

Andrew Wallace
Smarter Markets
OFGEM

8 May 2014

Dear Mr Wallace

Preventing Erroneous Transfers

As a domestic energy consumer, I welcome the opportunity to respond to the statutory consultation on licence modifications to enforce three week switching and prevent erroneous transfers (ETs). My response is intended to provide a voice for the ordinary consumer, at least as far as ETs are concerned. OFGEM's stated mission is to make a positive difference to energy consumers, yet the consumer's voice has been silent throughout the ET debate.

From personal experience I can state unreservedly that being caught up in an ET is the stuff of nightmares. It is not just the irritation at being transferred against one's wishes; it is the incompetent and long-drawn-out attempt to reverse the ET, with the accompanying mixture of broken promises, apologies and threats.

In my view, the current set of OFGEM proposals do not go far enough. My personal experience of ETs – three times in the past ten years, the last one in July 2012 and still unresolved after nearly two years – belies both the 1% average ET rate and the time-scale for resolution. It is clear that energy companies do not follow existing protocols – why should the current set be any different? They do not, as far as I am aware, include significant financial penalty and therefore lack teeth.

OFGEM's own data show clearly that there has been no significant improvement in ET experience over the past ten years; and that some of the Big Six suppliers have a much bigger problem with ETs than others. A different approach to the problem is needed.

OFGEM can and should learn from the experience of other industries, in particular the telephone and internet sector. As far as I am aware, there is no significant ET problem in those sectors – I know of no one who has woken up one morning to find their mobile phone or ISP provider has changed without their knowledge or consent. The reason, it seems to me, is that those sectors have robust systems to prevent ETs from occurring, whereas the energy industry doesn't.

Further, it seems to me that energy companies presently have insufficient financial incentive to improve. The arrangements for establishing "billing continuity" for the period of the ET where CoS re-registration has been followed act as a disincentive to energy suppliers to improve their ET record, because they ensure that the customer will pay for the energy consumed during the period of the ET.

"What's wrong with that?" the energy companies will ask. In fact the customer has no legal liability to pay anything at all in the absence of a contract; and the legal effect of an ET is to frustrate and/or otherwise terminate the previously existing contract between the consumer and the supplier without putting into place a new one.

OFGEM would do well to publicise this simple fact. If the consumer were to pay nothing at all for the period of the ET, energy companies would have a significant incentive to prevent ETs from happening in the first place.

“Why should the customer get free energy?” the energy companies will complain. This misses the point. It could equally be asked, why should an energy company be unjustifiably enriched at the expense of the customer? The company that perpetrated the ET should not be enriched as a result of its default; and the ceding company should not be enriched by subsequently charging for energy it did not supply.

I confirm this is an open letter and may be placed on the Web.

Yours sincerely

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