

TPI Working Group

Input session for TPI Code
10:00 – 15:00

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7 November 2014

ofgem

Welcome

26th September

- **Background**
 1. TPI definition
 2. Accreditation to TPI code
 3. Code Administration functions

20th October

- **Working arrangements**
 4. Complaints handling
 5. Breaches and sanctions
 6. Roles & responsibilities of Code Board
 - 3b. Review administration functions

7th November

- **Summary and Logistics**

Summary of 1 – 6

 6. Board
 7. Code modifications
 8. Funding

Welcome	JB/ AT	10:00
Review of general principles	JB/ AT	10:15
Equivalence comparison	AT	10:30
Reporting	AT	10:45
<i>Comfort break</i>		<i>11:00</i>
Board membership	AT	11:15
Code modification	JB	11:30
Finance introduction	AT	11:45
Lunch - syndicate rooms & work through finance questions		12:00
Presentation of finance questions x 3	All	12:45
Step through 1-6	JB/ AT	13:15
<i>Comfort break</i>		<i>14:00</i>
Review of 1 - 6: complaints & breaches	JB	14:15
Review of key parameters	AT	14:30
Summary of next steps/ milestones	JB	14:45

Objective: to raise the overall standard of TPI service to customers

Method: a mandatory code of practice for anyone acting as a TPI, backed by a supplier licence condition

Proposed definition (from Energy Act 2013):

A TPI engages in

- (a) giving advice, information or assistance in relation to contracts for the supply of electricity to persons who are or may become customers under such contracts, and
- (b) providing any other services to such persons in connection with such contracts.”

Step through: general principles

Focus on energy purchase transaction,
but principles apply to all work

Regulation proportionate and should not
restrict competition or innovation

Equivalence between requirements on
TPIs and suppliers, where possible

Accreditation at company level: TPI
responsible for actions of its employees/
agents/ users (eg aggregators)

Industry funded: process is not-for-profit

Accreditation initially by self-assessment,
backed by audit

Requirements on suppliers

Supply Licence:

- 5.1 Provision of information
 - Meters gained/ lost
- 7A Supply to micro business customers:
 - Provide statement of principal terms before contract entry
 - Provide a written statement of terms in intelligible language
 - Notice period for termination max 90 days
- 20 Dispute settlement:
 - Advertised on all promotional material and each bill

Equivalent for TPIs

- Provision of information to CAF
 - Meters gained
- Supply to micro business customers
 - Provide a statement of principal terms before contract entry, including:
 - Basis of TPI remuneration
 - Breadth of market search
- Complaints policy advertised on all communications to customer

Requirements on suppliers

Enforcement guidelines:

- When Ofgem has decided to conduct an investigation into breaches, this is publicised:
 - Minimum: on website
 - If significant harm, by press release
- Closure of investigation, with outcome and reasons, published by same means

Equivalent for TPIs

- Publication of investigations into breaches shown on website
- Closure of investigation with outcome, reasons and sanction.

Requirements on suppliers for **micro-business** customers

Equivalent for TPIs?

Standards of conduct:

- You must not sell a customer a product or service that he or she does not fully understand or that is inappropriate for their needs and circumstances; ✓
- You must not change anything material about a customer's product or service without clearly explaining to him or her why; ✓
- You must not prevent a customer from switching product or supplier without good reason; *e.g. by offering a restricted view of the market, without transparency* ✓
- You must not offer products that are unnecessarily complex or confusing; and ✓
- You must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake. ✓

Requirements on **all** businesses

Business Protection from Misleading Marketing Regulations:

- 2.6 A trader is guilty of an offence if he engages in advertising which is misleading
 - Characteristics e.g. fitness for purpose, comparison with others
 - The price or manner the price is calculated
 - The nature, attributes and rights of the advertiser (including identity)

Equivalence – 5: options for structure

TPIs only parties to code

- Code is shorter, simpler
- Only TPIs can raise mods
- Code changes may have to wait for licence changes

TPIs and suppliers parties to code

- Code is longer but all info in one place
- TPIs and Suppliers can raise mods

Prevention:

Action	Purpose
Principles relating to sales techniques in Code (standards of conduct)	<ul style="list-style-type: none"> Promote fairness
<ul style="list-style-type: none"> A written statement of principle terms sent to customer by TPI before any contract is agreed <i>[Micro-business] A written statement of terms sent to customer by supplier within 10 days of contract signature</i> 	<ul style="list-style-type: none"> Reduce high-pressure telephone sales [for micro-businesses] Existing term in supply licence: The customer can compare key terms and identify differentials as close to contract signature as possible & before contract start
Reporting and visible list of accredited TPIs	Promote transparency and increase trust

Remedy:

Action	Purpose
14 day cooling off period for all sales through a TPI	The customer [micro-business] can cancel the contract if they feel they did not have a chance to evaluate it
Cancellation of mis-sold contracts without penalty	If a breach of the code is identified after the selling process, the customer [micro-business] has the option to cancel, without penalty

