

Change of Supplier Expert Group (COSEG)

Review of cooling off arrangements
26 February 2014

ofgem

Welcome and introductions *(10:30 to 10:40)*

Part 1 *(10.40 to 12.30)*

- Review of legal framework

LUNCH

Part 2 *(13.00 to 15.00)*

- Returning a customer to their previous supplier (scoping the issues that would need to be considered)

Part 3 *(15.00 to 15.30)*

- Next steps

Please note:

These slides are intended as a summary, as of 26 February 2014, of Ofgem's understanding of the cooling off arrangements. They are not updated and should not be relied upon as legal advice. Should you have any legal concerns as to the application of these arrangements and your obligations you should seek independent legal advice

For the purpose of this presentation:

- **Supplier A** is the supplier that was originally supplying the customer
- **Supplier B** is the supplier with whom the customer has signed a new contract
- **Supplier C** is any supplier with whom the customer may, in the future, want to be supplied by

Part 1

LEGAL FRAMEWORK

- BIS transposed the EU Consumer Rights Directive
“Consumer Contracts (information, Cancellation and Additional Charges) Regulations 2013”
- Regulation comes into force on 13 June 2014

- 14 calendar days
- Cannot be waived
- Starts when customer “enters into contract”
 - We consider that this is when the customer makes a firm commitment which would result in a binding contract if no further action taken by the customer
- Day 1 is the day after the customer enters into the contract
- Extended if specified information not provided to customer

Contract cancellation

- Customer can cancel at any point up to and including the 14th day of the cooling off period
- Cancellation notice can be received after the end of the cooling off period

Link to supply start date

- A supplier can offer to supply during the cooling off period
- Supplier must obtain customer's express consent before providing a service during the cooling off period

- New supplier can charge under express contract for supply up until cancellation has been received
- If customer cancels during cooling off period they must **not incur a liability**
 - BIS guidance says that “liability” should be interpreted in the context of the specific industry
 - Our view is that, if the customer cancels, they should be returned back to their old supplier on the previous contract terms
 - Alternative is supply under a deemed contract with new supplier
- Customer exempt from charges for any supply received before specified information on cancellation is received

Part 2

RETURNING A CUSTOMER TO THEIR PREVIOUS SUPPLIER – SCOPING THE ISSUES

Aim of the afternoon session

- Identify what issues would need to be addressed to return a customer to Supplier A
- Identify if there are different requirements for:
 - 21 day switching
 - Energy UK faster switching
 - Faster (next day) switching during the cooling off period
- Agree next steps

- Principle 1:** When Supplier B receives notice of cancellation it will attempt to stop the transfer
- Principle 2:** Customer will be kept informed until their return has been successfully concluded
- Principle 3:** Supplier A will re-register the customer as quickly as possible after receiving notification from Supplier B
- Principle 4:** This process will not facilitate a switch to Supplier C
- Principle 5:** The customer will return to Supplier A on the contractual terms that would have been in place had the switch to Supplier B not taken place
- Principle 6:** The supplier that is responsible for industry charges (eg network and settlement) will bill the customer for supply

When will the issue arise?

**21 day
switching (from
14 June)**

...when cancellation received after cooling off period and any subsequent registration withdrawal /objection period

**Energy UK
faster switching
proposals**

...when cancellation received after cooling off period and any (more limited) registration withdrawal /objection period

**Fast (eg next
day) switching**

...when cancellation received during or after cooling off period but after any (very limited) ability to stop the registration has ended

Current arrangements

- **Cancellations received before transfer started:**
 - Cancellation rate - approximately 8% (around 500,000/year)
 - Information from suppliers suggests a bell curve distribution peaking around days 7 to 9
- **Cancellations received during transfer process:**
 - Co-operative objections - 4% of objections (0.25% of transfers)*
 - Registration withdrawal (gas only) – 0.5% of transfers*
- **Cancellations received before or during transfer process but not actioned**
 - ET process - 16% of ETs (or 0.2% of transfers)
- **Cancellations received after transfer could not be halted**
 - Customer Service Returners – 0.5% of transfers* (around 30,000/year)

Potential scale of issue

- 21 day switching
 - Limited cancellations received after objection/registration withdrawal process?
- Energy UK faster switching proposals:
 - More cancellations received after transfer can not be halted
 - Potentially impact 1% or more of transfers? (ie >60,000/year)
- Next-day switching within cooling-off period
 - Would require processing of significant volumes of cancellations post transfer
 - Planning assumption of up to 8% of contracts?

