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Submitted via email to: SwitchingCompensation@ofgem.gov.uk

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Supplier Guaranteed Standards of Performance for Switching: Consultation on introduction of Further Guaranteed Standards and Automatic Compensation

Dear James,

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering almost all of both the UK's power generation and energy supply for over 27 million UK homes as well as businesses. The energy industry invests over £13.1bn annually, delivers around £85.6bn in economic activity through its supply chain and interaction with other sectors, and supports over 764,000 jobs in every corner of the country.

I am writing in response to the Supplier Guaranteed Standards of Performance for Switching (GSOP): Consultation on the introduction of further Guaranteed Standards. Energy UK agrees that the consultation, on the whole, is reflective of the positions reached via the Ofgem GSOP Working Groups. Energy UK believes the proposals for compensation under the Guaranteed Standards are targeted at the parties most responsible for detriment and as such provide greater incentives for parties at fault to improve their switching practices.

It is however, disappointing that there are no questions raised related to Third Party Intermediaries (price comparison websites (PCWs), brokers and auto-switching services). In Ofgem's decision document, it was also not made clear as to why Ofgem considered that £30 would be appropriate for all of the standards and we would welcome further information as to how this decision was reached. We argue that the £30 compensation payment for a delayed switch (Guaranteed Standard A) is too high. We believe that the actual detriment customers experience from a slightly delayed switch (switch occurring from say day 22-25) is a loss in potential savings which, over the timeframe, is likely to amount to a few pence rather than a matter of pounds. We disagree with the notion that a missed appointment scenario carries the same amount of detriment as a switch occurring on day 22-25, yet under the proposed GSOP, in both situations, customers will be compensated the same value.

We have responded in full to the questions raised below:

Section 3: Summary of output from the GSOP Phase 2 Working Group

Question 1: *Do you agree with our assessment that the likely costs and logistical difficulties of implementing an allocation of compensation on a case by case basis would be likely to outweigh the benefits? If not, why not?*

Energy UK members agree that the likely costs and logistical difficulties of implementing an allocation on a case by case basis would likely outweigh the benefits. In an ideal world a case-by-case basis would be the fairest mechanism, however blanket apportionment is the most practical solution.

Section 4: Revised Proposals for Guaranteed Standards

Standard A (21 day switching)

Question 2: *Do you agree that gaining suppliers only should bear responsibility for making compensation payments under Guaranteed Standard A? If not, why not?*

We agree that it should be the gaining supplier that should bear responsibility for making compensation payments under Guaranteed Standard A.

Question 3: *Do you agree that measuring Guaranteed Standard A from the receipt of sufficient information to ensure that a contract has been entered into by the customer and to identify the relevant meter points to which the switch relates allows enough opportunity for a gaining supplier to effectively validate the switch? If not, why not?*

Energy UK does not agree with Ofgem's decision to rule out inaccurate information from Third Party Intermediaries (TPIs) as a valid exception. We believe that PCWs should also bear responsibility for their conduct around switching.

Ofgem should also recognise that this requirement differs from the current obligations under the Energy Switch Guarantee (ESG), Supplier Licence Condition (SLC) 14A, market monitoring reporting and Citizens Advice's energy supplier star rating. These multiple different metrics will not reconcile with each other and we ask Ofgem to consider how they are being consistent in order to manage customer expectations. The requirements also differ from the existing standards with regards to the resolution of Erroneous Transfers (ETs), which references working days rather than calendar days. We recommend that Ofgem reviews the proposal against existing metrics across industry in order to avoid confusion.

It should also be noted that the standard proposed is different to that of the Impact Assessment, we suggest that if Standard A as proposed is used Ofgem completes a further Impact Assessment and clarifies the reasons to why this proposal is the best way forward. Finally, as Standard A is more onerous than the SLC as it is today, Energy UK's members feel that any investment and cost should be considered, in addition to the default tariff price cap.

Question 4: *Do you agree that gaining suppliers will be able to measure when sufficient information is received for the purposes of reporting on Guaranteed Standard A? If not, why not?*

We broadly agree that gaining suppliers will be able to measure when sufficient information is received for the purposes of Guaranteed Standard A, although note that there may be a challenge for suppliers to measure this consistently as the term sufficient information is, to some degree, open to interpretation.

