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Customer Transfer Process

Citizens Advice welcomes this consultation, we believe there are significant problems with the current transfer process and improvements to the experiences of domestic fuel consumers, when they transfer between suppliers for the provision of gas and electricity, are long overdue. Citizens Advice Bureaux (CABx) in England, Wales and N. Ireland received 128,836 enquiries about utility problems in the year 2001/2002, of which 86,063 related to utility debt. Often we find that debts result from weak administration in the transfer process.

We welcome the acknowledgement, by Ofgem, that problems stemming from the transfer process represent a level of service which is not fit for purpose, that results in serious consumer detriment and which links directly to fuel poverty. CABx regularly report clients' frustration with the poor service received from fuel companies, the time these problems take to resolve and the cost of this experience in financial terms as well as in terms of inconvenience, distress and loss of market confidence. These reports have not shown any significant change since the publication of our evidence report, '*The Fuel Picture*' in June 2002, and we wrote to companies in May to appraise them of this.

Our specific comments on the discussion paper relate to the proposals for change and their potential to deliver an adequate level of customer service for CABx clients.

Whilst we are supportive of the initiative for an improved transfer process, we are not convinced that the proposals for industry to form a trade association with a delivery timetable for consumers that runs into 2005 (announced at the energywatch summit on 11 June) is sufficient to deliver Ofgem's primary objective, to protect the interests of consumers.

If we have understood the case for change chapter (in para 4.1) correctly, the transfers made in the domestic gas market for March 2002 to February 2003, over a third of attempted transfers could not be completed, for example due to data errors or they were erroneous transfers. Our calculations suggest that at least 130,245 of the 409,000 attempts at transfer each month are in this category. It is amazing if this level of 'problem' has not resulted in the regulator reaching the conclusion that the state of the infrastructure constitutes the delivery of an uncompetitive market.

We would expect that the regulator, Ofgem, should **insist** on early reforms to ensure the accuracy of customer information and of the bills they receive and specific compensation to consumers where this fails.

The idea of an Industry Data Manager is discussed in chapter 4, 'The Case for Change', (at para 4.6). This would appear to ensure that consumers had one central place to seek confirmation as to who their supplier is, as we recommended in our evidence report in June 2002, *'The Fuel Picture'*. In addition, one central database could be designed to meet current and future need and the cost shared out on a per customer basis. This could ensure that consumers cannot be registered with more than one company at a time as well as ensuring that efficient and fair suppliers are not disadvantaged by the poor and ineffective data transfer processes of competitors who may use the current poor systems to delay the transfer process. The cost to industry should, we feel, be weighed against the current costs to consumers of what has often proved, for CABx clients, to be a poor and inept data transfer process.

We are concerned that, through the discussion document, constant reference is made to the need for transfers to be enacted promptly. Consumer complaints (at para 4.9) are detailed as featuring the issue of 'time taken for transfer'. We are not aware of any research that indicates that this is of immediate concern to consumers and would expect that, given the levels of unsuccessful transfers, most consumers would accept a short delay if the process was then successful and reduced the scope for future problems with billing etc. In any case, since the domestic fuel market appears to rely heavily on selling a product and using doorstep and telephone selling to achieve this, there are cooling off periods to consider. If consumers are to be allowed to use their cooling off rights, under the Cancellation of Contracts Concluded Away From Business Premises Regulations and under the Distance Selling Regulations, there will need to be a time lapse between the 'sale' and the completion of the transfer. If this is not the case those who exercise these cancellation rights will need to be transferred back. The licence conditions (at condition 48) require that best endeavours be used to check with new customers that they are happy with the process and, where they are not, to ensure that the process does not happen. To do this requires that the customer has not already been transferred.

We agree that fuel consumers are entitled to the elements of the transfer process listed by energywatch (para 5.7). We fear, however, that the aspiration Ofgem set out in their principles for change (at para 5.4), that the

transfer process should require 'a minimum level of regulation', whilst also being 'invisible to consumers', will remain out of reach until the industry puts in place a customer service infrastructure that would be a normal expectation in any other sphere of consumer purchase, and the problems reported to CABx and to energywatch have been eliminated.

It is disappointing that the ICT document where Ofgem set out principles for assessing proposed changes (para 5.7) includes so few that are specific to customers and their needs. They could, for example, have included that access to effective customer service should be at no or minimum cost and promptly delivered and that relevant codes of practice, including for compensation, should be referred to and promoted during all relevant customer contacts and automatically adhered to.

We recommend that, rather than relying on industry to decide what changes are required (para 6.1), Ofgem should require that all domestic fuel suppliers can demonstrate that they can be effective and efficient in their dealings with consumers, including in the transfer process, from which so many problems seem to us to stem.

We disagree that it would be inappropriate for Ofgem to manage the required process for change (para 6.3). The standards should be set by the regulator, in order to fulfil their primary duty to protect the interests of consumers. Where standards are not met, the transfer should be ineffective. In addition, all consumers should receive automatic compensation when their case illustrates that the standards set by Ofgem have not been reached.

Please do contact me if further access to the evidence of CAB clients' experiences as fuel customers would be of value in assessing the effect of any improvements to the transfer process. Fuel cases remain one of the most frequently reported areas where CABx and their clients seek change.

Yours sincerely

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Enc. The Fuel Picture
Dossier of cases reported February/ March 2003

cc Ian Osborne - Director of Supply, Ofgem
Simon Liss – OFT doorstep selling super-complaint team
Energy retail trade association members.