Proposed report	Purpose
<p>Market reports</p> <ul style="list-style-type: none"> • Total volumes • Audits completed with/ without improvement actions • Complaints by category (consolidated) 	<p>Market information</p> <p>Give stakeholders visibility of market and help build trust</p> <p>Indicate areas where code modifications required</p>
<p>TPI level reports</p> <ul style="list-style-type: none"> • Complaints by volume (meters signed) index by TPI e.g. 10 complaints with 100 meters = 10% • [Escalated complaints by TPI by category, status (e.g. open, closed)] • Breaches by TPI by category, status (e.g. open, closed) and associated sanctions 	<p>To give consumers a view of how many complaints a TPI has, in proportion to their activity</p> <p>Give stakeholders visibility of market and help build trust</p>

Data required from TPIs/ aggregators	Data required from suppliers/ aggregators	Frequency
Activity: <ul style="list-style-type: none"> • Meters signed • Date contract signed • Winning supplier 	Activity <ul style="list-style-type: none"> • Meters signed • Date contract signed • Successful TPI 	<ul style="list-style-type: none"> • Quarterly
Complaints (about purchasing) <ul style="list-style-type: none"> • Complaint date • Category • Stage in internal escalation • Resolved Y/N & date • Associated breach Y/N 	Complaints (about TPIs) <ul style="list-style-type: none"> • Complaint date • Category • Raised with TPI Y/N • Date passed to TPI • Associated breach Y/N 	<ul style="list-style-type: none"> • TPIs – Monthly • Suppliers – ad hoc

6. Code board: membership

Members drawn from industry

- Stakeholders represented
- Current industry knowledge
- Large pool of potential candidates

From outside industry

- Reduced potential for bias claims
- Potential for best practice from e.g. finance industry

From Ofgem

- Industry knowledge
- Unbiased

From Ex-industry

- Industry knowledge
- Reduced potential for bias claims

- Ability to fairly impose sanctions
- Open to accusations of cronyism

- Lower industry knowledge

- Restrictions upon role

- Number of available candidates

6 Code board parameters

Skills required for board/ chair

How many members?

