

Consumer Futures

Ofgem
9 Millbank
London
SW1P 3GE

31 January 2014

Dear Andrew

Preventing Erroneous Transfers

Consumer Futures predecessor body, energywatch, first raised the issue of Erroneous Transfers (ETs) with Ofgem in 2001. At that time, 26 per cent of all complaints to our help services were regarding ETs, signifying a significant issue and problem within the energy retail market.

Ofgem launched a review into ETs in 2002. The result was the ET Customer Charter (ETCC) and a voluntary compensation scheme. Both were welcomed by our predecessor.

It seems clear that this intervention has had an effect with the complaints consumers are registering with the advice lines – Citizens Advice consumer service and the Extra Help Unit (EHU) – with complaints about ETs now at 0.9 per cent of CACs and 2.1 per cent of EHU total complaints. However, while that is very welcome progress from the 2002 numbers, it should be noted that the number of actual ETs has barely moved, from 1.4 per cent of all switches resulting in an ET in 2002, to just over 1 per cent in the current numbers supplied by Ofgem.

It should also be noted that while that is the overall industry figure, numbers within the large retailers vary considerably, with the best performer managing just over 0.5 per cent to the worse having 2 per cent. These numbers are again borne out in the EHU's figures, with the worst performing large supplier attracting 30 per cent of large supplier ET complaints and the best drawing just 2 per cent.

This highlights the fact that poor performance is in the hands of the supplier and their internal procedures and that even a decade after Ofgem intervention there remains a disparity that can still be addressed by the companies.

However, it should be noted that a more worrying development is the performance of the smaller companies. Complaint numbers show that the majority of smaller suppliers are attracting many more complaints when compared to historical rates of ETs, even taking into account the increased transfer activity of new entrants. Some new entrants are encountering severe issues in this area.

This is disconcerting in a number of ways, not least within the national political context of increased competition in the retail market. It will be a serious setback to this agenda if consumers' experiences of switching to small suppliers results in these mistakes.

With that in mind, we would support a strengthening of the licence conditions which apply to all suppliers, and not just a reliance on the ETCC. However, we would like to

London

Victoria House
Southampton Row
London
WC1B 4AD
Tel: 020 7799 7900

Glasgow

Royal Exchange House
100 Queen Street
Glasgow
G1 3DN
Tel: 0141 226 5261

Cardiff

Room 3.90, 3rd Floor,
Companies House
Crown Way
Cardiff, CF14 3UZ
Tel: 029 2078 7100

Belfast

Elizabeth House
116 Hollywood Road
Belfast
BT4 1NY
Tel: 028 9067 4833

see the ETCC better promoted to the small suppliers, as well as a review of the voluntary compensation scheme, with the monetary value updated to modern values to act as a greater incentive for suppliers to fix their internal procedures. We'd also like to see smaller suppliers encouraged to commit to the scheme, coupled with Ofgem taking additional enforcement action to tackle problems at the worse performing suppliers.

In regards to the Licence Condition, while this would go some way to improving company performance in the internal procedures, it is clear that there will still be issues with industry data, as there's a residual problem over unidentified meters and addresses.

Consumer Futures believe this would be helped by greater co-operation between the companies, with a national database of consumers having been discussed during Change of Supplier Expert Group (COSEG) meetings. The costs, running and data protection of this would need greater thought. However, with the industry losing a reported £10 million annually¹ we feel there would be scope for funding such a scheme.

In the longer term, we feel that the smart metering programme offers both an opportunity and a threat to consumers in regards to ETs. It is important that Ofgem fully understands the challenges and risks regarding ET with meters with remote functionality and takes steps to prevent potential disconnection/switching to prepay which could result in the customer being off supply. Where ET does take place, Ofgem needs to set expectations for industry around appropriate time for resolution, reconnection speeds and compensation where the customer is off supply. In particular it should consider if the existing protections are fit for purpose.

An opportunity of the smart meter programme will be the element of cleansing of industry data, however, if this is not shared it shall be a wasted opportunity.

Yours,

James Court

Policy Manager

¹ COSEG meeting 2