Question 5: *Do you agree with the proposed exceptions and exemptions which we have applied to Guaranteed Standard A? If not, why not?*

Where there are several additional non-working days in the registration period (after cooling off) this may send the switch over 21 calendar days. Excluding successive bank holidays as a valid exemption will mean that suppliers will have to make changes in order to ensure compliance with the standards and this could have secondary impacts on customers. The exclusion also opens more potential for a greater number of customers who could be subject to ETs.

This is demonstrated by the scenario of a double bank holiday, which only occurs twice a year in the UK (Christmas and Easter), and means that there is a loss of 4 working days. Distributors' processes are not mandated to operate based on calendar days, which means that in a scenario where a successive bank holiday coincides with 'day 15' of a customer's switch and the customer cancels late in the day on day 14 (the last day of the cooling off period), it will not be possible to process this cancellation until 4 days later. This could result in a scenario where a supplier is knowingly unable to stop an ET from occurring. This does not align with the Supply Licence, where the responsibility in on gaining suppliers to withdraw from a switch if it becomes clear it does not have a valid contract (SLC 14A. 11).

The failure to include successive bank holidays as a valid exemption introduces an element of risk which suppliers do not feel is justified when you consider that this would only be relevant to a limited period of time (twice a year) and in most instances the switch occurs on day 22. We feel the detriment to customers caused by a one-day delay to their switch pales in comparison to the detriment caused to the customer following an ET experience, which would otherwise be preventable. Ofgem has previously highlighted evidence to show the serious impact of ETs on customer, which illustrates the need to prioritise the prevention of these events.

Question 6: *Are there any other reasons for failing to complete a switch within 21 days which could warrant an exemption from paying compensation under Guaranteed Standard A?*

Energy UK believe that the existing exceptions provided within SLC 14A should be recognised as allowed exemptions under Standard A. We, therefore, urge Ofgem to include successive bank holidays as a valid exception within the Statutory Instrument for reasons outlined above. Both the ESG and the Citizens Advice metric for supplier rating recognise successive bank holidays as a valid exception and accept that the vast majority of affected switches will still complete on day 22. We disagree with Ofgem's argument that there is 'adequate time' as suppliers would have to dramatically change their processes to account for this, which would cost both time and resource.

Ofgem must note that having the validation period at the beginning as suggested by Ofgem will not remove any delay caused to switching by bank holidays within the 21-day period once registration has started. We would also argue that not including this exception seems premature considering the standard will be redundant in 2021 when faster switching comes into play. Energy UK members feel it is disproportionate to force interim changes to comply with the standards knowing that by July 2021 further changes are going to have to be made.

Question 7: *Do you agree that suppliers implementing the Debt Assignment Protocol should not be exempt from making compensation payments if they fail to complete a switch within 21 days? If not, why not?*

In principle, Energy UK members agree that suppliers implementing the Debt Assignment Protocol should not be exempt from making compensation payments if they fail to complete a switch within 21 days. However, this is subject to the provision that Ofgem 'starts the clock' from the point at which the registration is resubmitted after the debt assignment has been agreed and accepted by the gaining and losing supplier. We would welcome clarification that Ofgem agrees with this position.

Standard C (ETs)

Question 8: *Do you agree with our proposal that responsibility for compensation under Guaranteed Standard C should be borne by gaining suppliers only? If not, why not?*

We agree with Ofgem's proposal that responsibility for compensation under Guaranteed Standard C should be borne by gaining suppliers only.

Question 9: Do you agree that the trigger for making a compensation payment under Guaranteed Standard C should be the agreement between suppliers that a switch was undertaken with no valid contract in place? If not, why not?

We agree that the trigger for making a compensation payment under Guaranteed Standard C should be the agreement between suppliers that a switch was undertaken with no valid contract in place.

Question 10: Do you agree with the proposed exceptions and exemptions which we have applied to Guaranteed Standard C? If not, why not?

In general, Energy UK members agree with the proposed exceptions and exemptions which Ofgem have applied to Guaranteed Standard C. However, we would like to raise a minor point with regards to the drafting of the Statutory Instrument. Where a supplier is required by industry code to register a shipperless or unregistered meter point, no valid contract will be in place for the switch. However, there will not be an existing supplier for the meter point and, therefore, this should not be considered an ET scenario.