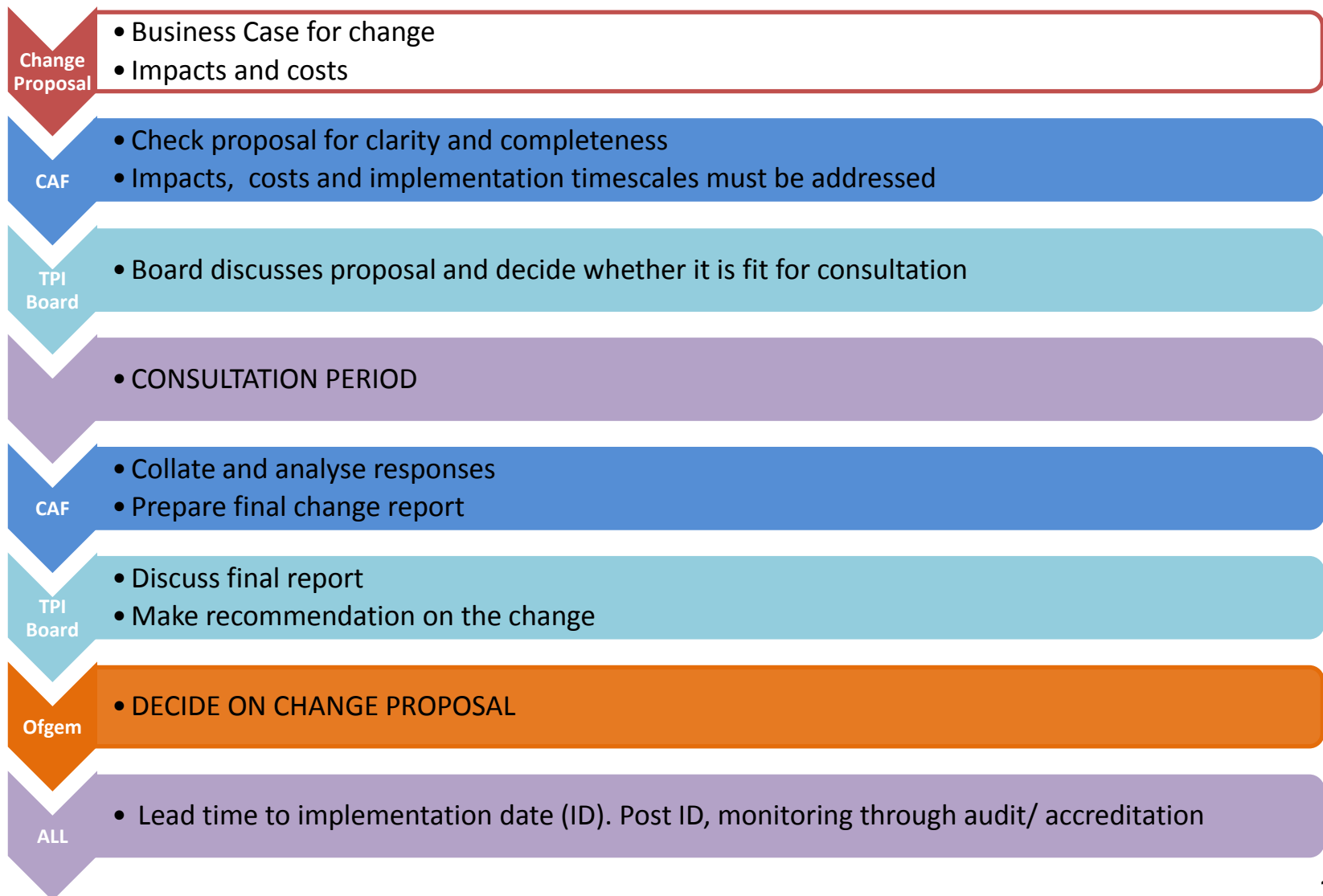
Timescales for managing responses

Areas the board would need to refer to
Ofgem?

Meeting frequency

What happens if a TPI/ customer/
supplier/ Ofgem disagrees with a board
decision?

7. TPI CoP Modification process



7 Code modification parameters

Who can raise mods to the Code?

Should the Board/ Ofgem be able to raise mods?

Should there be a threshold for scale of mods (vs small process changes)

What timescale for mod process?

What empowerment should the Board have to accept/ reject mods without consultation?

Should there be a fast-track for urgent changes?

What empowerment should the Board have to accept/ reject mods without referral to Ofgem?

Should the Code have objectives?

Revenue

- Accreditation fee (initial)
- [Accreditation fee (second attempt)]
- Accreditation fee (renewal – frequency?)
- Audit fee (initial)
- Audit fee (regular – frequency?)
- Audit fee (additional, following complaint)
- Audit fee (additional, following breach)
- Payments from suppliers
- Payments from TPIs
- [Fines]

Costs

- Board set up
- CAF procurement/ set up
- Board running costs/ salaries
- CAF running costs
 - Accreditation
 - Audits
 - Complaints handling
 - Investigations
 - Reporting
 - Monitoring
- Central point for communications/ visibility

Are there other revenues/ costs?

8 Potential costs allocation by benefits

Cost	Benefit primarily accrues to
<ul style="list-style-type: none"> • Board set up • CAF procurement/ set up 	TPIs/ Suppliers
<ul style="list-style-type: none"> • Board running costs/ salaries 	TPIs/ Suppliers
<ul style="list-style-type: none"> • CAF running costs <ul style="list-style-type: none"> • Accreditation • Audits • Complaints handling • Investigations 	TPIs
<ul style="list-style-type: none"> • CAF running costs <ul style="list-style-type: none"> • Reporting • Monitoring 	Suppliers
<ul style="list-style-type: none"> • Central point for communications/ visibility 	Suppliers

1) Financial position: cash neutrality.
Actions in case of a shortfall/ surplus

2) Basis for assigning costs?

- By benefit accrued
- Equal shares

3) Payment structure

- Annual/ Monthly fee
 - Fee per task

4) Should fees/ payments vary by type of company? If so, on what basis?

- Staff numbers
- Turnover from energy
- Energy kWh under contract
- Meter numbers under contract

5) What happens if a company doesn't pay?

6) Payment basis for audits

- Regular
- Triggered

7) Are fines appropriate (circumstances)?
If yes, what happens to the money?

Group:

1) Actions in the event of: shortfall

surplus

2) Basis for assigning costs between suppliers/ TPIs

3) Payment structure

4) Fee variation?

Group:

5) Actions in the event of non-payment

6) Payment basis for audits: regular

triggered

7) Are fines appropriate & if so, in what circumstances?

What happens to money collected?

Lunch

Split into syndicate groups and answer the Finance questions 1 – 7

- Suppliers – large – Room 9
- Suppliers – independent – Room 9
- Consumer representatives - break