Getting the customer back quickly

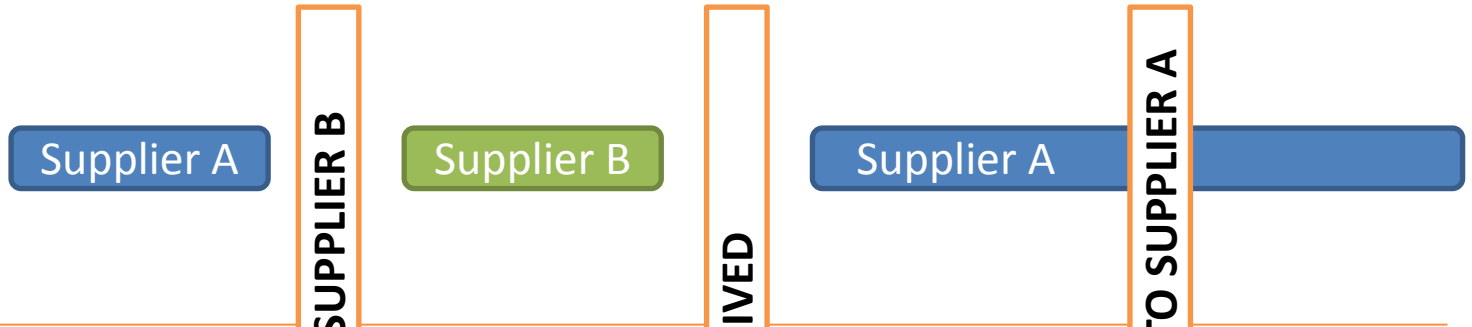
- How will the Supplier A know to re-register the customer?
 - Informed by Supplier B, customer, both or either
- What type of notification would Supplier A require?
- What obliges Supplier A to re-register the customer?
 - New licence requirement
 - New code obligation
- What validation (if any) should Supplier A undertake?
 - eg change of tenancy, others?
 - How long should validation take?
- Should there be any limitations on Supplier A's requirement to re-register?
 - Cut-off time period for notification from Supplier B/customer?
 - Others?

Reinstating the customer contract

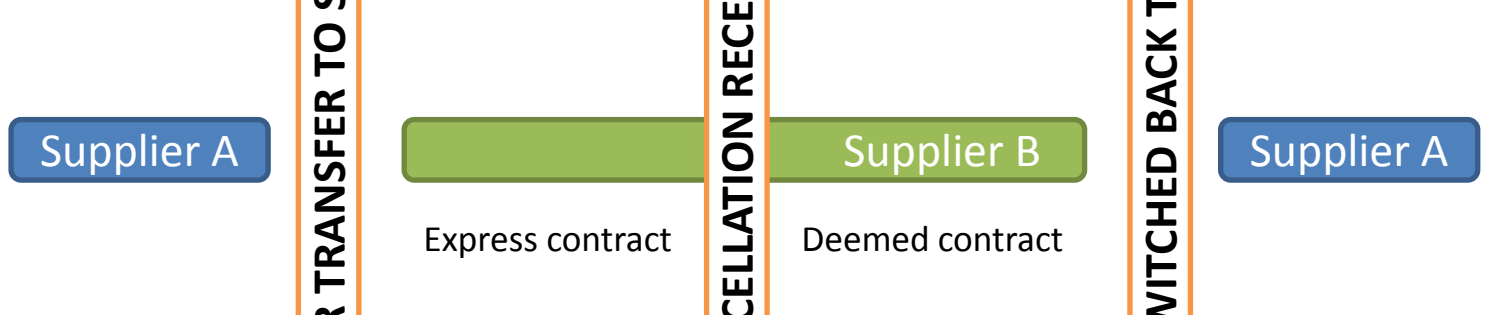
- Are there any circumstances when Supplier A should not take the customer back on their previous contractual terms?
- Should the supply licence be modified to void any contract termination with Supplier A if the contract with Supplier B has been cancelled?
 - Would this require a change to existing T&Cs?
 - What happens for ETs?
- Opportunity for increased winback activity?

Customer billing options

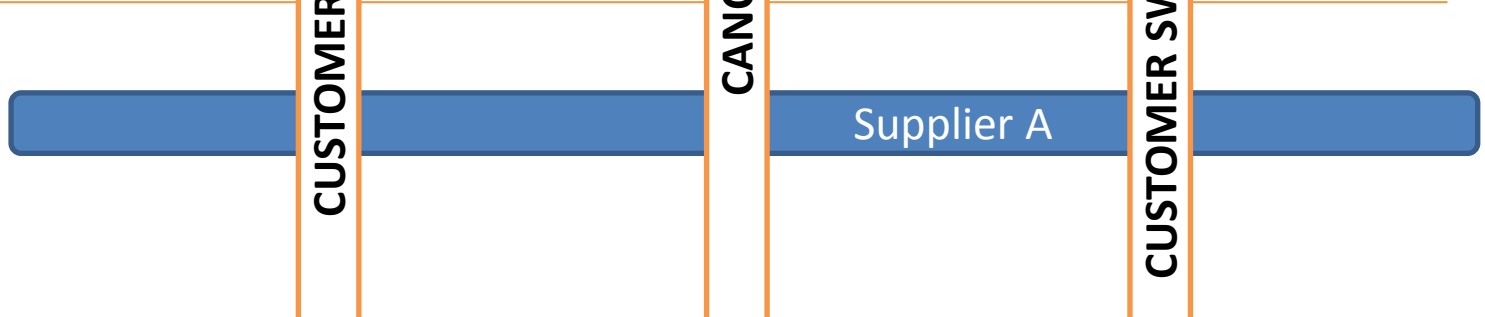
Option 1
Billing linked to receipt of cancellation