Question 11: Are there other reasons under which a supplier should be exempted from making a compensation payment under Guaranteed Standard C?

We do not believe that there are any other reasons under which a supplier should be exempted from making a compensation payment under Guaranteed Standard C.

Standard E (Final Bills)

Question 12: Do you agree that responsibility for compensation for issuing a final bill after six weeks should be borne by losing suppliers only under Guaranteed Standard E? If not, why not?

We agree that responsibility for compensation for issuing a final bill after 6 weeks should be borne by losing suppliers only under Guaranteed Standard E.

Question 13: Do you agree with the proposed exceptions and exemptions which we have applied to Guaranteed Standard E? If not, why not?

We agree with the proposed exceptions and exemptions which have applied to Guaranteed Standard E.

We also argue that the specific exemption 7D (listed under regulation 9), whereby a supplier would not have to pay an additional standard payment, following not meeting Standard C, if they have gone to reasonable endeavours and subsequently not been able to contact the customer, then this exemption should also be applied to Standard E along with the existing Standards 6B and 6D.

Question 14: Are there any other reasons for failing to issue a final bill within six weeks which warrant an exemption from paying compensation under Guaranteed Standard E?

We welcome Ofgem's decision to include the billing of a customer being in formal dispute with their supplier as a valid reason for failing to issue a final bill within six weeks. We would encourage Ofgem to extend this exemption to include customer led disputed reads, where suppliers bear a responsibility to ensure customers are billed accurately, and to ensure customer reads are appropriately reflected on bills.

Some Energy UK members are opposed to knowingly issuing estimated final bills after 6 weeks, where it has not been possible to obtain an actual reading, citing the fact that issuing an inaccurate bill, by meter readings not agreed by suppliers, or entered into settlements, is in fact detrimental to the customer experience. This creates the possibility of a supplier returning a credit to the customer based on an estimated bill, only to then rebill to an industry read and potentially asking for further payment. In Paragraph 4.81 in the consultation document, Ofgem outline that it is for suppliers to consider fair treatment of customers if considering re-billing; we argue that the fair treatment consideration should be made before billing, not afterwards. We therefore request that missing a customer read should be considered a valid exception under the 'all reasonable steps' obligation (Regulation 9). We note that Ofgem has not included the impact of an increased number of estimated bills in their impact assessment and we would like to highlight that it could also lead to increasingly inaccurate settlements, contrary to one of the key drivers of the smart meter rollout.

It is worth noting that in Ofgem's consultation, at paragraph 4.83 it says that suppliers should leave sufficient time when issuing the final bill for the customer to receive it; however, the legal text simply states to issue the final bill. If suppliers need to allow extra time for posting, this is a higher standard than the licence requirement, and also would not give suppliers 42 days.

We also argue that historical change of tenancy scenarios needs to be addressed in the drafting of the Statutory Instrument. Currently, as drafted, if a supplier was notified by the new occupier of a premises that they had moved into some time ago, the timeframe for the issuance of a final bill would begin prior to the supplier's knowledge of the change in occupier. This would mean a compensation payment was due, even though the supplier was unaware. We recommend that the Statutory Instrument is reworded so that the Standard applies from the point the supplier is notified of a change of occupier.

Section 5: Implementing the Guaranteed Standards

Question 15: *Do you agree with our assessment that it would not be proportionate to implement an open-ended requirement to pay compensation for enduring issues of detriment? If not, why not?*

We agree with Ofgem's assessment that it would not be proportionate to implement an open-ended requirement to pay compensation for enduring issues of detriment.

Question 16: *Would changing reporting requirements to allow Ofgem to collect data on the time taken to issue final bills or repay credit balances present a significant additional cost when compared with the current requirements?*

Changing reporting requirements to allow Ofgem to collect data on the time taken to issue final bills or repay credit balances will present additional cost to some suppliers when compared with the current requirements. We urge Ofgem to be clear and flexible when it comes to setting down requirements and consider the parameters of reporting practicably available for suppliers.

I trust you find the comments useful if you would like to discuss further, please contact me on 02077472932 or iona.penman@energy-uk.org.uk and I will be happy to discuss.

Yours Sincerely,

Iona Penman