October 2002

Erroneous Transfer Customer Charter

Implementation Review

Executive summary

This document considers the performance of gas and electricity suppliers in resolving cases where a domestic customer's energy supply has been transferred against their will to a new supplier.

Erroneous transfers (ETs) are typically caused by poor selling or administrative failures by suppliers and are a source of inconvenience, frustration and in some cases distress for customers. Although the vast majority of customers change their gas and electricity supplier with no problems, erroneous transfers are a serious and costly problem for the industry. Around 20,000 ETs are reported each month (around 3% of transfers). Many customers complain to energywatch when their ET is not resolved quickly. energywatch have indicated that 26.1% of all complaints that they receive between April and August 2002 relate to ETs.

Customers do not choose to be erroneously transferred. In this instance they are transferred against their wishes to a supplier with whom they do not have a valid contract. ETs are therefore not an area where competitive forces, in customer choice, service and price, are seen to work to reduce their incidence and to resolve them in a timely and efficient manner.

energywatch and Ofgem challenged the industry to adopt a standard approach for resolving customer complaints and ensuring that a customer's supply was returned to their original supplier quickly and with the least fuss. This approach was set out in the 'Erroneous Transfer Customer Charter' (ETCC) agreed by energywatch, Ofgem and suppliers in October 2001. All suppliers agreed to the ETCC and committed to work to its requirements. The ETCC was fully implemented at the end of February 2002.

Ofgem has reviewed the performance of the industry in meeting the requirements of the ETCC. In doing so, we have visited individual suppliers to understand how the processes that support the ETCC operate, we have been supplied with data tracking the operation of the ETCC and we have analysed complaints made by customers. We thank all those who have co-operated with this initiative.

The findings of this report indicate that although suppliers have made considerable efforts to implement the ETCC there remains concern that the industry is as yet unable to claim that they can deal with a customer's complaint about an ET reliably, quickly and

efficiently in all cases. Performance varies considerably between suppliers reflecting the fact the ET process is typically manually intensive and requires considerable supervisory and management input to get right. It also requires both the suppliers involved to perform their elements of the process within the specified timescales. During the period of the ETCC review two suppliers in particular, BGT and London Electricity, had difficulty meeting their responsibilities in exchanging data with other suppliers although performance has since improved.

The report concludes that the ETCC has set realistic and achievable targets for suppliers that can fulfil customers' expectations. Some suppliers have come close to achieving these targets but are reliant on the performance of others. In cases where a supplier's performance inhibits the achievement of the ETCC targets it is disappointing that the prescribed arrangements for escalating problems has not been used to full effect. However, it is clear that the adoption of the ETCC performance standards and the supporting agreed industry procedures have led to an overall improvement in performance in dealing with ETs.

Finally, the report considers the regulatory options available and suggests that it is appropriate for the supply community to be given a limited further period to achieve the required standards of performance under the current industry governance arrangements. Fallback options would be either a modification to standard supply licences and/or the introduction of a standard of performance to back up the requirements of the ETCC.

Table of contents

1. Rationale

Issue

1.1 Ofgem are committed to reviewing supplier's performance in resolving customer complaints concerning erroneous transfers.

1.2 An erroneous transfer (ET) occurs where a customer has been transferred to a supplier without a valid contract being in place. During the month of August 2002 domestic gas and electricity suppliers indicated that 3.3% of all customer transfers that they completed were erroneous.

1.3 ETs cause considerable inconvenience and distress for customers. In particular customers have complained that once an ET has been identified it can take a significant amount of time and effort to return them to their previous supplier.

1.4 ETs also impact on customer bills. Customers typically wait until they have been returned to their previous supplier before they resume paying for energy. If it takes a long time for the customer to be transferred back then the amount owed will be greater than the customer's normal billing profile. In some instances customers may find it difficult to pay these bills and will need to make arrangements with their supplier for the payment of outstanding charges.

1.5 ETs are costly for the industry to rectify. The processes in place to return the customer to their previous supplier are typically manually intensive and require significant management attention to ensure that they operate correctly. Some suppliers have indicated that resolving a single ET may cost several hundred pounds.

1.6 ETs impact on both the gaining supplier and the losing supplier. There are costs on the supplier who has lost the customer in resolving the ET and managing their return. This cost is imposed by the other supplier's actions in erroneously transferring away their customer.

1.7 Customer complaints regarding ETs attract considerable public attention. Negative publicity surrounding ETs creates a poor impression for customers of

the competitive energy market and may impact on their willingness to change supplier.

1.8 Ofgem will work with the industry to ensure that they introduce measures to reduce the level of ETs through separate initiatives. However we recognise that in some circumstances ETs will occur. Where they do, Ofgem considers that customers should be protected by an effective mechanism for returning them to their previous supplier quickly, reliably and with the minimum of fuss.

1.9 This document looks at the effectiveness of the Erroneous Transfer Customer Charter (ETCC), in returning customers to their previous supplier. For the avoidance of doubt this document looks at instances where an ET has occurred and not for example where a customer has changed their mind after they have switched supplier.

Objective

1.10 The Erroneous Transfer Customer Charter (ETCC) has been developed as a joint initiative between energywatch and Ofgem. Its aim is to protect customers by ensuring suppliers put in place processes and procedures to ensure that erroneously transferred customers are returned to their previous supplier quickly, reliably and with the minimum of fuss.

1.11 The ETCC and supporting processes were introduced by the industry at the start of January 2002 and was fully supported by industry agreed processes from 28th February 2002.

1.12 This document evaluates the performance of the industry in introducing the ETCC and supporting processes. It also considers what further regulatory action, if any, is required to ensure that industry performance is effective and leads to a significant reduction in customer complaints to energywatch.

Policy

1.13 Domestic gas and electricity suppliers have signed up to the ETCC on a voluntary basis. The electricity industry has developed supporting processes that

are mandated through the Master Registration Agreement (MRA[1]). The supporting processes in the gas industry are currently voluntary although the opportunity exists to mandate these once the Supply Point Administration Agreement (SPAA[2]) governance structure has been established.

1.14 This document considers:

- Whether the current industry self governance structure is an appropriate mechanism to ensure protection for customers, or
- Whether other regulatory measures are required to ensure that appropriate standards are met, for example through the introduction of a licence condition or guaranteed standards of performance.

Options

1.15 The options available for ensuring that customers can be confident that the ETCC standards will be met are detailed in Chapter 7 and are summarised below.

Option 1: Standards of Performance

1.16 Under section 40 of the Electricity Act and section 33B of the Gas Act, Ofgem could introduce an **overall standard of performance**. Suppliers would be required to seek to meet the requirements of the standard of performance and provide information on their performance to Ofgem. Suppliers would be required to inform customers who had been erroneously transferred of the standard. A failure by a supplier to meet the standard could result in enforcement action by Ofgem including financial penalties.

1.17 Alternatively Ofgem could set a **guaranteed standard of performance** under section 39 of the Electricity Act and section 33A of the Gas Act. In this case the Secretary of State must approve the regulation. A guaranteed standard would require a compensation payment to be made to customers where the requirements of the ETCC are not met for example, that they do not receive the

[1] The MRA provides the legal framework for the activities required to support the interoperability between suppliers and between suppliers and distributors associated with the change of supply process.
[2] SPAA is currently being drafted by gas suppliers. Its aim is to provide a governance mechanism for suppliers to manage issues of interoperability associated with the change of supplier process. This mechanism is planned to be in place to support metering competition.

5-day or 20-day letter having contacted a supplier or that there has been a delay in registration.

Option 2: Licence Condition

1.18 Ofgem could propose a modification to the Gas Suppliers Licence and Electricity Supply Licence Standard Conditions. This modification would require suppliers to comply with the ETCC. A change to the supply licence standard conditions would require the consent of licence holders.

1.19 If a supplier breached the conditions of their licence with regard to the ETCC then they would be subject to licence enforcement action. Ofgem would need to consider the facts of the individual licence breach before determining the appropriate action.

Option 3: Self regulation

1.20 Ofgem could rely upon suppliers to operate their processes in such a way as to meet the ETCC standards without direct regulatory intervention. In both the gas and electricity markets domestic suppliers have now put in place the supporting requirements that define how data is exchanged between suppliers and the timescales for key processes to support the ETCC. There are also defined mechanisms for suppliers to escalate failures in performance by another supplier.

1.21 Ofgem could require the industry to show that by a given date such industry governance arrangements are able to demonstrate that suppliers have delivered the ETCC standards and appropriate compensation to customers where this is not achieved in particular cases. This approach would require monitoring by Ofgem.

The Way Forward

1.22 This document recommends:

- That a second review of the ETCC should be carried out in September 2003.

- That suppliers should by April 2003 devise a scheme of compensation to be paid to a customer where a supplier has failed to meet the requirements of the ETCC.

- That Ofgem will propose that a guaranteed standard of performance be introduced to support the operation of the ETCC should suppliers fail to make a substantial further improvement in their performance in relation to the ETCC or not put in place an appropriate compensation scheme for customers.

2. Timetable

2.1 The timetable for the key events identified in this document is as follows:

6th December 2002	Responses requested on the issues raised in this document.
April 2003	Suppliers to develop and implement an industry-standard scheme of compensation to be paid to a customer where a supplier has failed to meet the requirements of the ETCC.
September 2003	A second review of the ETCC should be carried out clearly setting out each supplier's performance. Should suppliers fail to make a substantial further improvement in their performance in relation to the ETCC or not put in place a compensation scheme for customers, Ofgem will seek to introduce a guaranteed standard of performance to support the operation of the ETCC.

Views invited

2.2 Comments are invited on the issues raised in this document and in particular Ofgem's proposed way forward. It would be helpful to receive these by 6th December 2002. Responses should be sent to:

Nigel Nash
Head, Market Infrastructure
Ofgem
9 Millbank
London
SW1P 3GE
Tel: 020 7901 7065
Fax: 020 7901 7084
Email: nigel.nash@ofgem.gov.uk

Contact

2.3 If there are any questions regarding this document please contact either Nigel Nash or Andrew Wallace (Tel: 020 7901 7067, email: andrew.wallace@ofgem.gov.uk).

Confidentiality

2.4 All responses will normally be published on the Ofgem website and held electronically in the Research and Information Centre unless there are good reasons why they must remain confidential. Consultees should try to put any confidential material to appendices in their responses. Ofgem prefers to receive responses in an electronic form so they can easily be placed on the Ofgem website.

3. Background

3.1 An erroneous transfer (ET) occurs where a customer has been transferred to a supplier without a valid contract being in place. For the avoidance of doubt this document looks at instances where an ET has occurred and not for example where a customer has changed their mind after they have switched supplier.

3.2 ETs have a number of root causes. The four main causes are shown in detail in Appendix 1 and are summarised as follows:

- Proven forgery
- Suspected misleading information, fraudulent practice and / or training issues
- Incorrect MPAN / MPRN selected
- Cancelled contract not actioned

3.3 Many customers complain to energywatch when their ET is not resolved quickly. energywatch have indicated that 26.1% of all complaints that they receive between April and August 2002 relate to ETs.

Developing the ETCC

3.4 The ICT [3] project was initiated by Ofgem during summer 2000. The project reviewed the process for customers transferring between suppliers and made recommendations about key areas where improvements could be made in the ICT Way Forward document published June 2001. The document proposed a draft ETCC and noted key issues which Ofgem and energywatch believed would need to be considered to put in place the processes to support the ETCC. The draft ETCC was developed as a joint initiative between Ofgem and energywatch.

3.5 The industry expressed broad support for the draft ETCC and some suppliers suggested refinements.

[3] http://www.ofgem.gov.uk/newprojects/ict_index.htm

3.6 The industry established the Erroneous Transfer Working Group (ETWG) to develop the industry arrangements needed to support the ETCC. MRASCo[4] facilitated the ETWG and the first meeting was held on 11th July 2001. Both Ofgem and energywatch attended the ETWG.

Implementing the Charter

3.7 In September 2001 Ofgem wrote to all licensed domestic gas and electricity suppliers. This letter asked suppliers whether they intended to comply with the ETCC, when they would be in compliance and what action they would be taking to achieve compliance. This letter also set out energywatch and Ofgem's further thoughts on the supporting procedures that should be in place to facilitate the ETCC. This letter can viewed at http://www.ofgem.gov.uk/newprojects/ict_index.htm

3.8 By October 2001 all licensed domestic gas and electricity suppliers had confirmed to Ofgem that they intended to comply with the ETCC. In electricity the MAP010 supporting documentation was signed off by the industry in November 2001. In gas the equivalent documentation was signed off in January 2002.

3.9 The industry required time to implement the systems needed to support these processes. At the start of January 2002 the industry implemented the ETCC in spirit. This meant that they complied with the intent of the ETCC where possible but it was understood that they might not be fully compliant in all aspects.

3.10 From 28th February 2002 all domestic gas and electricity suppliers agreed to implement fully the ETCC and supporting documentation.