Option 2
Billing linked to transfer



Option 3
Continuous billing



Industry charges

- Should suppliers be able to recover industry charges when they are liable?
 - Settlement and network charges
 - Others types of charges?
- Depending on the customer billing option chosen, supplier charges may need to be reallocated from Supplier B to Supplier A
- No reallocation currently under the ET and CSR process - but would this discourage suppliers from offering fast switching?
- Is a reallocation mechanism needed for 21 day and Energy UK faster switching proposals or only to meet the longer term ambition of fast switching within the cooling off period?

Customer account management

- What issues could Supplier A have in reinstating the customer contract?
 - Repayment of termination fees?
 - Reinstating payment methods
 - Direct Debit
 - Prepayment arrangements
 - Final bill issued (and paid?)
 - Repaid security deposits by Supplier A
 - New requirements to provide 24 months of billing information
 - Meter inspection requirements
 - Dead tariffs and closed fixed terms tariffs
 - Notification of unilateral variation by Supplier A
 - Debt assignment
 - FITS and Green Deal requirements/payments

Customer information

- **Important for customers to be kept informed of progress until resolution**
- **The ETCC sets out standards for customer information**
 - Who the customer should contact
 - What information they will be given
 - When information will be provided during the process
- **Arrangements developed by Ofgem, Consumer Futures' predecessor and industry**
- **Industry further developed arrangements**
 - SPAA and MRA set out process detail to allow customer information requirements to be met
 - Energy UK set out voluntary compensation scheme when information not provided in line with expectations

Metering issues

- Smart metering
 - Supplier A would need to reconfigure using previous tariff information
 - Supplier A would need to send a new security key
 - Would customer be expected to return IHD from Supplier B?
- Prepayment
 - Can customer use Supplier A's previously issued PPM key/card?
- Need to review how electricity metering agent appointment would work (especially for next day switching). This is discussed in the following slides:

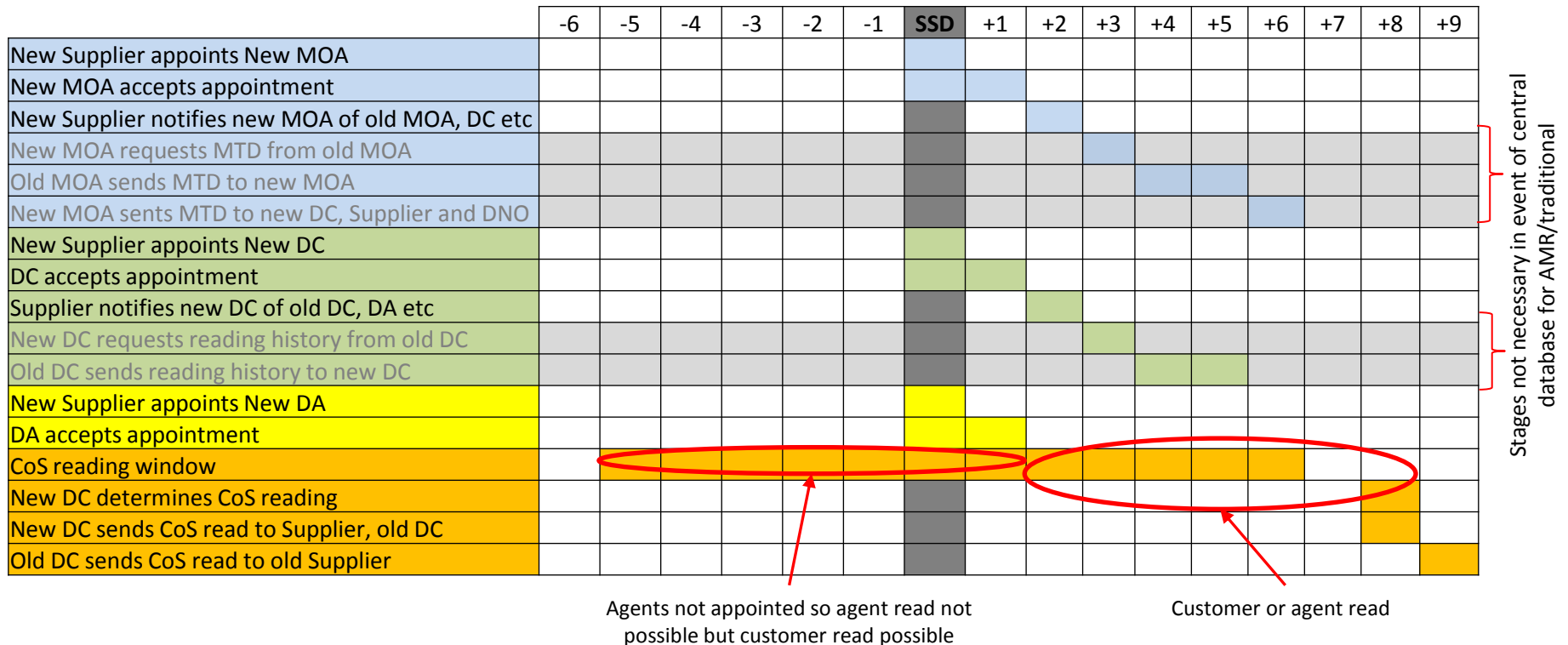
Smart meters – Issue 53 is looking at reforms which would decouple the agent appointment process from the CoS read process and negate the need for transferring MTDs and consumption history between agents at CoS. However, Issue 53 discussions have suggested that there may still an expectation for the MOA to be appointed by SSD for safety reasons. Suppliers may also make the choice to appoint all their agents at CoS.

