

**HOW
ELECTRALINK
IS ENABLING THE
TRANSFORMATION
OF THE RETAIL
ENERGY MARKET**



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INTRO

Innovators are looking to jump start customer engagement in the UK retail energy market.

ElectraLink is committed to enabling such a transformation, the key indicators of which are:

- The overall number of customer switches;
- Increased levels of customer engagement and positive feedback; and
- The number of new and diverse business models in the market.

Central to this is easy access to data and improved transparency, greater consumer engagement and timely, reliable switching mechanisms. In this white paper we demonstrate how ElectraLink is using its position at the centre of the energy market to support this transformation.

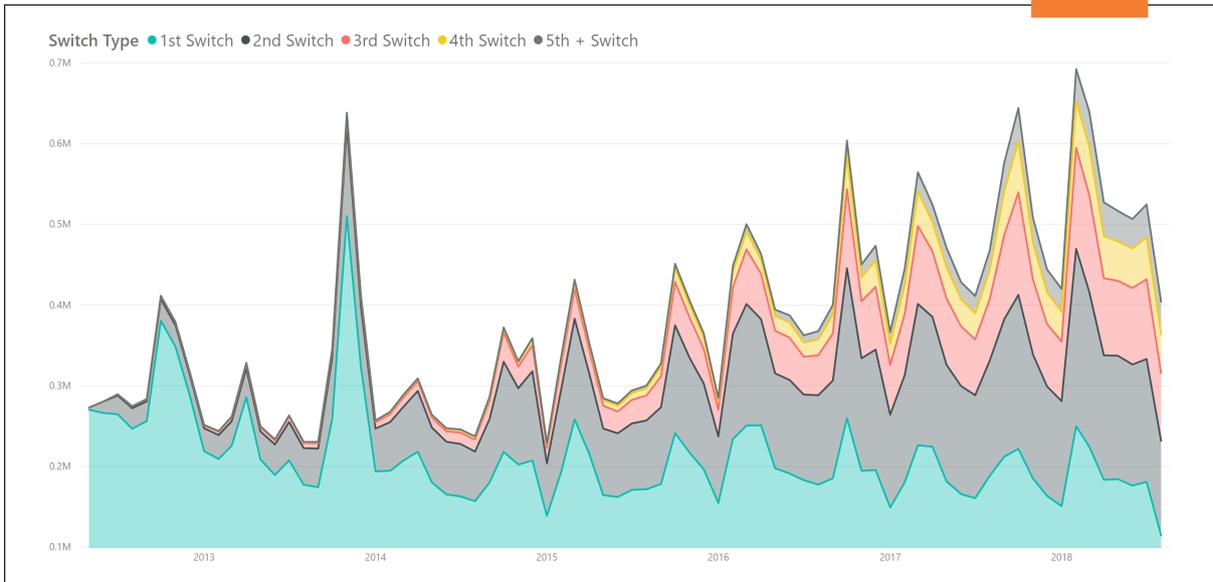


ANALYSIS OF SWITCHING ON THE RETAIL ENERGY MARKET

There are currently 70 active suppliers in the UK retail energy market. The share of large energy companies is in continual decline, which on the face of it indicates a competitive market. However, the market share of the largest suppliers remains at 75% and, whilst the total number of customer switches is increasing, the number of first-time switches remains static and represents a smaller number of overall switches on a month by month basis (see the [chart 1] below).

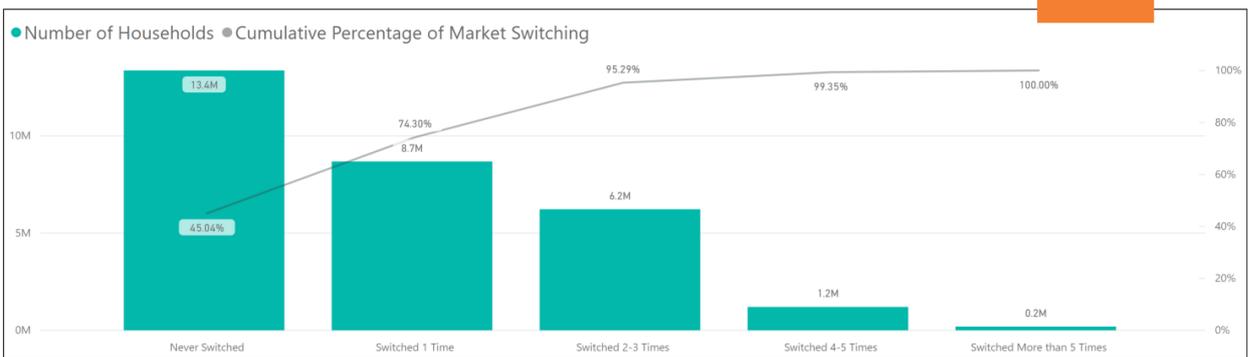
ElectraLink's analysis of switching data demonstrates that innovation within the market is being accessed by a minority of engaged customers who are switching more and more, but there remains a far greater majority who are not realising the associated benefits as can be seen from the below pareto graph, Chart 2.