Ofgem ETCC Report March 2002

3.11 In the June 2001 ICT Way Forward Document Ofgem stated its aim to consider whether there had been a significant reduction in customer complaints to energywatch by March 2002. This information would be used to understand whether there was a requirement to undertake further regulatory action.

[4] The MRA is facilitatied by MRASCo. MRASCo is a company jointly owned by the parties to the MRA. MRASCo have contracted with Gemserv to provide the funtions required of MRASCo under the MRA.

3.12 The ETCC implementation date of 28th February 2002 meant that it was not possible to make this assessment during March 2002. However in March 2002 Ofgem wrote to all domestic gas and electricity suppliers, who confirmed that they were sending the letters required by the ETCC. The vast majority also confirmed that they were in a position to comply with the industry defined supporting requirements.

3.13 At this point in time Ofgem indicated that we would conduct a formal review of the ETCC during August 2002. This document is the outcome of the August review.

4. The Erroneous Transfer Customer Charter

Content of the ETCC

4.1 The ETCC sets out the high level principles which should be adopted to ensure that the customer knows what will happen to them following an ET and that they will be transferred back quickly and with the minimum of fuss. The ETCC is shown in Figure 1.

- If a customer believes that they have been erroneously transferred then they can contact either their old or new supplier. The contacted supplier will liaise with the other supplier to resolve the matter.
- An appropriately trained representative of the contacted supplier should explain to the customer:
    - What action will be taken.
    - When they can reasonably expect to be transferred back to their original supplier.
    - That they will only pay once for the energy consumed and where possible, how their billing arrangements will be treated.
    - How they will be kept informed of progress towards resolution.
    - On request, how complaints will be resolved and, where appropriate, how compensation claims will be dealt with.
- The contacted supplier will send written confirmation of the details provided above within 5 working days of the customer contact. Where possible the supplier will include an explanation of why the erroneous transfer took place.
- The customer will be provided with confirmation within 20 working days of their initial contact that they will be returned to their old supplier.

Figure 1: The Erroneous Transfer Customer Charter (ETCC)

4.2 Under the ETCC a customer can contact either their new or old supplier once they have identified a potential ET. That supplier will liaise with the other supplier to resolve the problem. Previously the old supplier may have told the customer that they were required to contact their new supplier to resolve the

issue. This caused additional inconvenience to the customer as they had to make further telephone calls. In some instances customers have been unwilling to contact the new supplier who has taken over their supply, as they do not believe that they have a valid contract with them.

4.3 The supplier representative whom the customer contacts should be appropriately trained and should provide the customer with the information that they require to understand what is likely to happen to resolve the ET. This includes the requirement to inform the customer of the action to be taken, the likely date that they will transfer back, how the billing arrangements will operate, how further information can be obtained and, on request, how compensation arrangements will be dealt with.

4.4 The ETCC requires that the information provided to the customer during their initial contact is confirmed in writing within 5 working days of this contact. It is intended that the customer is in no doubt about the likely course of events. Where possible the customer should also be informed of the cause of the ET.

4.5 The ETCC also requires that the customer is sent confirmation that they will be returned to their previous supplier within 20 working days of their initial contact. Before sending this letter a supplier needs to have agreed with the other supplier that an ET has taken place and how the customer should be returned. This requires an effective data transfer mechanism between the two suppliers.

ETCC Supporting Processes

4.6 The ETWG developed supporting requirements for the ETCC. In electricity this is know as "MAP010 – The procedure for resolution of Erroneous Transfers". These are mandated as an agreed procedure under the MRA. In the gas market "The Procedure for resolution of Gas Erroneous Transfers" has been developed under the Supplier's Code of Practice (DCoP) for the Domestic Market. This procedure is voluntary but has the opportunity to be mandated through the forthcoming SPAA governance arrangements.

4.7 These supporting procedures set out the data transfer requirements between the suppliers involved in the ET. This includes the format of data flows, the

timescales for them to be sent and the industry escalation procedures should responses not be received within the expected timescales.

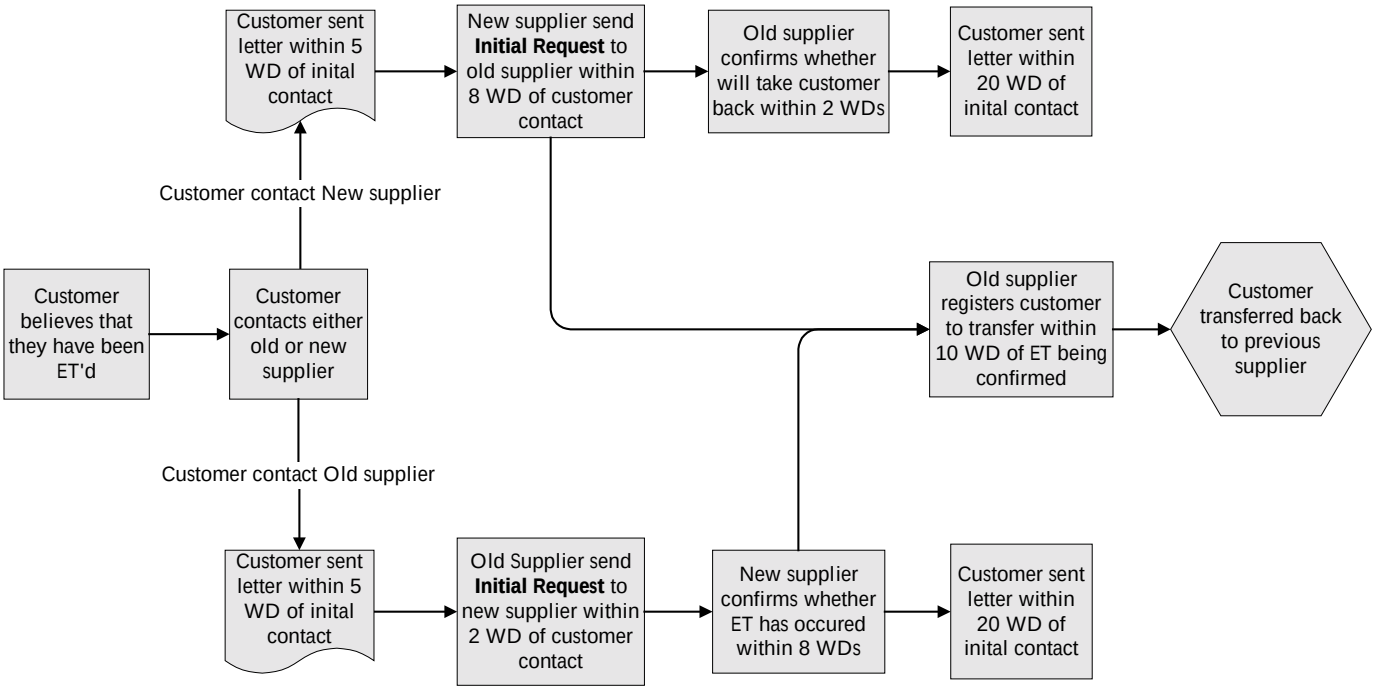

Figure 2: Summary of the ETCC Processes

4.8 The ETCC process differs slightly depending on whether the customer contacts the old or the new supplier. Following is a high level description of the process which is also summarised in Figure 2.

Old Supplier Initiates ET Return Process

4.9 When the old supplier has been contacted by a customer they will pass a message to the new supplier to indicate that the customer believes that an ET has taken place. This message (the initial request) is to be sent within 2 working days of the initial customer contact.

4.10 The new supplier will investigate whether they consider that an ET has taken place. They will conclude this investigation and inform the old supplier within 8 working days that an ET has occurred and that they want the old supplier to take the customer back or whether the customer has been legitimately transferred.

4.11 Upon notification from the new supplier that an ET has taken place the old supplier has 10 working days within which to register the customer to transfer. Registration is the action taken by a supplier to set the future date for the customer transfer to take place.

4.12 From customer contact to registration the process should take a maximum of 20 working days. The industry has indicated that, in some circumstances, for example where the new supplier needs to make a detailed investigation of the proposed ET, these timescales are challenging.

New Supplier Initiates ET Return Process

4.13 When the new supplier has been contacted by a customer they will first investigate whether they consider that an ET has taken place. Where an ET has occurred they have 8 working days to send a message to the old supplier to ask them to take the customer back.

4.14 Having received a request (the initial request), the old supplier will send a message back to the new supplier indicating that they will or will not register the customer. In some instances, for example where they were not the customer's previous supplier, it will be necessary to reject the new supplier's request. This message is required to be sent to the new supplier within 2 working days of the initial request.

4.15 Within 10 working days of receiving the initial request the old suppler will register the customer where they have confirmed that they were the customer's previous supplier.

4.16 From customer contact to registration the process should take a maximum of 18 working days.

5. Supplier Performance

5.1 Ofgem have closely monitored the performance of suppliers since the introduction of the ETCC. The following chapter provides a summary of the information received and shows that, whilst the key aspects set out in the ETCC are being met in the majority of cases, there are a significant minority of customers who are not returned to their previous supplier in a timely manner.

5.2 Ofgem have collated information from visiting suppliers directly, supplier monthly reports, a separate data request to suppliers for the purpose of this report and from energywatch on customer complaint figures.

Supplier Visits

5.3 Ofgem visited each domestic supplier to understand how they implemented the ETCC and to review any problems that they experienced. energywatch were invited and attended the majority of these supplier visits.

5.4 In total Ofgem visited 10 suppliers and 3 suppliers were visited on several occasions. During the visits all suppliers reiterated their continued commitment to the ETCC and to making the processes work in practice.

5.5 From the visits it was clear that suppliers had made considerable efforts to implement the processes required to facilitate the ETCC. For all suppliers this required a high level of manual intervention and secondary processing. A number of these processes were fragile and required constant management attention to ensure that they operated to the industry agreed standards.

5.6 During the visits a number of suppliers were found to be operating below the standards required by the ETCC due to weakness in their systems. These suppliers gave commitments to amend their systems accordingly. Several suppliers indicated that, due to the tight timescales for implementation, they were currently operating the first of a number of phases of development and that more robust solutions would be introduced in the near future.

Monitoring reports

5.7 Ofgem undertook monitoring of individual supplier's performance against the key ETCC criteria. From March 2002 each supplier was asked to provide a monthly report on these targets. The majority of suppliers provided reports on a timely basis although some found it difficult or were not able to provide the information requested. A summary of this data is shown below with a more detailed analysis provided in Appendix 4.

ET Rate

5.8 In August 2002 the ET rate was 2.5% of gas transfers and 3.9% of electricity transfers. Following the full implementation of the ETCC the ET rate was seen to decline. However since then there has been an increase, in particular in the electricity market.

ET Root Causes

5.9 Analysis of the root causes of ETs reveals that nearly 50% relate to marketing issues with a further 3 to 5% associated with proven forgery, 30% are associated with suppliers incorrectly selecting customer details for transfer (MPAN/MPRN) and around 15% result from suppliers not acting on a contract cancellation request from their customer.

ETCC Letters

5.10 Analysis suggests that in a small but significant number of cases the letters required by the ETCC are not sent within the required timescales. In around 5% of cases suppliers indicate that the 5-day letter is not sent in the required timescales. This has not shown a trend improvement since the introduction of the ETCC.

5.11 Suppliers reported that the 20-day letter was not being sent in the agreed timescales in between 5 to 10% of cases. This has however shown an improvement over the last few months. Detailed analysis provided later in this chapter indicates that performance in sending the 20-day letter is less good.

ETCC Timescales

5.12 Suppliers report that the ETCC timescales are being met in the majority of cases. There have also been improvements in new suppliers responding within 8-day period. Old suppliers are still however reporting problems in providing the 2-day response within this timescale indicating that they will take the customer back on supply.

Data Request

5.13 On 22nd August 2002 Ofgem wrote to all domestic gas and electricity suppliers requesting further information to help us better understand the performance of suppliers.

5.14 The following data was requested:

- **Data Request A:** Details of all ETs initiated by the supplier on the 1st and 2nd July 2002 including where the supplier had lost the or gained the customer. Where this totalled less than 30 ETs then the supplier was to work forward until this figure was reached or until 19th July 2002.

- **Data Request B:** A report detailing the length of time it takes the supplier to register ETs notified to them either by the customer or the new supplier during the period 17th June to 28th June 2002.

5.15 Ofgem received responses from all domestic suppliers although many suppliers found it difficult to provide an entirely complete data set.

Data Request A: Supplier initiated ETs 1st and 2nd July 2002

5.16 Following is a summary of the data provided by suppliers on the return of erroneously transferred customers that they initiated on 1st and 2nd July 2002. A detailed analysis is provided in Appendix 2

5.17 Suppliers reported that they had initiated the ETCC for 1,854 erroneously transferred customers in the gas and electricity market on 1st and 2nd July 2002. Of these 84.5% were initiated by the new supplier and 16.1% by the old supplier. The data provided by suppliers indicates that the old supplier and the new supplier are both willing to initiate the ET return process following a

customer contact, although the dominant route is through customer contact with the new supplier.