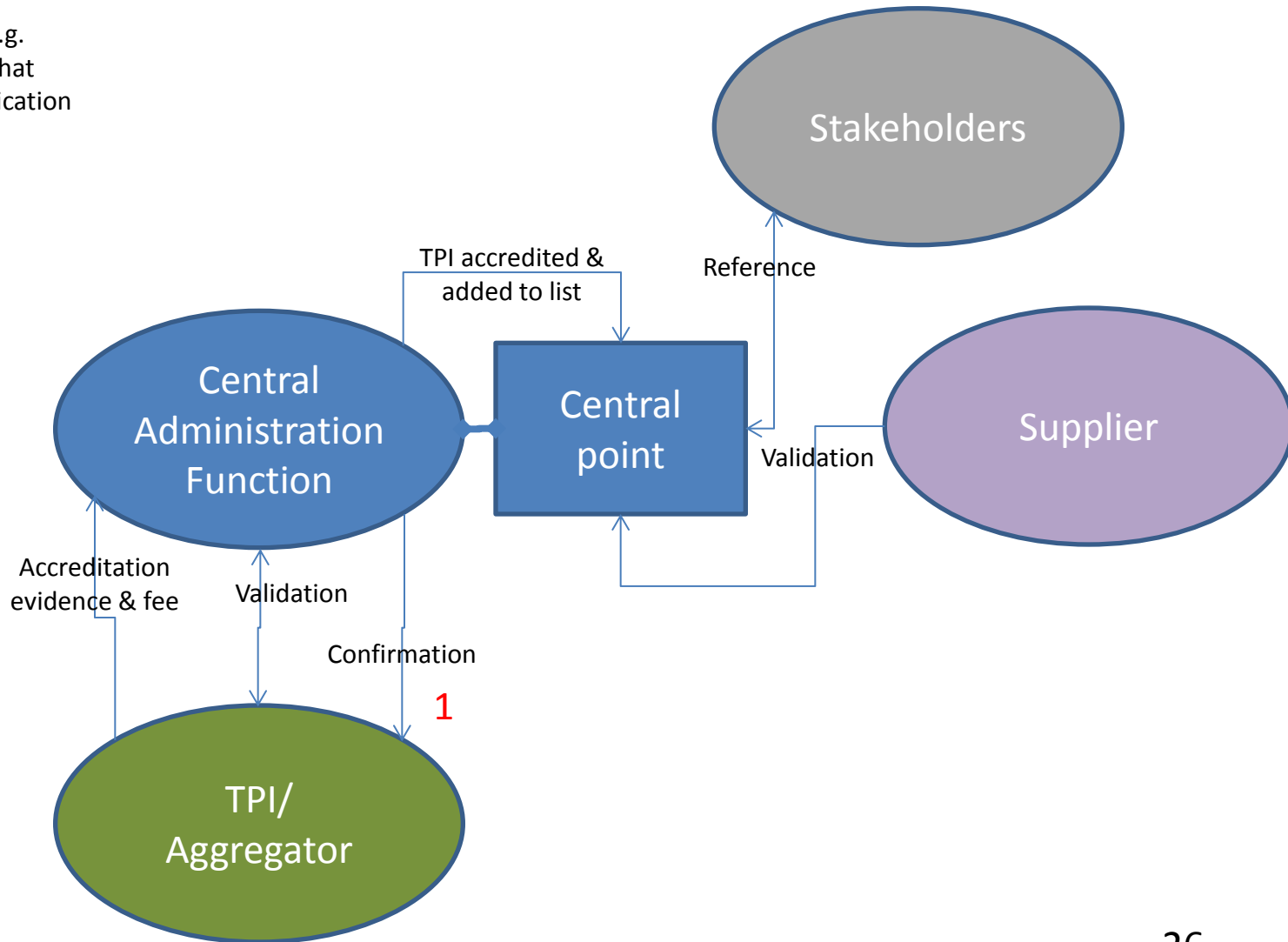
Room 6

Nick Heath	Make it Cheaper
Anne Williams	Power Direct
Arthur Gibbons	Power Efficiency
Arthur Probert	Energy Services Partnership
Clare Marshall	Online Direct
Howard Ward	Auditel
Dave Cockshott	Inenco