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ElectraLink data reveals that 45% of Households have not switched supplier since 2012. When you include those that have only switched once this rises to 74%.

A significant focussed effort will be needed to raise engagement and switching levels and facilitate consumer choice in the retail energy market. Chart 2:



ENGAGING CUSTOMERS IN THE RETAIL ENERGY MARKET

The consumer is rightly at the heart of energy market regulation today. Customers are encouraged to engage with their energy consumption, reduce their usage and seek out the cheapest tariff to reduce their costs. Regulation is focused on making energy more transparent and customer friendly, minimising costs and ensuring common standards.

However, these initiatives concentrate almost solely on pricing and costs, failing to consider peoples' inherent motivational factors and the 'outcomes' for consumers – what they want from their energy supply.

In November 2017, discharging an important remedy in the Competition and Markets Authority (CMA) report on the energy market, Ofgem requested data from energy suppliers relating to their disengaged domestic customers. Since April 2018 these suppliers have been required to provide Ofgem with details of all their customers that have been on default tariffs for three or more years. ElectraLink's DTS data analysis indicates 15 suppliers have consumers that fall into this category and Ofgem has been trialling several approaches to engage consumers and encourage switching, including giving 50,000 disengaged consumers the opportunity to take part in a collective switch.

Recent regulation has limited the ability to provide choices (through price caps and tariff limitations) and instead resulted in harmonisation of products and services, leaving retailers struggling to differentiate themselves. Arguably, this leads consumers into either believing they have the best value and appropriate energy contract or fatigued by the options available to them. Retailers need to re-focus attention on the outcomes for consumers in terms of their energy consumption.

The introduction of price caps in the domestic market has attempted to reduce the financial disadvantage (cost of SVT) of disengaged customers. This contentious measure has split industry opinion with various discussions on whether the price cap goes deep enough or whether is an appropriate measure in a competitive market. It commonly accepted that this may result in reduced switching and even lower customer engagement. ElectraLink will use its data to track market developments in this area.

Complexity in the business market creates opportunity for mis-selling and significantly reduced transparency with fewer ways of comparing tariffs. Having identified a key requirement in the energy market to improve this process ElectraLink is introducing new assurance measures under a voluntary Third Party Intermediary Code of Practice (TPICoP), which will promote innovation and provide confidence to customers that the intermediaries they are engaging with have been accredited. TPICoP is open to membership from suppliers, TPIs and independent third parties across the industry. We believe this is critical to ensuring that the governance of the TPICoP is fully transparent. The CoP supports the current manifesto to improve the customer experience for micro business owners.



SUPPORTING THE SWITCHING PROCESS AND NEW BUSINESS MODELS

Price Comparison Websites (PCW) and automated switching providers are now commonplace in the retail energy market. Such services have recently been enhanced to offer automated switching between energy suppliers using criteria set by the customer.

ElectraLink views this as a step towards a more innovative energy market and is actively engaging with companies looking to disrupt the old model. Historically, the flow of industry data and customer engagement has been centred around suppliers. To enable newer business models and the types of innovation desired by the customer, ElectraLink's Energy Market Data Hub (EMDH) is providing the capability for other participants such as PCW and auto-switching services to access industry data on the customer's behalf at the point of service. Breaking down these historical barriers by providing data to other parties the EMDH is supporting further innovation within the market.

We envisage that the demand for real time access to data will only continue to increase in scope, as will the expectation for suppliers and other customer facing parties to provide these services. ElectraLink is expanding its

Application Programme Interface (API) platform to provide real time access to different datasets underpinned by the industry data we hold. We are also working with Xoserve to enable access to dual fuel data through a combined catalogue and dual fuel API services. Whilst this will be a differentiator for some forward-looking utilities at present, we expect future entrants to provide this service as standard to ensure they can actively compete in whatever the future market looks like.

Improved experience of the switching timelines, as well as the reliability of the process, is critical for encouraging consumers to change their energy provider. We have already seen many utility customers attracted to new innovative suppliers whom make it easy, automated and online. Moving forward we expect to see new bundled offerings with companies that consumers engage with every day, not just those currently within the energy market but a broader range of providers that deliver products into the home. ElectraLink continues to support the Faster Switching Programme via process expertise and process performance data to design a faster and more reliable customer journey. We are confident that consumers will see these benefits from 2021.

THE EVOLVING ROLE FOR MARKET DATA IN THE ENERGY MARKET

Ease of access to more tailored data is key to the development of the energy market. We are already seeing this with the introduction of smart metering, and the provision of automated switching services.

ElectraLink is delivering innovative data solutions such as asset tracking support, Application Programme Interface (API) access to switching data and complex embedded generation data sets which are improving the forecasting capability of the System Operator. These will be made even more accessible through the delivery of the EMDH which will incorporate the provision of greater transparency of UK energy market data and processes.