5.18 The 5-day letter was sent to the customer in the agreed timescales in 92.8% of cases. In 1.7% of cases the supplier indicated that the 5-day letter had not been sent at all.

5.19 The new supplier is required to send a message to the old supplier within 8 working days of the customer contact requesting that they take the customer back. In general, this is being done within the defined timescale. However, performance in the gas market was weaker with the new supplier only sending this initial request within the agreed timescale in 74.3% of cases.

5.20 Where the old supplier has received the initial customer contact then they are required to pass this information to the new supplier within 2 working days. Although many suppliers appear to have problems in meeting the 2 working day deadline they typically send the data to the new supplier within a few days of this date.

5.21 Having received a request from the new supplier to take the customer back the old supplier has 2 working days to agree or reject this request. New suppliers report significant difficulties in getting a timely response from the old supplier and in 20.2% cases failed to get a response at all.

5.22 Having been notified of a potential ET by the old supplier the new supplier has 8 working days to investigate and request the old supplier to take the customer back or state that the transfer was not erroneous. The old supplier reported significant difficulties in getting responses from the new supplier in a timely manner. In 11.7% cases no response was reported to have been received at all.

5.23 The 20-day letter should only be sent once the initiating supplier (whom the customer contacted) has received a response from the other supplier agreeing that an ET took place (new supplier only) or confirming that they will take back the customer (old supplier only).

5.24 The majority of customers are sent the 20-day letter within the timescales set out in the ETCC. However a significant number of customers either do not receive a 20-day letter or do not receive it in a timely manner.

5.25 A large proportion of reputed cases where the 20-day letter has not been sent results from two suppliers who attempted to combine the 5-day letter and 20-day letter. Where they were the new supplier they believed that they could get confirmation that the customer would be returned to their previous supplier within 5 days of the initial customer contact. Analysis of data from these companies indicates that in a significant number of cases a response had not been received from the old supplier by the time that the combined 5-day and 20-day letter had been issued and a separate 20-day letter should have been sent.

5.26 There appears to be some confusion amongst suppliers about when the 20-day letter should be sent. Ofgem considers that the supplier that was initially contacted by the customer should send the 20-day letter when they have received confirmation from the other supplier that an ET took place and that the customer should be taken back to their previous supplier. It should not be sent before this agreement has been achieved. Many suppliers automatically send a letter to the customer after 20 working days. Where it has not yet been agreed that the customer should be returned then this letter informs customers of progress. However in these cases a further letter should be sent when it is clear that the customer will be returned.

5.27 Delays in the 20-day letter being sent are equally caused by suppliers failing to reach agreement that the customer should be returned or, once agreement has been reached, failing to send the letter in a timely manner.

5.28 The majority of customers who had been erroneously transferred were re-registered within 35 working days (approximately 50 calendar days) of their initial customer contact. The old supplier is in a position to register the customer once they have been requested to do so by the new supplier. However in a significant number of cases the customer either was not registered in a timely manner or was not registered at all. Ofgem is aware that in some cases there are deficiencies in the design and operation of the customer transfer process that require additional progress chasing by suppliers to avoid delays in a supplier being able to register a customer (in particular examples relating to the electricity processes). However the customer should not be inconvenienced due to such process failures.

5.29 In addition there is some evidence that customers are being registered before suppliers have reached agreement under the ETCC procedure. Whilst this means that the customer is returned to their previous supplier, Ofgem would be concerned if the customer was returned as a new acquisition and they were billed by the new supplier for the energy used rather than the old supplier.

5.30 In summary, the data sample showed that the majority of customers who had been erroneously transferred were transferred back to their previous supplier in a timely manner. However there are a significant number of customers who were not transferred back quickly or who were not transferred back at all. The 5-day letter and the initial contact between suppliers appears to be working in the vast majority of cases. It is the response from the other supplier, the timeliness of the supplier sending the 20-day letter and the timeliness of the old supplier in registering the customer which require further efforts to improve the customer experience.

5.31 Suppliers have developed escalation procedures to identify cases to the other supplier where a record has not been returned within the expected timeframe. This process should be used to ensure that all customers are transferred back quickly. Suppliers have reported some reluctance to use these escalation processes whilst they develop confidence in their own systems. Ofgem consider that suppliers should make use of the escalation procedures in all cases where data has not been provided so that customers are transferred back quickly, reliably and with the minimum of fuss.

Data Request B: Transferring the customer back to their previous supplier

5.32 Ofgem asked suppliers produce a report on the time it took to register the customer following contact from the new supplier and the customer to indicate that an ET had taken place. Suppliers submit a registration to initiate the industry processes to take over a customer's supply. Following is a high level summary of the data received. A detailed analysis is provided in Appendix 3.

5.33 Figure 3 sets out the time taken for the old supplier to register the customer after their initial contact. The information is provided from the perspective of the old supplier (who needs to perform the registration).

5.34 The data requested related to cases where an ET had been identified between the 17th and 28th June 2002. In total 13,609 ETs were identified during this period.

5.35 In just over 50% of cases the old supplier reported that the customer's transfer was initiated within 20 working days of the initial customer contact.

5.36 12% of customers had to wait more than 50 working days for their return transfer to be initiated whilst in 6% of cases a registration was yet to be made.

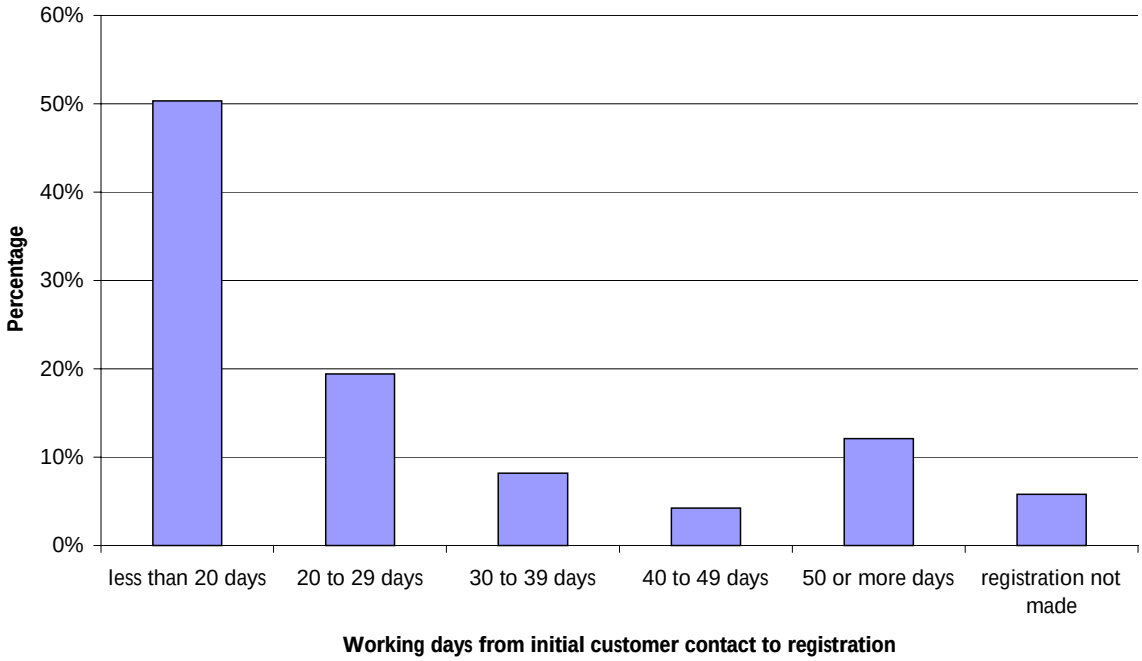

Figure 3: Time from initial customer contact to registration by Old Supplier

energywatch complaints

5.37 When Ofgem introduced the ETCC in the June 2001 "Improving Customer Transfers – The Way Forward" document we stated that we would review its implementation. Ofgem noted that as part of this review energywatch would be asked to provide information on complaints received regarding ETs to understand whether suppliers were performing in accordance with the ETCC.

5.38 energywatch have provided information on complaints received from customers relating to ETs. energywatch define a complaint as being an instance where a customer has attempted to resolve a problem with a supplier, they have failed to reach a satisfactory conclusion and the customer has contacted energywatch to

help resolve the problem. Where a customer has complained to their supplier that they have been erroneously transferred and the supplier has not provided a satisfactory resolution by ensuring that the customer is returned within the ETCC timescales then this is a cause of complaints to energywatch.

5.39 energywatch introduced a new complaint handling database from April 2002. It is not possible to make accurate comparisons between the ET related complaints received before and after the introduction of this database.

5.40 Figure 4 shows that there has been a fall in ET related complaints reported by energywatch since the introduction of the ETCC. In April there were 4.77 complaints per 1,000 transfers whilst this fell to 2.27 complaints per 1,000 transfers in August 2002.

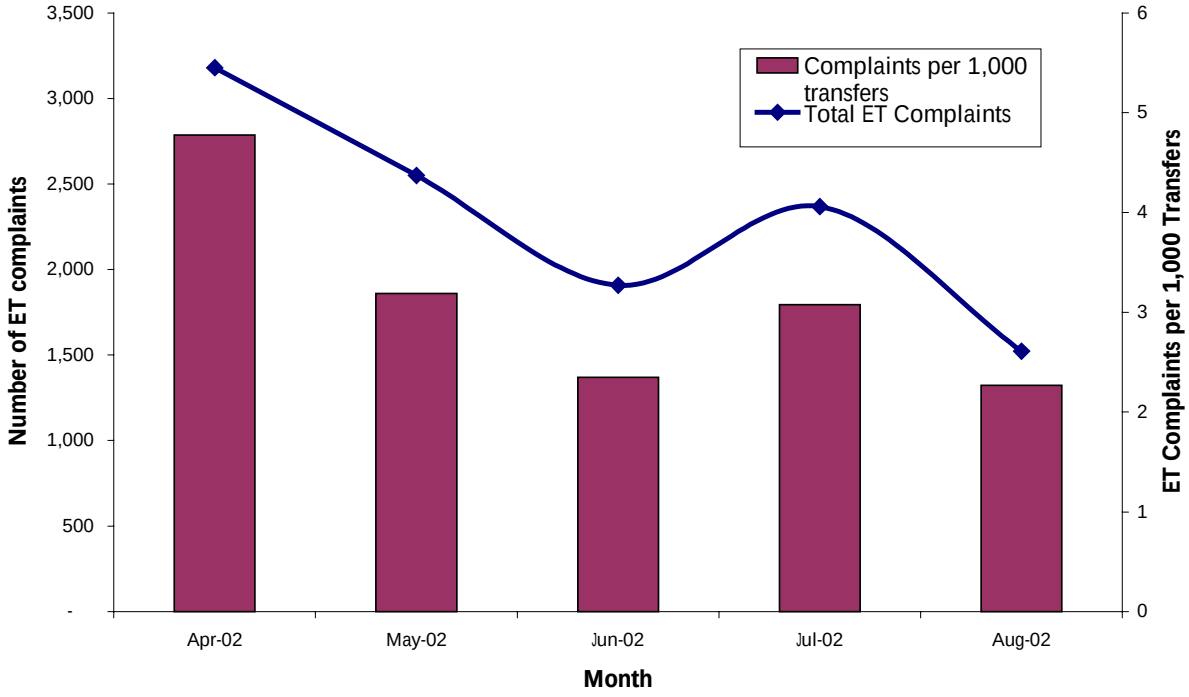

Figure 4: ET Complaints Received by energywatch

5.41 There has been an overall drop in customer complaints recorded by energywatch since April. However the rate of decline in ET related complaints has outstripped that of other complaints. There has been a 52.1% drop in ET

related complaints between April and August. This compares favourably with a drop of 30.9% in all remaining complaints over the same period.

5.42 This fall in the number of ET related complaints should however be viewed in the context of a drop in overall numbers of ETs reported by suppliers over this period. The drop in the number of ETs is likely to lead to a fall in the number of ET related complaints.

In handling complaints, energywatch staff have reported that there is a widespread practice of old suppliers registering a customer as a "new" customer rather than follow the ETCC process. This may be a well-meaning gesture to resolve the customer's ET problem with as little fuss as possible or may be related to selling incentives suppliers offer their staff. Either way, this will undermine the principle behind the ETCC, will distort any monitoring of its implementation and could render the consumer liable to pay the new supplier for a period of usage. energywatch believe that companies need to tighten their procedures and demonstrate that this has been done.

Awareness by some suppliers' call centre staff of the existence and detail of the ETCC is scant or non-existent. Little mention is made of the ETCC to customers when they contact suppliers. One or two supplier customer relations staff have also been unaware of the ETCC. After 8 months, suppliers' staff should be fully briefed and informing consumers of their rights under the ETCC. energywatch see this as a training issue that companies need to reinforce.