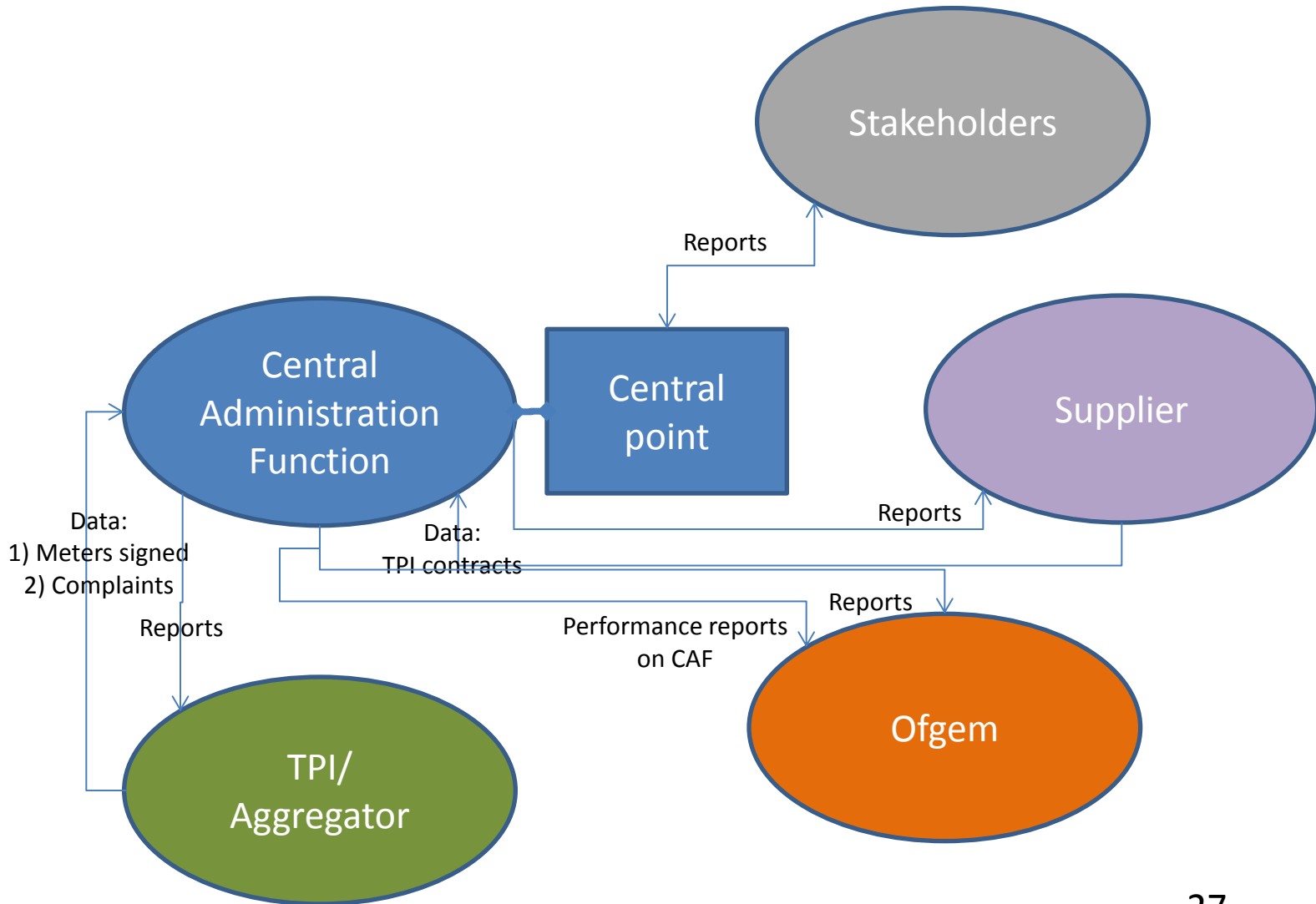
Room 7

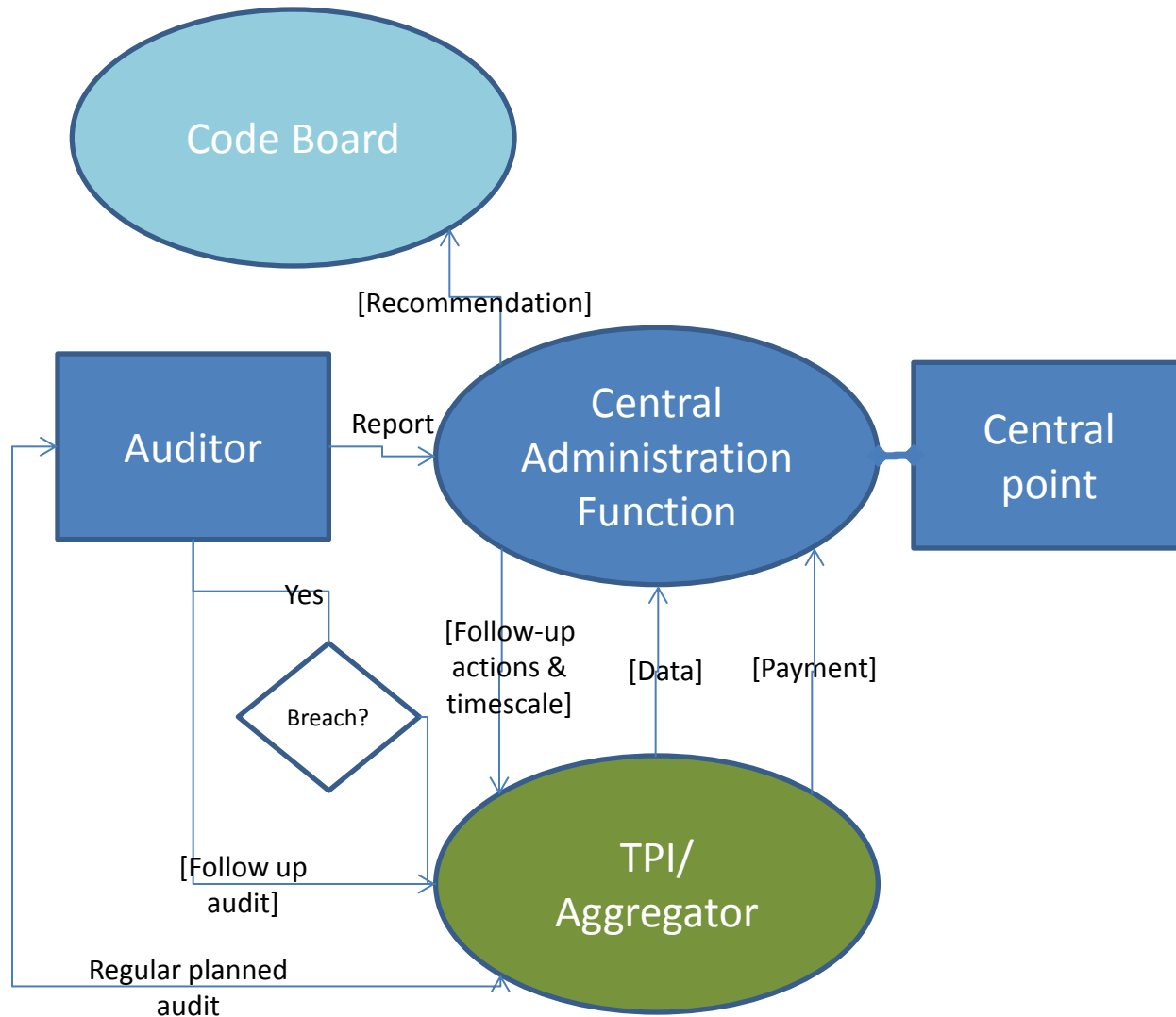
David Jutton	Jutton Associates
Keith Moore	Fairnet Commercial Services
Mark Nisbet	Ener-G
Mike Rapson	Zenergi
Stephen Mellor	ECA Group