AMR meters – Agents need to be appointed close to CoS to process a read. It is also necessary for MTDs and consumption history to be transferred between agents to allow the read to be processed. This latter dependency could be mitigated by holding MTDs and consumption history centrally. (Note that AMR not covered by cooling off requirements)

Legacy meters – Agents need to be appointed close to CoS to process a read. It is also necessary for MTDs and consumption history to be transferred between agents to allow the read to be processed. This latter dependency could be mitigated by holding MTDs and consumption history centrally.

Understanding how agent appointment will need to work for fast switching

- CP1405 sets out a 7WD timescale for appointing agents and exchanging information. It is currently envisaged to begin at SSD-7, to cater for prepayment customers.
- It may not be possible to make true next day switching possible for legacy prepayment customers due to the need to issue them a PPM key by SSD.
- However, for next day switching for other legacy and AMR customers it would need to be possible to appoint agents and exchange any necessary data items following SSD but in sufficient time to meet CoS settlement/billing timetables. The timelines proposed in CP1405, if commenced on or after SDD, look to be sufficiently streamlined to allow for this:



- We are currently considering whether the MOA appointment timeframes set out in CP1405 might be sufficient to ensure that MOA appointment is not a barrier to fast switching, or whether further action may need to be taken.

Thinking about how agent appointment could be managed when a domestic customer changes their mind

Next day switching also requires switching within the cooling off window. This means that there would need to be a process for 'backing out' agent appointment in the event a customer changes their mind. The diagram below gives an example of how backing out might work if the existing CP1405 timelines were applied:

Customer changes mind

	-6	-5	-4	-3	-2	-1	SSD	+1	+2	+3	+4	+5	+6	+7	+8	+9
New Supplier appoints New MOA																
New MOA accepts appointment																
New Supplier appoints New DC																
DC accepts appointment																
New Supplier appoints New DA																
DA accepts appointment																

The CP1405 timeframe suggests it would take a further 2WD to reappoint old agents.

- Are there any concerns with the process of de-appointing the new agents and reappointing the old agents if the new agents are fully appointed by the time the customer changes their mind?
- Are there any concerns with the process of de-appointing the new agents and reappointing the old agents if the new agents are not fully appointed by the time the customer changes their mind?
 - Might a suitable solution be to wait until the new agents were fully appointed before de-appointing and re-appointing the old agents? Would this have any knock on negative impacts?
 - Could there be a more efficient way of managing 'backing out'? Eg. Registration system resets agent allocations to match those held at SSD-1 and all relevant parties notified, with this eventuality being provided for contractually?

In the event a CoS is cancelled, depending on the approach to customer billing options, a CoS read may or may not be required. Where it is required, the old agents will need to have the MTDs and consumption history to allow them to do process the read:

- To avoid the need to build time into the process for these information exchanges to happen again, might a suitable solution be to contractually require the old agents to maintain MTDs and consumption history for a defined period of time? What would the appropriate time period be?

Part 3

DISCUSSION AND NEXT STEPS

- Review of draft principles
- What arrangements are required to return customers for:
 - 21 day switching
 - Energy UK faster switching
 - Faster (next day) switching during the cooling off period
- What is the appropriate governance framework for developing any new processes?
- Review of next steps

ANNEX

Erroneous Transfer Customer Charter

- 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.

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