As the old supplier, some companies are reluctant to take ownership of the ET problem and are insisting that the consumer contact the gaining supplier. This is contrary to the ETCC provision that gives the consumer the option to approach either party and choose which one they want to manage their problem.

Consumers have reported to energywatch staff that there is little contact between the supplier managing the return beyond the initial contact by the consumer. Consumers complain of not knowing what is happening and what progress is being made. energywatch believe this is an area of the ETCC in which suppliers can make significant improvements. We have also received reports of breakdown or lack of communication between suppliers effecting the return and believe that not enough use is being made of the escalation procedure by suppliers.

Lastly, consumers advise us that very little is being offered or paid by way of compensation to customers who have been erroneously transferred or when the returning process goes wrong. Compensation is usually only paid once energywatch is involved in trying to resolve the consumer's complaint. The level of compensation is also woefully small, on average £15. energywatch regard this as derisory and consider higher and automatic compensation to be very appropriate.

Figure 5: Statement from energywatch on operational experience of the ETCC

5.43 In addition to ET complaint data, energywatch has provided Ofgem with feedback from their regional and national complaint handling staff on the consumer experience of the ETCC as reported to energywatch through consumer contact. The general feedback has been consistent across the 7 complaint handling offices of energywatch and is summarised above in Figure 5.

Supplier Performance and Mitigating Actions

5.44 Due to the tight timescales in the implementation of the ETCC and the fragility of suppliers' processing systems a number of suppliers have experienced problems with operating the ETCC. During the early stages of the ETCC, suppliers who dealt with large numbers of ETs experienced more problems in performing to the ETCC standards, namely BGT and LE. Their issues are documented below:

BGT

5.45 In March 2002 a supplier reported to Ofgem that they were not receiving responses from BGT to ET files sent by that supplier. Examples were provided and sent to BGT for analysis. This exercise enabled BGT to interrogate more fully their processes and databases. The analysis indicated that there were problems with the importing processes associated with their databases and the exporting of responses back to other suppliers. This led to delays in processing files received by BGT from other suppliers. Further investigation showed that additional process controls were required, particularly around batch management, the tracking of the receipt and importing of data, monitoring the ET throughout its lifecycle, and the need for additional management information to provide early warning of exceptions and processing failures.

5.46 BGT wrote to all domestic suppliers informing them of their problems and asked them to help reconcile their database. BGT also warned suppliers that the resolution of backlogs meant that they might experience surges in volumes of ETs being received which could disrupt the management of the ETCC processes. Throughout May 2002 BGT kept suppliers informed of progress on resolution of ET cases for which they were yet to receive a response.

5.47 During May 2002 BGT held a supplier forum to review their problems with other suppliers and to develop solutions. Ofgem were provided with weekly reports from BGT on progress towards the resolution of outstanding backlogs of ETs. By the beginning of June BGT indicated that all ETCC backlogs had been cleared and that they were compliant with the ETCC.

London Electricity

5.48 In April 2002 LE met with Ofgem to discuss the problems they were experiencing in meeting the standards required by the ETCC. An internal re-organisation meant that LE had to recruit and train a large number of new staff members so that the change of supplier process was fully resourced. LE were not using BISCUIT[5] protocols until June 2002 and their ETCC processes were typically manual and time consuming. These factors led to LE creating backlogs of unprocessed ETs both as new and old supplier. During this period it took them 4 weeks on average to send data to the other supplier. This should have been done in either 2 or 8 working days depending on whether LE was the old or new supplier.

5.49 During this period LE provided weekly reports to Ofgem on their progress towards resolution of the backlogs. LE gave provided a timetable for problem resolution. LE stated to Ofgem that their backlogs were cleared by the end of June 2002.

[5] The BISCUIT (Basic Inter Supplier Communication Using Internet Technology) project facilitates communication between domestic gas suppliers in a standard way for processes such as the ETCC where suppliers need to communicate and agree data.

6. Success of ETCC

Key criteria for judging success of ETCC

6.1 Ofgem considers that there are four key criteria against which the ETCC should be judged: These are as follows:

- Have all suppliers adopted the ETCC?
- Have suppliers performed to the ETCC standards?
- Has the ETCC had a positive impact on customers?
- Is the ETCC fit for purpose?

6.2 These criteria are reviewed in this chapter.

Industry acceptance of the ETCC

6.3 *Have all suppliers adopted the ETCC?* All domestic suppliers have declared their commitment to the ETCC and put in place changes to their systems and procedures aimed at supporting its operation. The draft ETCC was published by Ofgem in June 2001. In October 2001 all domestic gas and electricity suppliers gave their support to the ETCC and committed to its implementation. In March 2002 the industry again gave their commitment the ETCC, confirmed that they were complying with it and had implemented supporting processes although some suppliers were experiencing operational problems. During visits made by Ofgem, all domestic gas and electricity suppliers again confirmed their support for this initiative.

Supplier performance against ETCC standards

6.4 *Have suppliers performed to the ETCC standards?* Chapter 3 discusses the performance that suppliers have achieved in operating the ETCC. On the evidence available, Ofgem concludes that this criterion has not been met to an acceptable level. Furthermore, we conclude that suppliers have not made sufficient use of the escalation mechanisms to resolve areas of poor performance. We do consider that there are indicators that supplier performance

is improving but this evidence is not strong enough to conclude that suppliers will achieve the ETCC standards in the near future.

Impact of ETCC on customers

6.5 *Has the ETCC had a positive impact on customers?* Chapter 3 provides a summary of the complaint data received from energywatch. The baseline data describing the levels of customer complaints relating to ETs before the introduction of the ETCC is uncertain and cannot not be used confidently for analysing the success of the ETCC. Complaint data relating to ET's between April and August 2002 shows a decline in the number of complaints. This decline is greater than the decline in other complaints to energywatch.

6.6 Some suppliers have stated that they consider the disciplines of the ETCC have led to better management of customer enquiries and complaints and a reduction in complaints. The standard practices adopted by the industry and in particular the provision of the 5-day and 20-day letters required under the ETCC gives the customer a greater understanding of what is the likely course of events following an ET and what they should do if these events do not occur.

6.7 Ofgem accepts that the evidence does indicate a reduction in complaints, but considers that a longer period is required to make a useful assessment of the impact of the ETCC on customer complaints.

Whether the ETCC is fit for purpose

6.8 *Is the ETCC fit for purpose*? Ofgem concludes that the ETCC sets out requirements that are both practical for suppliers to achieve and meet the reasonable expectations of customers. However, suppliers may choose to adjust some of the supporting requirements (for example the 2–day turnaround times that apply to the old supplier) and the effectiveness of the escalation procedures to be employed where a supplier is not meeting the timescales set out in the supporting requirements (i.e. MAP010 and the DCoP)

6.9 The following chapters consider the options for action and the next steps proposed by Ofgem.

7. Regulatory Options

7.1 Based on the evidence available, Ofgem concludes that suppliers have not yet achieved a sufficient level of performance in respect of the ETCC requirements that customers can rely on in all cases.

Regulatory Options

7.2 Ofgem consider that the standards set out in the ETCC are a reasonable minimum standard and should be adhered to by suppliers. This chapter discusses the options that are available for ensuring that customers can be confident that the ETCC standards will be met.

Option 1: Standards of Performance

7.3 Under section 40 of the Electricity Act and section 33B of the Gas Act, Ofgem could introduce an **overall standard of performance**. Suppliers would be required to seek to meet the requirements of the standard of performance and provide information on their performance to Ofgem. Suppliers would be required to inform customers who had been erroneously transferred of the standard. A failure by a supplier to meet the standard could result in enforcement action by Ofgem including financial penalties. An overall standard of performance would not provide for mandatory compensation to customers.

7.4 Alternatively Ofgem could set a **guaranteed standard of performance** under section 39 of the Electricity Act and section 33A of the Gas Act. In this case the Secretary of State must approve the regulation. A guaranteed standard would require a compensation payment to be made to customers where the requirements of the ETCC are not met, for example, when they do not receive the 5-day or 20-day letter having contacted a supplier or that there has been a delay in registration.

7.5 NACAB recommended in their June 2002 report "The Fuel Picture: CAB clients experience in dealing with fuel suppliers" that customers be compensated where they are not returned quickly to their chosen supplier following an ET. A guaranteed standard of performance could be placed on the contacted supplier so that they compensated customers where they did not secure that they were

transferred back quickly. This would provide incentives on the contacted supplier to make the process work and promptly escalate failures on the part of the other supplier when they did occur.

Option 2: Licence Condition

7.6 Ofgem could propose a modification to the Gas Supply Licence and Electricity Supply Licence Standard Conditions. This modification would require suppliers to comply with the ETCC. It could also require them to set up and adhere to a code of practice that put in place the operational requirements to support compliance with the ETCC. The case for a licence condition enabling the enforcement of ETCC requirements for gas suppliers is strengthened given that the SPAA has yet to be introduced. A change to the supply licence standard conditions would require the consent of licence holders.

7.7 If a supplier breached the conditions of their licence with regard to the ETCC then they would be subject to licence enforcement action. Ofgem would need to consider the facts of the individual licence breach before determining the appropriate action.

Option 3: Self regulation

7.8 In both the gas and electricity markets domestic suppliers have now put in place the supporting requirements that define how data is exchanged between suppliers and the timescales for key processes to support the ETCC.

7.9 In electricity, the MRA principally provides governance for data transactions and operational processes that take place between suppliers and distributors. Electricity suppliers are required by their licence to comply with the MRA. The MRA contains an Agreed Procedure (MAP010) setting out the requirements on suppliers that support the ETCC. The obligations in MAP010 relate chiefly to the definition of data, the timing of the exchange of that data between suppliers and the escalation process when data is not received in the agreed timescales. It does however also refer to the initiating supplier sending the 5 and 20-day customer letters and the old supplier registering the customer promptly.

7.10 In gas, the industry governance arrangements for the ETCC are maintained in the DCoP entitled “The procedure for resolution of gas erroneous transfers”.

Compliance with the DCoP is not a requirement of the supply licence and adherence to the DCoP is voluntary, although all active domestic suppliers have stated that they will comply. The requirements of the DCoP procedure are based closely on MAP010 and also similarly refer to the initiating supplier sending the 5 and 20–day letters and the old supplier registering the customer promptly.

7.11 Therefore, were a supplier to fail to meet the requirements of the ETCC in electricity, there is a means by which enforcement action could be taken. However, in gas there is no such route. Potentially, the SPAA would offer a means for introducing enforceable industry processes to support the ETCC in gas. Neither the electricity nor gas governance arrangements currently enable schemes of compensation to be paid to customers who have not had their ET resolved within the ETCC timescales.

8. Conclusion and next steps

8.1 Ofgem proposes to undertake a second review of suppliers' performance against the ETCC in September 2003.

8.2 Ofgem expects suppliers to be operating in full compliance with the ETCC and supporting requirements as defined in the relevant industry documentation. Where these standards are not being met suppliers should be implementing the escalation procedures in all cases.

8.3 In addition, to ensure that customers have an adequate level of protection where suppliers fail to meet the requirements of the ETCC, Ofgem expects suppliers by April 2003 to develop and implement coherent and visible arrangements for paying compensation to customers where their ET has not been resolved within the standards defined in the ETCC.

8.4 Previously, Ofgem has resisted the introduction of a standard of performance where a customer has been erroneously transferred as there are a number of root causes for ETs, not all of which are attributable to the new supplier. This is not the case with the ETCC. The responsibilities of each supplier are clearly identified and agreed escalation routes are available where one party fails to perform. Customers who have been erroneously transferred should have the problem resolved quickly, reliably and with the least fuss. Where this fails to happen there is the potential for considerable inconvenience and distress to be caused to customers. In such cases, Ofgem considers that suppliers should pay appropriate compensation to customers on the basis that they have committed to, but failed to deliver, the standards set by the ETCC.

8.5 Compensation arrangements should, in particular, provide for payments to be made to customers:

- In all instances where the 20-day letter has not been sent to the customer on time;
- In all instances where registration is delayed more that 10 working days following the ET being confirmed.

The level of compensation should reflect the length of the delay beyond the ETCC timescales and the inconvenience experienced by the customer.

8.6 Ofgem consider that suppliers have appropriate arrangements to enable them to work together to achieve compliance with the ETCC and expect that by September 2003 they would be able to clearly demonstrate that they are performing to the ETCC standards and that customer complaints have substantially fallen.

8.7 If the September 2003 review concluded that, either the standards set out under the ETCC were not being met or that suppliers had not put in place a satisfactory voluntary scheme for compensating customers then Ofgem would propose the introduction of a guaranteed standard of performance under both the Gas and Electricity Acts. This standard of performance would be based on the requirements of the ETCC and require a compensation payment to be made to a customer in cases where the ETCC standards had not been met. A guaranteed standard of performance would need the approval of the Secretary of State.