Recognising the unprecedented volume of change, ElectraLink has developed its new online tool 'FlowBuilder' to assist the design and implementation of industry message templates.



FlowBuilder provides the following:

1. A test platform for upcoming industry flow changes – users can quickly create new flows to match upcoming DTC changes and perform end to end testing to reduce the likelihood of process errors following a DTC implementation.
2. A platform for prototyping proposed flows to meet new industry requirements – users can swiftly design new flows in real time to meet new requirements and share these with the industry as a whole, or selected partners.
3. Enables swift creation and implementation of bi-lateral commercial flows – market participants create flows to communicate securely over the DTS with new business partners using tailored flows specifically designed to meet the requirements of bi-lateral arrangements.

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With the introduction of a message template industry actors can streamline current processes reducing overheads, and ultimately improving customer experience.

Potential use cases for FlowBuilder include:

1. Updating Meter Technical Details

Suppliers can use a FlowBuilder template to notify MOPs of meter exchanges that have not been previously recorded. MOPs could issue the flow officially to industry so that records can be rectified and updated. Currently suppliers have to escalate these issues for resolution. This solution could expedite timely resolution and prevent inaccurate billing.

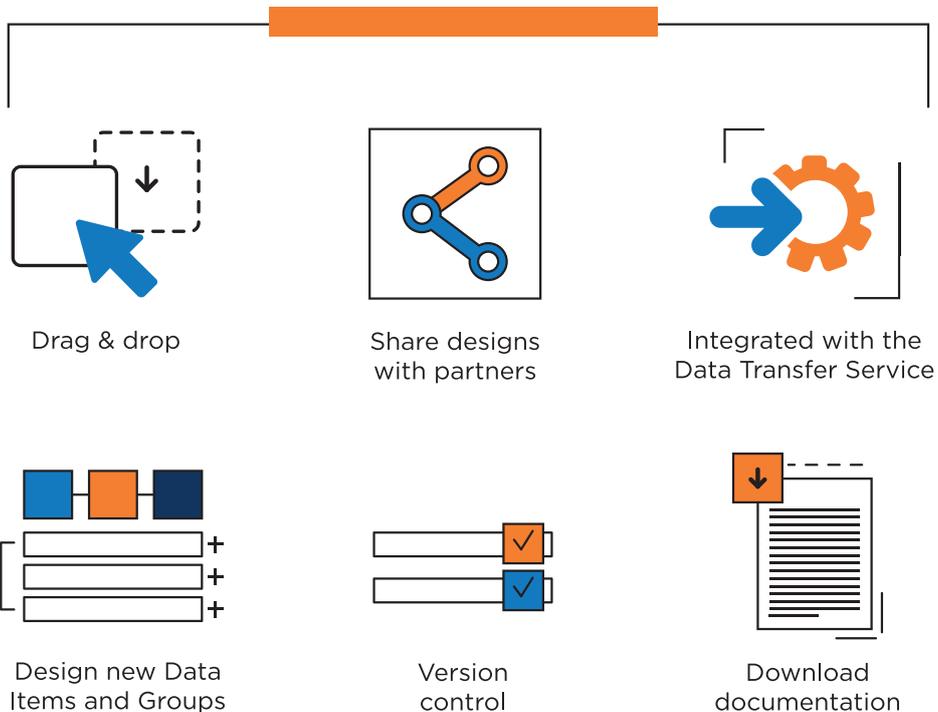
2. Misdirected Payments

PPMIP's and suppliers could use a template designed in FlowBuilder to notify one another of meter points subject to misdirected payments. Many suppliers are unclear how to manage this process. If a defined message could be shared this could initiate a work flow expediting resolution.

3. Withdraw invalid reads

Suppliers could use a FlowBuilder message template withdraw a previously rejected reading and provide a replacement reading. This would expedite the solution of valid reads issued subsequent to a failed read being rejected.

MAIN FEATURES



CONCLUSIONS

By utilising technical data analysis, combined with expert regulatory knowledge and understanding of the commercial drivers operating in the market, ElectraLink has a pivotal role to play in enabling a successful and functioning future energy market.

Our recent initiatives designed to improve innovation and competition in the retail energy market include:

- Developing a TPI Code of Practice to promote trust in market intermediaries, intermediaries that Ofgem has identified as being key to improving customer engagement;
- Provision of market data to facilitate new business models;
- Launch of an API to provide look up of data to improve the customer switching experience;
- Contracting with price comparison websites to provide greater transparency of the CS process; and
- Providing data to the regulator to allow them to work with industry parties to improve industry processes leading to better consumer engagement.

We welcome your feedback on the matters discussed in this paper. Please contact communications@electralink.co.uk to engage with us further or sign up to the [LinkedIn group](#) to join in the conversation on FlowBuilder.

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