1) Are there any elements e.g. disqualification as director that would always mean an application to become accredited being turned down?

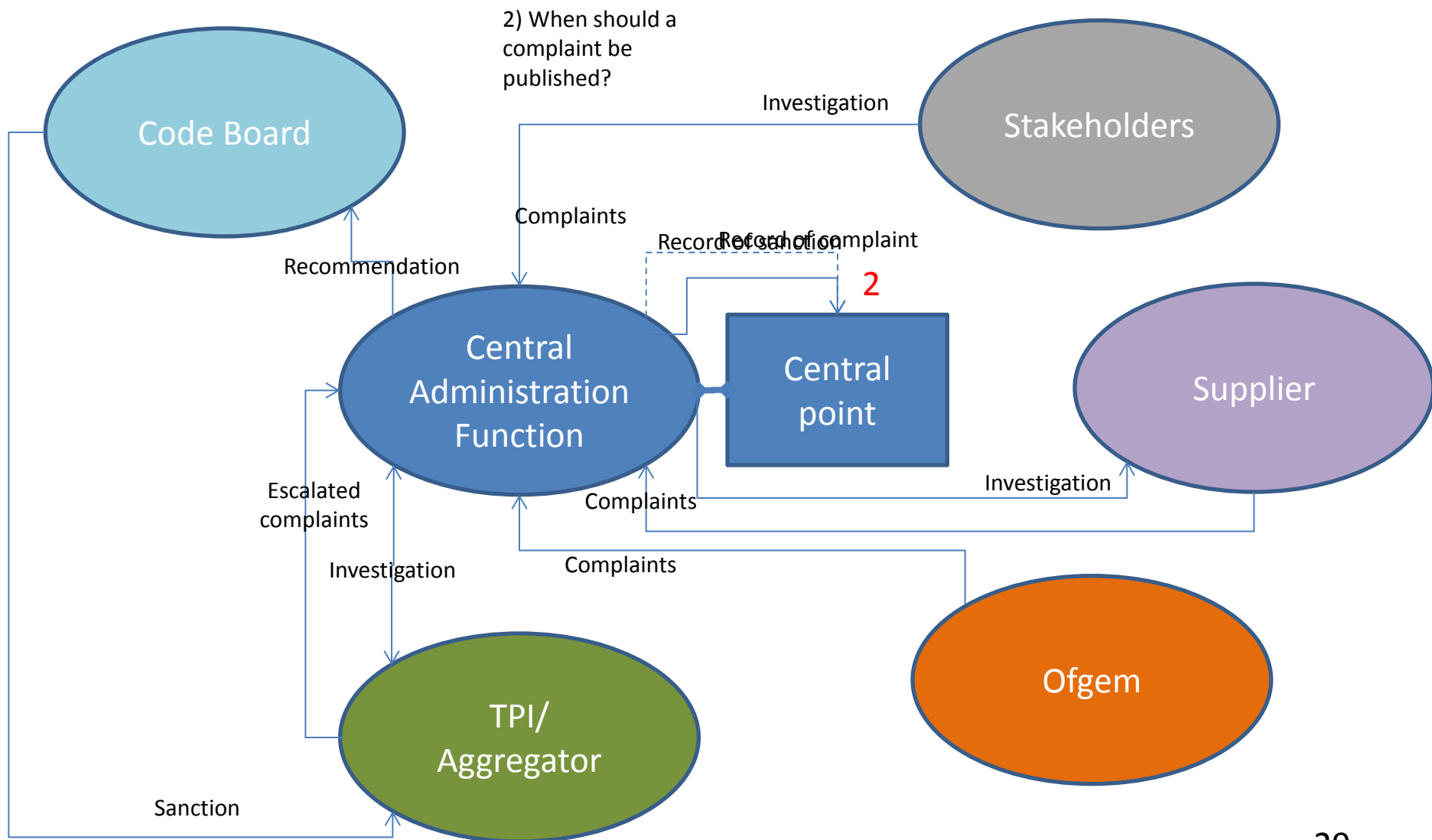


Step through: reporting

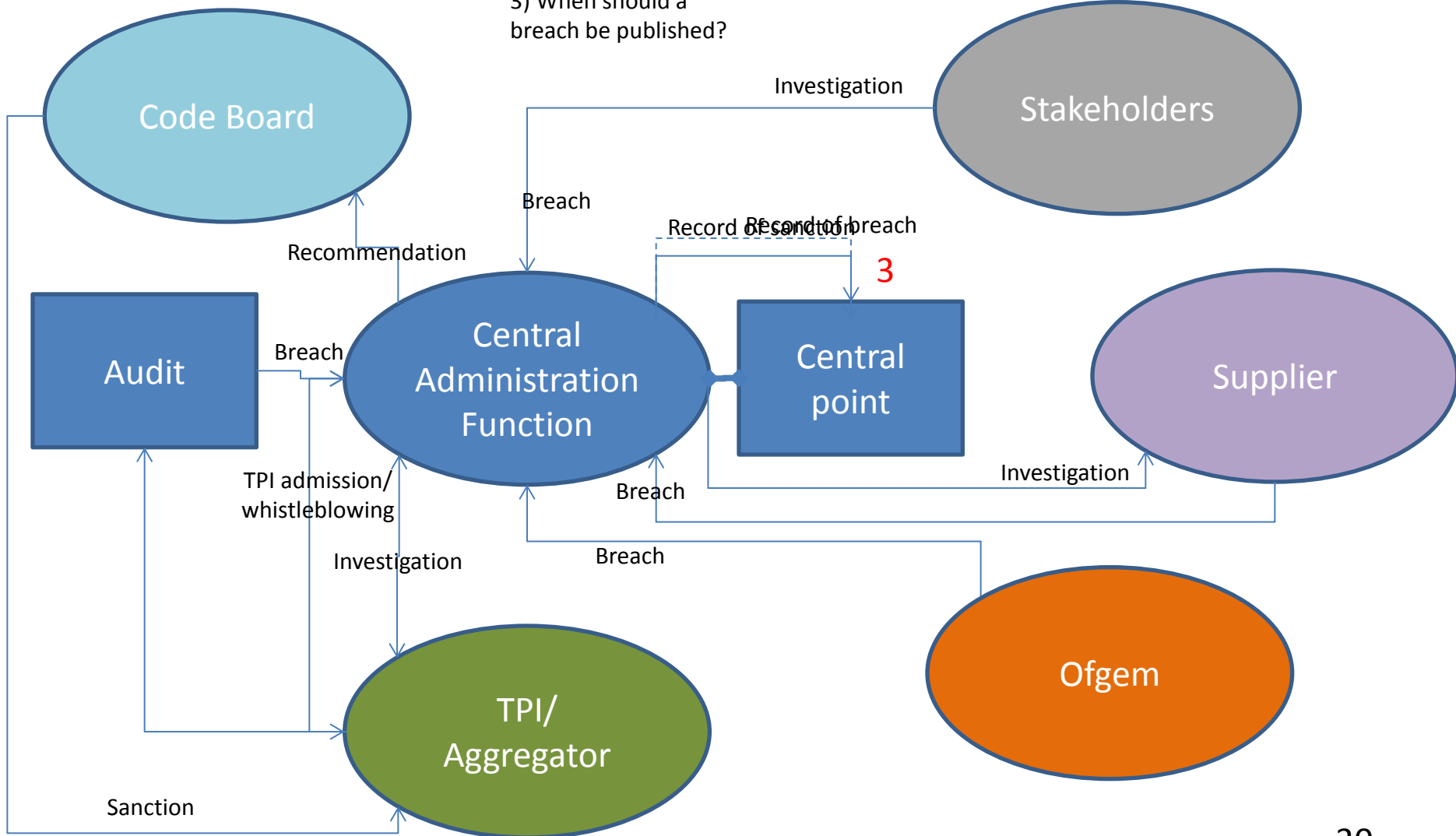




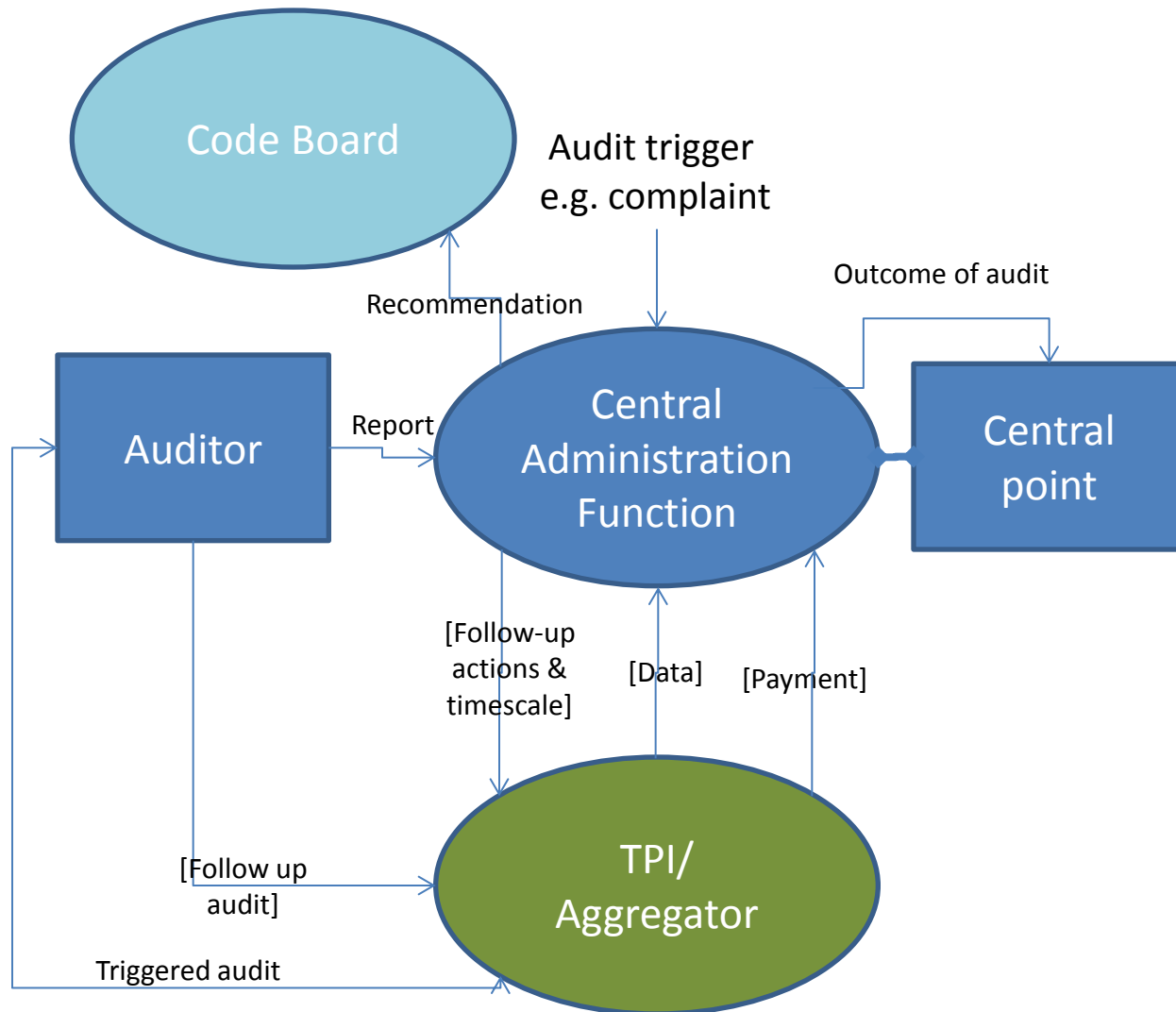
Step through: complaints



3) When should a breach be published?



Step through: sanction (triggered audits)



Are there areas of harm we haven't identified?

Definition

Who should be parties to the Code?

Should all protection apply to all businesses?

- Micro only?

How long is needed to for you to implement these requirements?

What do you think are the biggest risks of implementing the Code?

Wrap up and next steps

November



Suppliers' meetings in November to discuss licence condition (notes to be published)

Redrafting Code of Practice

Drafting consultation document

December



Drafting licence condition policy (for consultation)

January - February Internal governance process



February – March Publish consultation document on Code content and Licence proposals

Question: what updates would you like through this process?

Feedback

- Still be accepting feedback in dedicated mailbox:
ThirdPartyIntermediaries@ofgem.gov.uk

Thank you

Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.