8.8 In addition, Ofgem will consider whether there was a case for a modification to the standard licence conditions of suppliers' licences requiring adherence to the ETCC.

8.9 Ofgem will continue to monitor industry performance leading up to the next review and will work with the industry to further develop the ETCC and supporting requirements.

Appendix 1 ET Root Causes

1.1 The following table sets out the four Recorded Reasons for an Erroneous Transfer, as defined by the Erroneous Transfer Working Group, together with a definition and typical business scenario for each.

Recorded Reason for ET	Definition	Typical Business Scenarios
Forgery – PROVEN	Where an ET is proven to be a result of the fraudulent marketing practices, by the gaining Supplier or its salesmen / agents	• Forgery of contract • Customer deceased prior to signing
Incorrect MPRN / MPAN Selected	Where an ET is recorded in circumstances where the customer being transferred has been incorrectly identified	• A house is split into a number of flats where the MPRN / MPAN for the wrong flat is selected. • Customer provided incorrect data • Wrong number keyed in • New estates where plots are converted to postal addresses
Cancelled contract not actioned	Where an ET is recorded because the gaining supplier failed to act upon the cancellation of the contract by the customer	• Clerical Error • If internal systems prove that the customer had previously contacted the supplier
Suspected misleading information fraudulent practice and / or training issues	Where an ET is recorded due the provision of misleading information by the gaining supplier or its salesmen/agents	• Customer's daughter phones up to say that her father is old and senile and did not know what he was doing in signing a contract • Customer says that the agent was very aggressive and the customer feared that not signing the contract could have repercussions • Customer has found out that savings quoted by the rep were not accurate and they do not want to proceed • Customer says that the rep said the contract was for more information. • Came to read meter and asked to sign contract
Other	Where the ET process is used by Suppliers to correct a technical problem whilst at the same time enhancing customer service.	• The customer has an unsupported meter • Related MPAN

Appendix 2 ETCC Performance – Customer ET returns initiated on 1st and 2nd July 2002

2.1 On 27 August 2002 Ofgem wrote to all domestic gas and electricity suppliers requesting supplementary information to the existing monthly reports to help better understand the performance of suppliers.

2.2 One of the items of data requested was:

- Details of all Erroneous Transfers initiated by the supplier on the 1st and 2nd July 2002 including where the supplier has lost the customer or gained the customer. Where this totalled fewer than 30 ETs then the supplier was to work forward until this figure was reached or until the 19th July 2002.

2.3 This Appendix sets out a detailed analysis of the information received. In total Ofgem received 14 responses from licensed suppliers. Many suppliers found it difficult to provide an entirely complete data set.

Data sample

2.4 On 1st and 2nd July suppliers reported that 992 ETs were initiated in the electricity market, 797 by the new supplier and 195 by the old supplier. In the gas market 862 ETs were initiated, 759 by the new supplier and 103 by the old supplier.

2.5 Throughout this analysis, calculations have been made based on calendar days, rather than working days. The timeframes used to indicate compliance with the ETCC have therefore been adjusted to allow for this.

Initial Customer Contact

2.6 A key principle of the ETCC is that the customer can contact either supplier and they will initiate the ET return process.

2.7 Most ETs are initiated following contact between the customer and the new supplier, which is the supplier who made the ET. Some suppliers are more willing to offer the customer a one-stop shop service in cases where they are the old supplier. Other suppliers consider that the customer should be notified that

resolution of the ET may be quicker if they contact the new supplier directly so that they can better understand why the customer believes that they have been erroneously transferred. However, in 16.1% of cases the old supplier has proactively initiated the ET return process following contact with the customer.

2.8 In 33 cases in the data sample the customer had indicated that they did not want any direct contact with the new supplier. In such instances the old supplier has managed the contact with the new supplier on the customers behalf.

The 5-day letter

2.9 The ETCC requires that customers are provided with specified information during their initial contact. This information should be confirmed to the customer in writing within 5 working days (the 5-day letter).

2.10 In the vast majority of cases suppliers sent the 5-day letter within the timescales set out under the ETCC (5 to 7 calendar days). Where the customer contacted the old supplier then the 5-day letter was sent out in accordance with the ETCC timescales in 93.8% of cases in electricity and 99% of cases in gas. Where the new supplier had been contacted then suppliers were less timely in sending the letter however it was sent within the required time frame in 92.4% of cases in electricity and 91.8% in gas.

2.11 Two suppliers had difficulty in providing sufficient data on when the 5-day letter was sent when contacted as the new supplier in both electricity and gas. Nearly all of the 58 cases in electricity and 172 cases in gas where data was insufficient to determine whether a letter was sent in the correct timescale were provided by these companies.

2.12 London Electricity, in particular, have experienced problems in sending the 5-days letter within the required time. The data provided by London Electricity for both electricity and gas makes up the vast majority of cases where the 5-day letter was not sent within 10 calendar days. In 26 cases where London Electricity initiated the process as the new supplier, the 5-day letter was not sent at all.

2.13 In 22 cases (17 of which related to London Electricity) suppliers reported that the 5-day letter was sent before the customer contact. This casts doubt on some

suppliers' ability to record accurately the key days associated with the operation of the ETCC.

2.14 A summary of the data provided regarding the 5-day letter is provided in Figure 6 below.

	Where old supplier initiated process				Where new supplier initiated process			
	Electricity	%	Gas	%	Electricity	%	Gas	%
Cases where letter not sent	0	0.0%	0	0.0%	25	3.4%	2	0.3%
Cases where letter sent in (calendar days):								
Less than 0 days	2	1.0%	0	0.0%	12	1.6%	8	1.4%
0 to 7 days	183	93.8%	101	99.0%	683	92.4%	539	91.8%
8 to 10 days	5	2.6%	0	0.0%	5	0.7%	8	1.4%
11 to 15 days	0	0.0%	0	0.0%	1	0.1%	3	0.5%
16 to 20 days	1	0.5%	0	0.0%	1	0.1%	2	0.3%
21 to 30 days	4	2.1%	1	1.0%	3	0.4%	3	0.5%
31 to 40 days	0	0.0%	0	0.0%	9	1.2%	20	3.4%
41 to 50 days	0	0.0%	0	0.0%	0	0.0%	1	0.2%
More then 50 days	0	0.0%	0	0.0%	0	0.0%	1	0.2%
Cases where insufficient data was provided	0		1		58		172	
TOTAL	**195**		**103**		**797**		**759**	

* the percentages given relate only to cases where sufficient data was received.

Figure 6: Time taken to send 5-day letter

Initiating the ET Return Process

2.15 Where the new supplier has received an initial customer contact then they will investigate the customer's claim. Where they believe that an ET has taken place then they should send a message to the old supplier asking them to take the customer back within 8 working days of the customer's contact.

2.16 Figure 7 shows the performance of new suppliers in sending the initial request. In the electricity market suppliers made this request within the agreed timescale (10 calendar days) in 93.6% of cases. The initial request was sent in all cases in the sample data.

2.17 In the gas market performance was less good with the new supplier initiating the ET within the agreed timescale in 74.3% of cases. A significant proportion of cases (22%) took between 10 and 30 calendar days to initiate with the old supplier although, again in all cases the request has been sent.

2.18 In 30 cases, Atlantic Electric and Gas was unable to provide sufficient data to show when the initial request was sent as the new gas supplier.

	Where new supplier initiated process			
	Electricity	**%**	**Gas**	**%**
Cases where initial request not sent	0	0.0%	0	0.0%
Cases where initial request sent in (calendar days):				
Less than 0 days	5	0.6%	4	0.5%
0 to 10 days	745	93.6%	542	74.3%
11 to 15 days	17	2.1%	50	6.9%
16 to 20 days	14	1.8%	66	9.1%
21 to 30 days	12	1.5%	44	6.0%
31 to 40 days	2	0.3%	4	0.5%
41 to 50 days	1	0.1%	3	0.4%
More then 50 days	0	0.0%	16	2.2%
Cases where insufficient data was provided	1		30	
TOTAL	**797**		**759**	

Figure 7: Time taken for New Supplier to send initial request

2.19 Where the old supplier has received an initial contact from the customer then they will pass this information to the new supplier so that they can consider the customer's claim. The industry agreed that the old supplier should make this initial request within 2 working days of the customer's contact. This information is shown in Figure 8.

2.20 Suppliers reported difficulties in meeting the 2 day timescale. In only 18.5% of cases did electricity supplier meet this target whilst 34% of gas cases were initiated within 2 days. A significant number of ET returns were initiated a few days after the set timescale. In 91.3% of electricity cases and 87.4% of gas cases the ET return process was initiated within 5 calendar days of the customer's initial request.

	Where old supplier initiated process			
	Electricity	%	Gas	%
Cases where initial request not sent	0	0.0%	0	0.0%
Cases where initial request sent in (calendar days):				
Less than 0 days	1	0.5%	0	0.0%
0 to 2 days	36	18.5%	35	34.0%
3 to 5 days	142	72.8%	55	53.4%
6 to 10 days	8	4.1%	9	8.7%
11 to 15 days	1	0.5%	3	2.9%
16 to 20 days	2	1.0%	1	1.0%
21 to 30 days	4	2.1%	0	0.0%
31 to 40 days	1	0.5%	0	0.0%
41 to 50 days	0	0.0%	0	0.0%
More then 50 days	0	0.0%	0	0.0%
Cases where insufficient data was provided	0		0	
TOTAL	**195**		**103**	

Figure 8: Time taken for Old Supplier to send initial request

Response to Initial Request

2.21 Once the new supplier has sent the initial request to the old supplier they have 2 working days to respond to this request and confirm that they will or will not take the customer back. In some cases it is necessary for the old supplier to reject the request, for example, where they were not the customer's previous supplier.

2.22 Suppliers report significant difficulties in getting responses from the old supplier within the agreed 2 day timescale. Figure 9 shows that in the electricity market only 39% of cases were responded to within 5 calendar days, 7.7% of responses took more than 50 calendar days and 18.4% of cases were yet to receive a response. In gas 28.2% of cases were responded to within 5 calendar days and 22.1% of cases were yet to receive a response at the point where the data was submitted to Ofgem. In total, for the whole data sample, over 20.2% of cases did not receive a response from the old supplier. The data indicates that a variety of suppliers were responsible for this poor performance.

	Where new supplier initiated process			
	Electricity	**%**	**Gas**	**%**
Cases where response not received	127	18.4%	139	22.2%
Cases where response received in (calendar days):				
Less than 0 days	1	0.1%	43	6.9%
0 to 2 days	159	23.0%	77	12.3%
3 to 5 days	110	15.9%	100	15.9%
6 to 10 days	112	16.2%	98	15.6%
11 to 15 days	45	6.5%	21	3.3%
16 to 20 days	9	1.3%	13	2.1%
21 to 30 days	39	5.7%	110	17.5%
31 to 40 days	18	2.6%	10	1.6%
41 to 50 days	17	2.5%	11	1.8%
More then 50 days	53	7.7%	5	0.8%
Cases where insufficient data was provided	107		132	
TOTAL	**797**		**759**	

Figure 9: Time taken for New Supplier to receive response to initial request

2.23 Once the new supplier has received an initial request from the old supplier to investigate a suspected ET then they have 8 working days to make the investigation and request the old supplier to take the customer back or state that the transfer was not erroneous.

2.24 Figure 10 shows that in only 63.5% of electricity cases and 26.2% of gas cases the 8 day timescale was met. Responses have not been received in 4.7% of electricity cases and 32.8% of gas cases.

2.25 In a large number of cases, suppliers (whether initiating the process as the old or new supplier) were not able to provide sufficient data on when a response was received to their initial request. Four suppliers accounted for the vast majority of these cases.

	Where old supplier initiated process			
	Electricity	%	Gas	%
Cases where response not received	9	4.7%	21	32.8%
Cases where response received in (calendar days):				
Less than 0 days	1	0.5%	0	0.0%
0 to 10 days	122	63.5%	17	26.6%
11 to 15 days	12	6.3%	5	7.8%
16 to 20 days	4	2.1%	4	6.3%
21 to 30 days	12	6.3%	9	14.1%
31 to 40 days	6	3.1%	3	4.7%
41 to 50 days	23	12.0%	2	3.1%
More then 50 days	3	1.6%	3	4.7%
Cases where insufficient data was provided	3		39	
TOTAL	**195**		**103**	

Figure 10: Time taken for Old Supplier to receive response to initial request

2.26 It is of concern that, in a large number of cases, both the old and new supplier were not responding to a response to the initial request in a timely manner or even at all.

The 20-day letter

2.27 The ETCC requires that customers be provided with written confirmation from the supplier within 20 working days of that initial contact (the 20-day letter). This letter informs the customer that agreement has been reached between suppliers that there has been an ET and that the customer will be returned to their old supplier.

2.28 The letter should be sent by the supplier with whom the initial customer contact was made. It should only be sent once they have received a response from the other supplier agreeing that an ET took place (response from new supplier only) or confirming that they will take back the customer (response from old supplier only). Problems in reaching agreement between suppliers and /or the processing of data flows will delay the sending of the 20-day letter.

