level of transfers that need to be unwound for a range of reasons including mis-selling, mis-understanding and customer changes of mind – and these are dealt with in an efficient and customer-focussed erroneous transfer rectification mechanism, as discussed in our response to question 11.

13. We expect that, if a similar structure of reporting was set up round centralised switching processes in the communications market such that providers effectively knew that they were being watched, the issue of slamming would largely disappear. However, it this is not felt sufficient protection for customers, an element of Ofcom's TPV model – the verification step – could be added to the consumer-facing part of the USN-style switching process model described above. In our view, this process would address all of the problem areas raised by Ofcom in the consultation as well as the additional points we make in our covering letter on "equivalence of information" and future proofing.

14. The discussion above focuses on how the USN is used in back-end switching systems but the USN model we propose has a bearing on the consumer-facing element of the switching process in two respects: publication of the USN code on customer material such as bills; and informing customers about the implications of switching. Publication of the code allows the customer to be in a position to supply the code to assist in switching

or to be able to look it up, thereby adding another party to those who can have knowledge of the code when issues around house-moves or erroneous transfers are to be resolved. On informing customers about the implications of switching, our response to questions 3 and 12 discuss how the look-up facility of the USN approach helps the GP to provide relevant information to the customer in a sales situation and our response to question 29 discusses how this can help in the situation of house-moves.