2.29 Figure 11 shows that in electricity the 20-day letter was sent out in the ETCC timescale (approximately 30 calendar days) in 73.4% of cases by the old supplier and 44.8% of cases by the new supplier. In the gas market the old

supplier sent out the 20-day letter within the agreed timescales in 57% of cases and the new supplier managed a performance of 34.9%.

2.30 Of considerable concern is the number of cases where a 20-day letter has not been sent. A significant proportion of these result from the approach taken by BGT and Powergen who sought to combine the 5-day letter and 20-day letter. BGT issued a combined letter on the basis that they could get confirmation that the customer would be returned to their previous supplier within 5 days of the initial customer contact. Analysis of the data from BGT indicates that in the vast majority of cases a response had not been received from the old supplier by the time that the combined 5-day and 20 letter had been sent. Powergen sent the combined letter on the assumption that the old supplier would take the customer back. In the event that the ET request was refused Powergen intended to contact the customer to explain the next steps. However, this did not occur in practice and Powergen did not issue follow up letters. Industry-wide data indicated that the 20-day letter was not sent in 39.5% of cases. Of the cases where a letter was not sent, 68% related to the actions of the companies described above.

2.31 Delays in the 20-day letter being sent could result from either delays in reaching agreement between both suppliers or, once agreement has been reached, delays in sending the letter. Further analysis reveals that in a significant number of cases suppliers are taking too long to send the letter once they have reached agreement with the other supplier. In only 19% of cases was the 20-day letter sent within 10 calendar days of agreement being reached between both suppliers.

2.32 A number of suppliers were unable to provide sufficient data in a large proportion of cases, particularly in gas. Where the new supplier is initiating the process, there were 172 cases where the data provided was insufficient, the vast majority of which was provided by two suppliers.

	Where old supplier initiated process				Where new supplier initiated process			
	Electricity	%	Gas	%	Electricity	%	Gas	%
Cases where 20 day letter not sent	12	6.3%	20	23.3%	376	50.7%	226	38.5%
Cases where 20 day letter sent in (calendar days):								
Less than 0 days	1	0.5%	0	0.0%	0	0.0%	1	0.2%
30 days or less	141	73.4%	49	57.0%	332	44.8%	205	34.9%
31 to 40 days	11	5.7%	8	9.3%	16	2.2%	122	20.8%
41 to 50 days	5	2.6%	3	3.5%	2	0.3%	11	1.9%
51 to 60 days	19	9.9%	3	3.5%	14	1.9%	21	3.6%
61 to 70 days	3	1.6%	3	3.5%	1	0.1%	1	0.2%
71 to 80 days	0	0.0%	0	0.0%	0	0.0%	0	0.0%
81 to 90 days	0	0.0%	0	0.0%	0	0.0%	0	0.0%
91 to 100 days	0	0.0%	0	0.0%	0	0.0%	0	0.0%
More than 100 days	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Cases where insufficient data was provided	3		17		56		172	
TOTAL	**195**		**103**		**797**		**759**	

Figure 11: Time taken to send 20-day letter

Returning the Customer to their Previous Supplier

2.33 Once agreement has been reached between the two suppliers that the customer has been erroneously transferred and the customer should be returned to their old supplier then the old supplier must initiate the customer transfer process. To do this the old supplier will register the transfer request. Following registration it takes a minimum of 15 working days for a gas customer to transfer. In electricity the process takes a minimum of 1 working day although it typically takes more than 20 days.

2.34 Figure 12 shows that in electricity 83% of customers were reregistered within 50 calendar days where they had initially contacted the old supplier and 68.9% were registered in 50 calendar days where they made their initial contact with the new supplier. In gas, 75% of customers who initially contacted the old supplier and 76.7% of customers who initially contacted the new supplier had been registered within 50 calendar days.

2.35 For a large number of customers, registration took place a significant time after the customer's initial contact. 223 customers (14.3%) from the total sample data had yet to be registered. Where the customer made their initial contact with

their new electricity supplier then 20.6% of cases had not resulted in registration.

	Where old supplier initiated process				Where new supplier initiated process			
	Electricity	**%**	**Gas**	**%**	**Electricity**	**%**	**Gas**	**%**
Cases where registration not made	5	3.1%	5	6.9%	147	20.6%	66	10.7%
Cases where registration made in (calendar days):								
Less than 0 days	4	2.5%	1	1.4%	28	3.9%	32	5.2%
30 days or less	83	52.2%	18	25.0%	378	52.9%	396	64.0%
31 to 40 days	42	26.4%	22	30.6%	66	9.2%	54	8.7%
41 to 50 days	7	4.4%	14	19.4%	48	6.7%	25	4.0%
More then 50 days	18	11.3%	12	16.7%	47	6.6%	46	7.4%
Cases where insufficient data was provided	36		31		83		140	
TOTAL	**195**		**103**		**797**		**759**	

Figure 12: Time taken for registration to be made following initial customer contact

2.36 Figure 13 shows a summary of the time taken for the customer to be registered following agreement between the two suppliers.

2.37 In 23.4% of cases, registration was not made within the 10 working days (15 calendar days) required by the ETCC supporting arrangements. The delay in registration was found to be longer in electricity than in gas.

2.38 In 27.9% of cases, registration was made either before a response had been received from the other supplier or where a response was not received at all. This suggests that suppliers are not using the ETCC protocols in some cases and are transferring the customer back as a new acquisition.

	Where old supplier initiated process				Where new supplier initiated process			
	Electricity	**%**	**Gas**	**%**	**Electricity**	**%**	**Gas**	**%**
Cases where registration not made	4	2.5%	5	6.9%	147	20.6%	66	10.7%
Cases where registration made in (calendar days):								
Less than 0 days	13	8.2%	6	8.3%	130	18.2%	165	26.7%
0 to 5 days	32	20.1%	5	6.9%	83	11.6%	100	16.2%
6 to 10 days	45	28.3%	12	16.7%	55	7.7%	38	6.1%
11 to 15 days	8	5.0%	5	6.9%	31	4.3%	18	2.9%
16 to 20 days	27	17.0%	2	2.8%	51	7.1%	27	4.4%
21 to 30 days	16	10.1%	6	8.3%	42	5.9%	46	7.4%
31 to 40 days	3	1.9%	0	0.0%	20	2.8%	12	1.9%
41 to 50 days	3	1.9%	1	1.4%	12	1.7%	5	0.8%
More then 50 days	4	2.5%	0	0.0%	15	2.1%	12	1.9%
Registration made but no information on whether other supplier responded to Initial Request	1	0.6%	25	34.7%	52	7.3%	91	14.7%
Registration made without other supplier responding to Initial Request	3	1.9%	5	6.9%	76	10.6%	39	6.3%
Cases where insufficient data provided to determine if registration made	36		31		83		140	
TOTAL	**195**		**103**		**797**		**759**	

Figure 13: Time taken for registration to be made following response from other supplier

2.39 Figure 14 indicates that the majority of customers (67.6%) were transferred back to their previous supplier within 50 days of the initial contact by the customer. However, it is a concern that in 14.3% of cases it took more than 50 days to transfer the customer back and that in 15.9% of cases, the customer was yet to transfer.

	Where old supplier initiated process				Where new supplier initiated process			
	Electricity	**%**	**Gas**	**%**	**Electricity**	**%**	**Gas**	**%**
Cases where transfer not made	5	2.7%	6	7.9%	175	24.7%	75	11.2%
Cases where transfer made in (calendar days):								
Less than 0 days	1	0.5%	1	1.3%	17	2.4%	17	2.5%
30 days or less	66	35.7%	5	6.6%	243	34.3%	167	24.9%
31 to 40 days	61	33.0%	11	14.5%	107	15.1%	209	31.1%
41 to 50 days	12	6.5%	25	32.9%	95	13.4%	108	16.1%
51 to 60 days	12	6.5%	7	9.2%	35	4.9%	36	5.4%
61 to 70 days	13	7.0%	9	11.8%	20	2.8%	26	3.9%
71 to 80 days	13	7.0%	4	5.3%	13	1.8%	10	1.5%
81 to 90 days	2	1.1%	2	2.6%	2	0.3%	11	1.6%
91 to 100 days	0	0.0%	5	6.6%	1	0.1%	1	0.1%
More than 100 days	0	0.0%	1	1.3%	1	0.1%	11	1.6%
Cases where insufficient data was provided	10		27		88		88	
TOTAL	**195**		**103**		**797**		**759**	

Figure 14: Time taken to transfer customer back after initial customer contact

Appendix 3 ETCC Performance – Analysis of Customer Return Timescales

3.1 On 22nd August 2002 Ofgem wrote to all domestic gas and electricity suppliers requesting supplementary information to the existing monthly reports to help us better understand the performance of suppliers.

3.2 One of the items of data requested was:

- A report detailing the length of time it has taken the supplier to re-register ETs notified to them either by the customer or the new supplier during the period 17th June to 28th June 2002.

3.3 This appendix provides an analysis of the data provided by suppliers.

3.4 Where it is confirmed that an ET has taken place the ETCC requires that customers are sent written confirmation that they will return to their previous supplier not more than 20 working days after their initial contact. This does not necessarily mean that the transfer has been completed or even that a date has been set for the customer to be returned. However the letter does require that the supplier who sends this customer correspondence is confident that both suppliers have agreed that an ET has taken place and have communicated to each other that the customer will be returned.

3.5 Figure 15 sets out the industry performance in registering the customer after their initial contact. The information is provided from the perspective of the old supplier (who needs to perform the registration) and is split out between gas and electricity suppliers and between cases where the customer contacted the new supplier first and this information was passed on to the old supplier and cases where the customer's initial contact was with the old supplier.

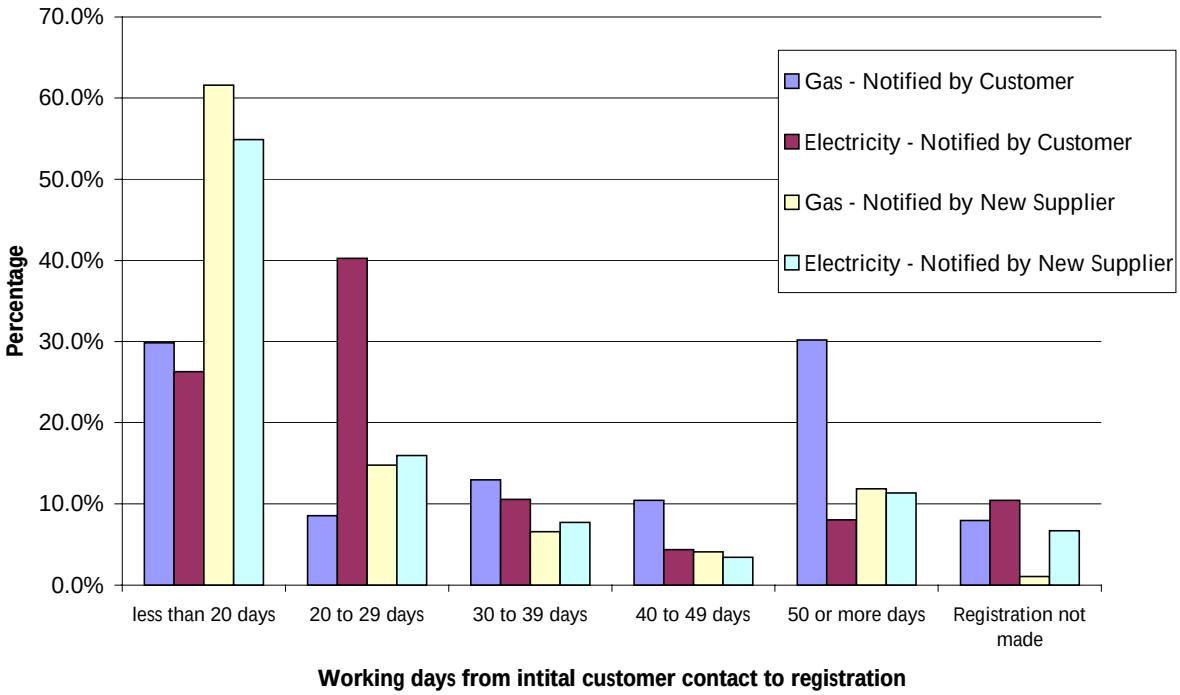

Figure 15: Time from initial customer contact to registration by Old Supplier

3.6 In total, 13,609 ETs were identified between the 17th and 28th June 2002. Of these 4,899 were in the gas market and 8,710 related to electricity. In addition, of the total number of ETs identified, 3,232 had been notified to the old supplier by the customer and 10,377 had been notified to the new supplier by the customer. Over this same period suppliers indicated that approximately 150,000 gas transfers and 210,000 electricity transfers took place.

3.7 Figure 15 shows the variation in time taken to register the customer depending on whether it is an electricity or gas ET and whether the customer's initial contact is with the old or new supplier.

3.8 A key feature of the ETCC is that the customer should be able to contact either supplier and that supplier should be able initiate the ETCC process. The ETCC indicates that registration should be made within 6 weeks of the customer's initial contact.

3.9 Where the customer contacts the new supplier first it appears that a significant proportion of customers are having their transfer initiated quickly. In 76% of gas cases and 71% of electricity cases where the customer contacts the new supplier the customer's transfer was initiated within 6 weeks.

3.10 Where the customer contacts the old supplier then 68% of customers are re-registered within 6 weeks in the electricity market but in the gas market this figure is significantly lower at 38%. 30% of gas customers who contact their old supplier initially have to wait for greater than 50 working days for their return transfer to be initiated.

3.11 The data provided indicates that 7 suppliers actively take on the customer's ET request as the old supplier. 4 other suppliers indicated that they took on the customer's request as the old supplier to a limited extent and 2 suppliers said that they only took on the customer's request when the customer was adamant that they did not want to contact the new supplier. Both suppliers said that they had not initiated any ETs as the old supplier during the sample period.

Appendix 4 ETCC Performance – Analysis of supplier monthly reports

4.1 Following the introduction of the ETCC suppliers have provided Ofgem with monthly statistics on their performance against the key ETCC criteria. This Appendix provides an analysis of this data.

4.2 Data is shown for the months between March and August 2002. The quality of responses has improved throughout this period as suppliers have better understood the requirements to effectively monitor their performance under the ETCC.

ET Rate

4.3 Figure 16 shows the gas and electricity ET rate from August 2001 to August 2002. The ET rate compares the number of ETs in a month with the number of transfers that occur in that month.

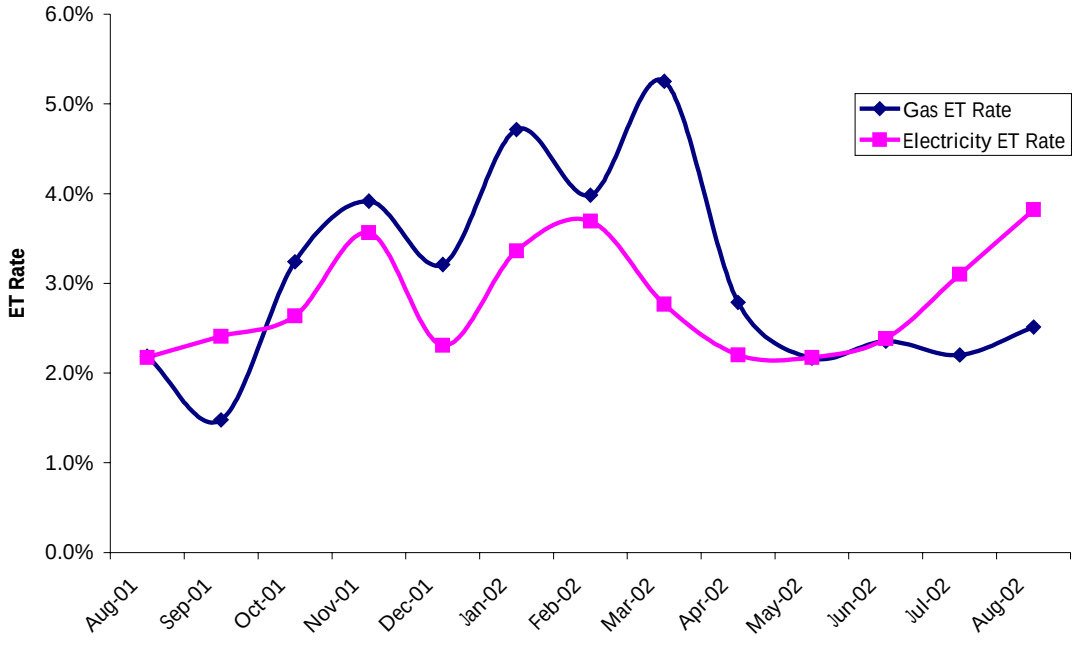

Figure 16: ET Rate in the Gas and Electricity Market

4.4 The gas ET rate climbed from September 2001 to 5.3% in March 2002. The ET rate fell in April 2002 and again in May 2002 to 2.2% of transfers. Since then it has increased slightly to 2.5% in August 2002.

4.5 From a peak of 3.7% in February 2002 the electricity ET rate fell in March and again in April to 2.2%. Since then the ET rate has increased. In August the ET rate was at its highest point over the last year at 3.9%. It should however be noted that London Electricity experienced particular problems over this period. Excluding the data for this company reveals an underlying ET rate in August 2002 of 2.5%. London Electricity has provided Ofgem with assurances that their ET rate will decline from September 2002 onwards.

4.6 Figure 17 shows the ET rate for gas and electricity suppliers in August 2002. This graph shows that there is a significant difference in reported ETs between suppliers. This is likely to result from operational and marketing differences. In some cases the ET rate is distorted by a low level of transfers in that month.

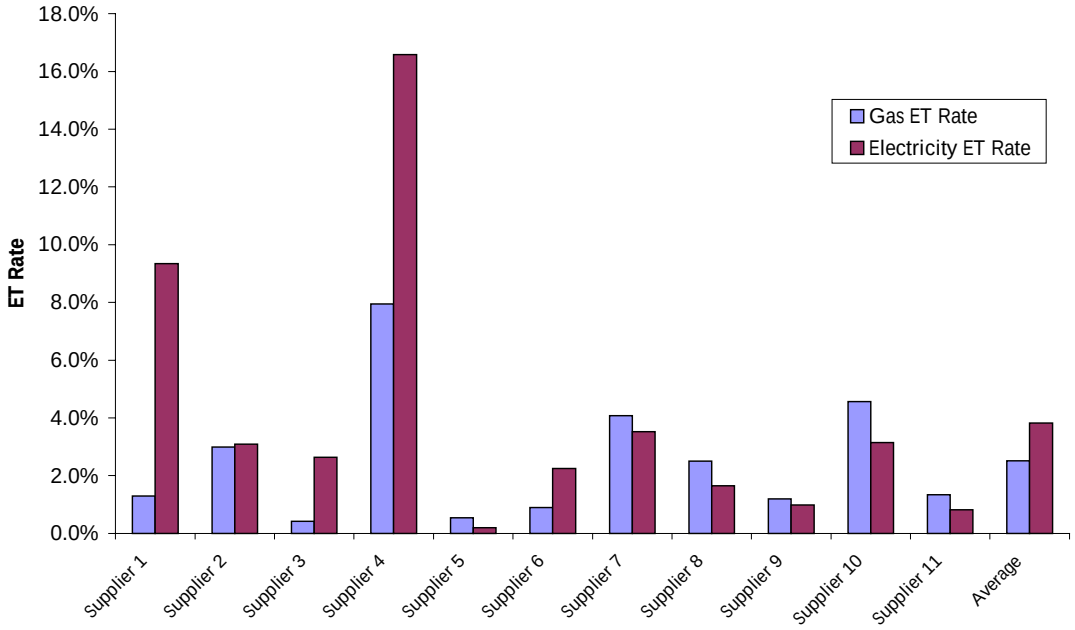

Figure 17: ET Rate for Gas and Electricity Suppliers in August 2002

ET Root Cause Analysis

4.7 Figure 18 shows a summary of the root causes for ETs made by gas suppliers from March to August 2002. The categories are reasonably consistent over the period. The largest cause of ETs in the gas market is misselling at nearly 50%.

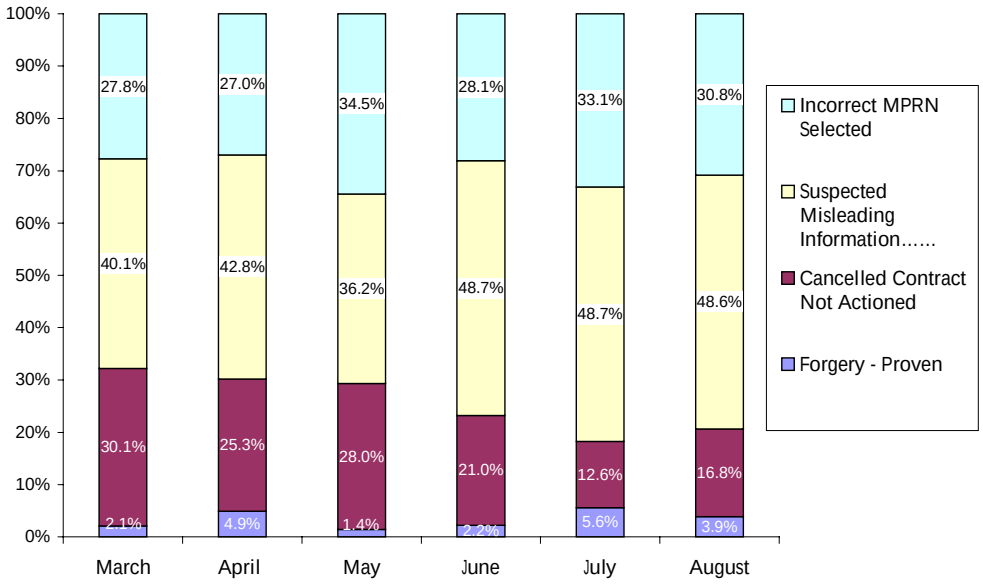

Figure 18: Root Cause of Gas ETs

4.8 Figure 19 shows a summary of the root causes for ETs made by electricity suppliers from March to August 2002. Again the categorisation is relatively consistent over time with the marketing issues associated with "Suspected Misleading Information" and "Forgery – Proven" reported as the cause of more than half of all ETs.

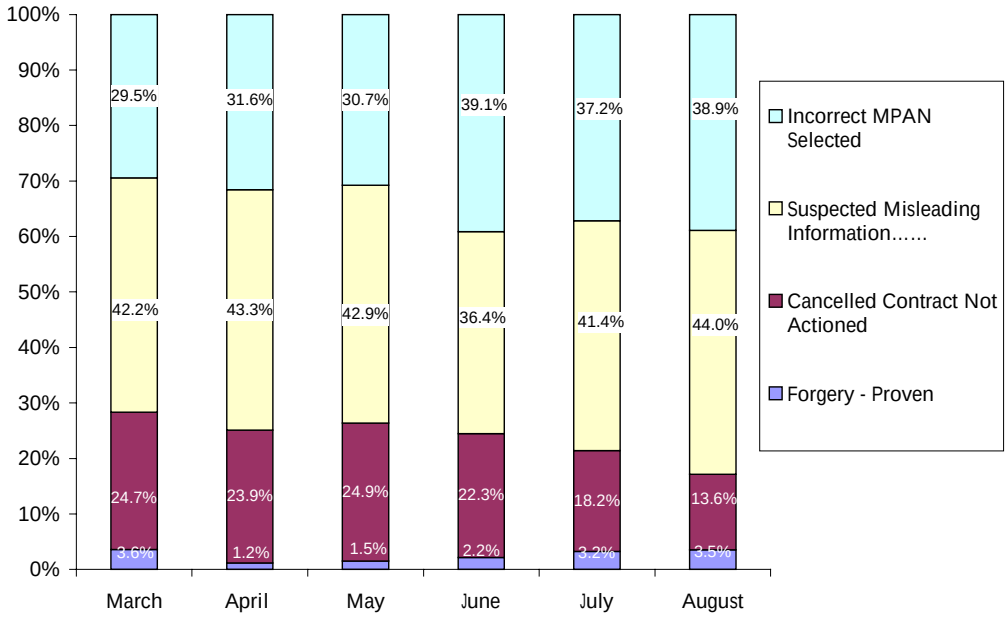

Figure 19: Root Cause of Electricity ETs

Customer Contact With Suppliers

4.9 Figure 20 shows the percentage of cases where the ET return process is initiated by either the old supplier or the new supplier following contact from the customer since the start of the ETCC.

4.10 Prior to the implementation of the ETCC customers contacted the new supplier directly to ask them to resolve the problem. This continues to be the dominant route through which customers initiate the process. In only 9.6% of gas cases and 15.3% of electricity cases did the old supplier initiated the process to resolve the ET on behalf of the customer. However, this has increased from 4.2% in gas and 12.8% for electricity for the months of March and April.

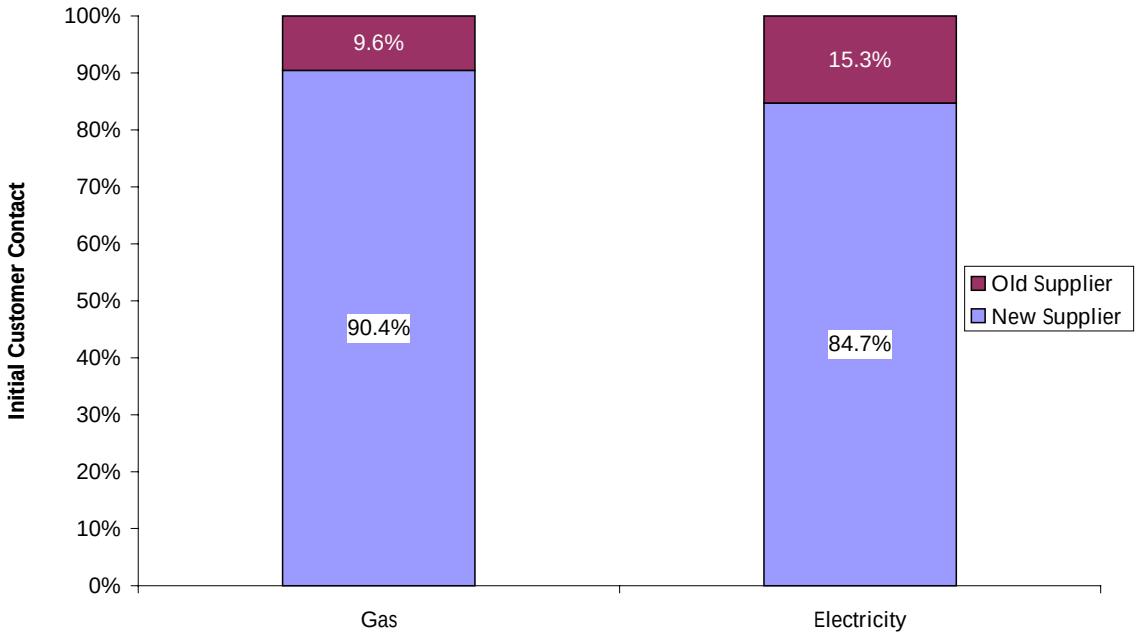

Figure 20: Initial Customer Contact - March 2002 to August 2002

4.11 There is a significant difference between the information reported by suppliers. Some suppliers are more willing to offer the customer a one-stop shop service in all cases where they are the old supplier. Other suppliers consider that the customer should be notified that resolution of the ET may be quicker if they contacted the new supplier directly so that they can better understand why the customer believes that they have been erroneously transferred.

5-Day and 20-Day ETCC Letters

4.12 In the vast majority of cases suppliers send the 5-day letter to the customer within the agreed timescale in both the electricity and gas market. Performance has improved since the ETCC was fully implemented. Figure 21 shows that the percentage of cases where the 5-day letter has not been sent in the agreed timescale has dropped from over 10% during March and April to 3.5% in August. This is comparable with the detailed data provided by suppliers shown in Appendix 2.

4.13 Suppliers have reported that performance in sending the 20-day letter within an acceptable timescale has improved significantly since the start of the charter. The performance in sending the 20-day letter suggests that it is possible for suppliers to have agreed that an ET has taken place and the customer should be returned to their previous supplier within an acceptable timescale. However, as noted in Appendix 2, Ofgem are concerned that some suppliers are sending a combined 5-Day and 20-Day letter in cases which do not meet the requirements of the 20-Day letter

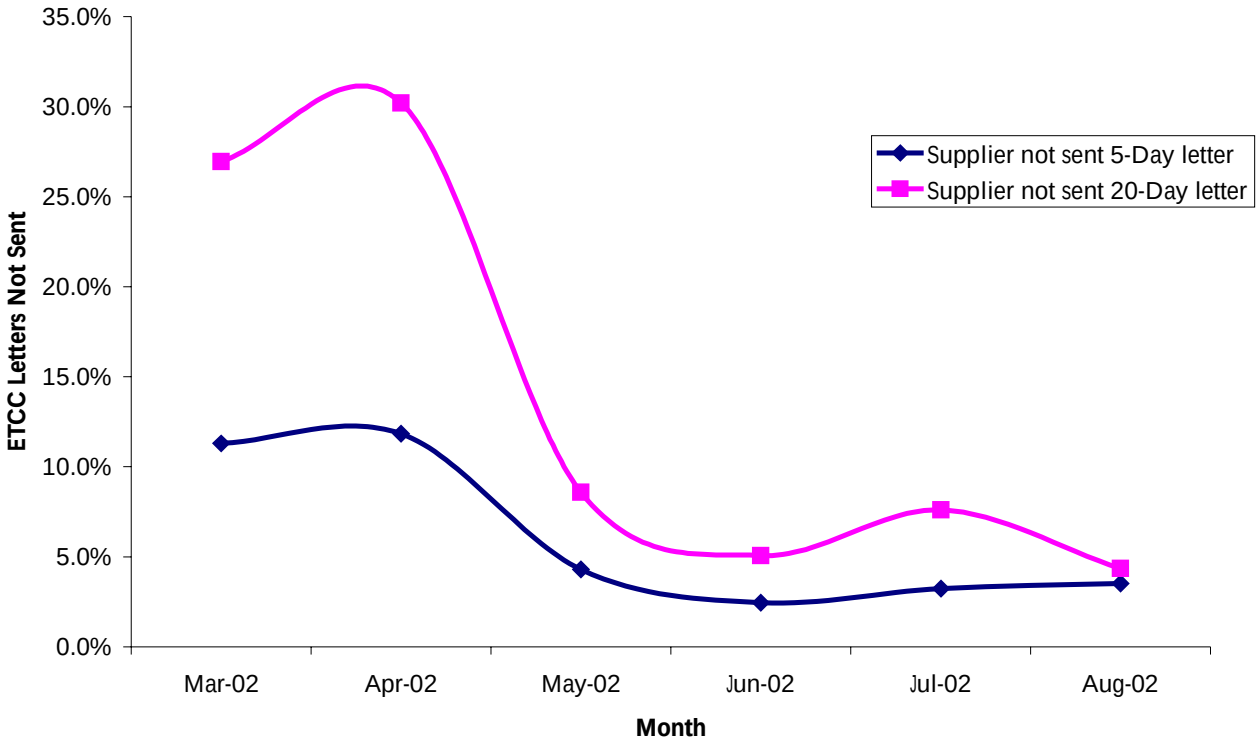

Figure 21: ETCC 5-day and 20-day Letters

Initiating the ET Return Process

4.14 Suppliers provided information on their performance in sending the initial request to the other supplier following contact from a customer. Figure 22 summarises supplier performance between March and August 2002.

4.15 Where the customer contacts the new supplier, it is reported that in around 15% to 20% of cases the ET return process is not initiated within the required 8 working days. This trend has remained fairly constant over time.

4.16 Where the customer has contacted the old supplier then it appears that they have significant difficulty in initiating that request within the 2 working day timeframe. This is echoed by the evidence presented in Appendix 2. The old supplier appears to have improved performance during May and June. However since then performance has deteriorated. In August suppliers reported that 47.6% of cases were not initiated by the old supplier in the required timescale.

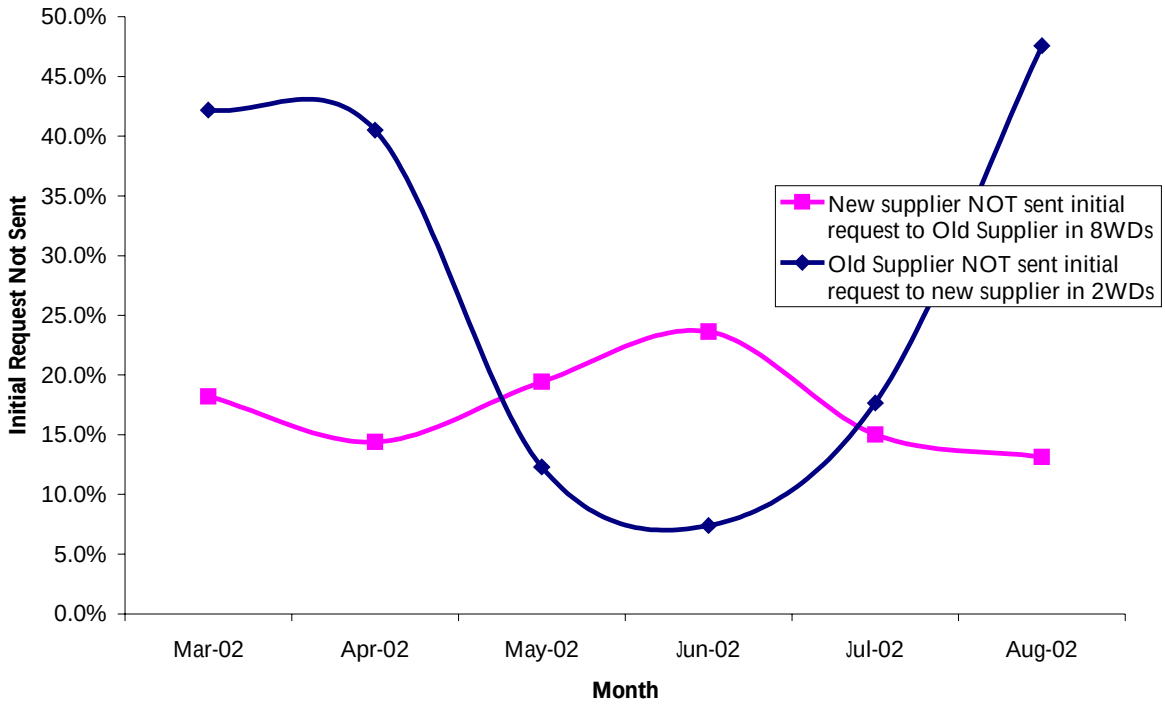

Figure 22: Initiating the Customer ET Return Process within the agreed timescale

Responding to the Initial Request

4.17 Figure 23 shows that there appears to be significant problems with suppliers responding to the other supplier's initial request within the agreed timescale.

4.18 A significant improvement has been made in the performance of the new supplier in responding to the old supplier within the 8 working day timescale. However performance is still problematic with 30.6% of cases not being sent in 8 working days in August.

4.19 The old supplier is finding it more difficult to respond to the new supplier within the 2 working days set out under the ETCC. In August 62.6% of cases were not responded to in this timescale. Significantly, there has also not been an improvement over time.

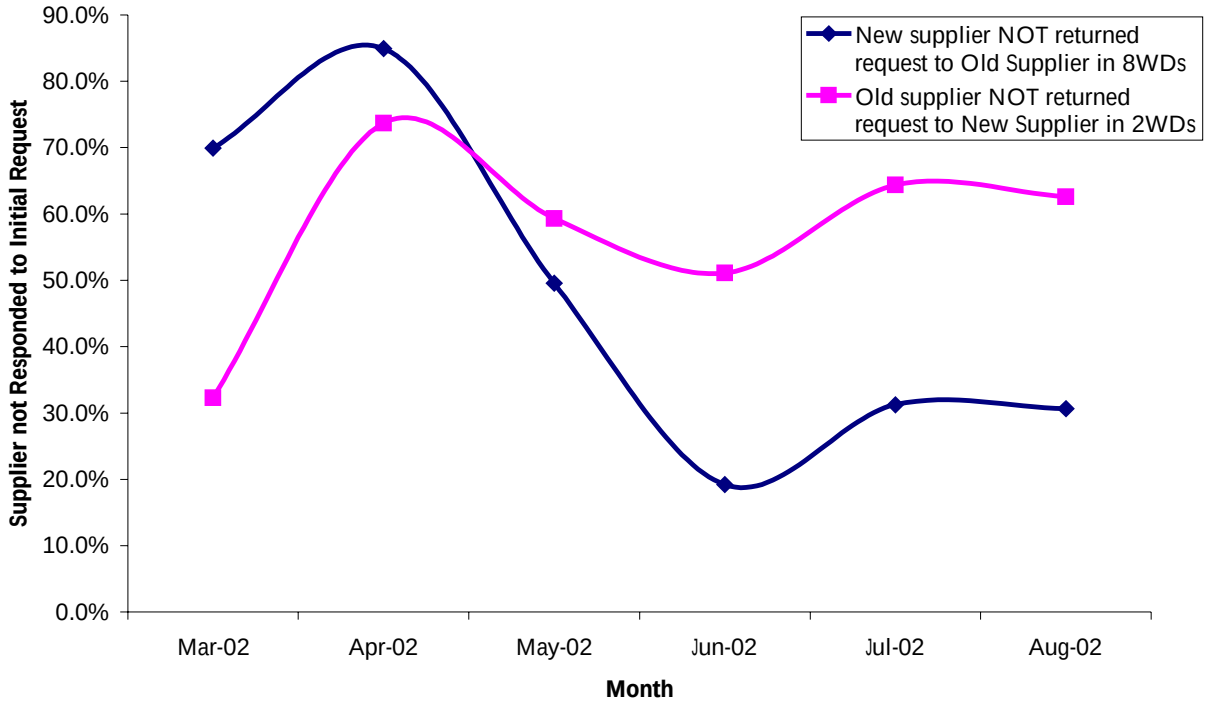

Figure 23: Responding to the Suppliers Initial Request within the agreed timescale