

# Statutory consultation on proposed modifications to the gas and electricity supply licenses to reform the switching process for indebted prepayment meter customers – the Debt Assignment Protocol

## Energy UK response

13 February 2015

### Introduction

Energy UK is the trade association for the energy industry. Energy UK has over 80 companies as members that together cover the broad range of energy providers and supplies and include companies of all sizes working in all forms of gas and electricity supply and energy networks. Energy UK members generate more than 90% of UK electricity, provide light and heat to some 26 million homes and last year invested £10billion in the British economy.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers, and promotes a stable and independent regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to Ofgem's statutory consultation on proposed modifications to the gas and electricity supply licenses to reform the switching process for indebted prepayment meter customers. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

### Consultation response

#### **Question 1: Do you agree with our proposal to amend SLC 14.6 and increase the Debt Assignment Protocol (DAP) debt threshold to £500 to reflect the current voluntary practice?**

Energy UK agrees with Ofgem's proposal to amend SLC 14.6 and increase the DAP debt threshold from £200 to £500. A £500 threshold is in line with the voluntary commitment made by industry with Ofgem in 2012. The proposed SLC modification will ensure there continues to be a consistent supplier approach to support consumers and enable them to engage effectively and confidently in the market.

Energy UK would, however, encourage Ofgem to consider if and how they can more broadly continue to ensure a consistent approach to debt assignment and the operation of the DAP across all suppliers. As you are aware, in response to an Ofgem challenge to increase the number of customers successfully completing a switch via the DAP, nine suppliers have voluntarily agreed with Ofgem to adopt the Point of Acquisition (POA) DAP model<sup>1</sup> by the end of April 2015.

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<sup>1</sup> Under the POA model, suppliers continue to use the existing DAP processes and flows as set out in MRA MAP 13 and SPAA Schedule 9. However, instead of waiting on the Old Supplier Debt Objection Letter (DOL) to prompt the customer to call the

**Question 2: Do you have any comments on the changes we are proposing to make to the Social Obligation reporting requirements?**

In relation to the Social Obligations reporting requirements, Energy UK would like to raise a number of comments to ensure that there is consistent practice among suppliers and that their reporting methods will meet Ofgem's expectations and reporting requirements. These comments are detailed in the table below.

<b>Data Item</b>	<b>Proposed Wording</b>	<b>Comments</b>
<b>5.1 – 5.4</b>	Use the definitions set out in the MRA 'Agreed Procedure for the Assignment of Debt in Relation to Prepayment Meters. MAP 13' and Supply Point Administration Agreement (SPAA) Schedule 9. Suppliers should use this guidance alongside the Procedure document and SPAA Schedule 9 document accordingly. These can be found at <a href="http://www.mrasco.com/mra-products/mra-agreed-procedures">http://www.mrasco.com/mra-products/mra-agreed-procedures</a> and <a href="http://www.spaa.co.uk/documents/spaa/current-version">http://www.spaa.co.uk/documents/spaa/current-version</a> .	<i>No comments.</i>
<b>5.1</b>	Asks whether supplier followed the point of acquisition (POA) model at the start of this reporting period (Yes/No).	<p>Energy UK would welcome clarification around how suppliers should report against data item 5.1. We assume it is to be answered from the gaining supplier perspective with a simple 'yes' or 'no' response for the time period in question.</p> <p>We would, however, also like to highlight a resulting unintended consequence of this assumption and the resulting data sets – the results of 5.1 will not have a direct link/relationship to the results of 5.2, 5.3 and 5.4, as these are to be answered from the losing supplier perspective. It will, therefore, not be possible to directly monitor and correlate the impact of nine suppliers adopting the POA model on DWP switching numbers from the data sets collected.</p>
<b>5.2</b>	Asks for the number of unique indebted PPM customer accounts entering the switching process in	Energy UK supports this information being reported by the losing supplier as the gaining supplier may not have the necessary data

New Supplier to fulfil the requirements of section 2.3 in MAP 13 and Schedule 9 and to initiate a switch under the DAP, suppliers build the provision of information about the DAP and customer consent to debt assignment in the event of a debt objection (as required by section 2.3 of MAP 13 and Schedule 9) into all of their sales channels (e.g. telephone, online, switching sites, collective switches) for all prepayment customers at the point of acquisition.

By operating the POA model, the New Supplier is then in a position on receipt of all supply point objections related to a prepayment customer to automatically issue a Request for Debt Information flow (D/G0306) and for the switch to continue under the DAP where appropriate, as per MAP 13 and Schedule 9. The POA model thereby removes the need for a prepayment customer with a debt of £500 or less per fuel to take action (either proactive or reactive) to "restart" their switch under the DAP. The customer makes one decision to switch at the point of acquisition.

	<p>this reporting period. These figures should be provided broken down into the following categories: ≤£500, &gt;£500 and Total. These figures should be reported by the losing supplier.</p>	<p>readily available.</p> <p>We would also propose 5.2 is reported using the data flow D/G0307 as it includes information on the associated debt values.</p> <p>It is, however, important to highlight that as 5.2 only accounts for a single reporting period any customers who eventually complete their switch but fail to do so in a single reporting period will not be properly represented in the data. For more information see comments on 5.4 below.</p> <p>Views vary on whether 5.2 should be reported by reference to number of objections, or at customer account level, we expect members to provide more detailed comments directly to Ofgem.</p>
<b>5.3-5.4</b>	<p>Refer only to customer accounts reported in 5.2 where debt was ≤£500.</p>	<p><i>No comments.</i></p>
<b>5.3</b>	<p>For those customer accounts reported in 5.2, where debt was ≤£500, the number of customer accounts where a Complex Debt process was applied in this reporting period. These figures should be provided by the losing supplier, broken down into the following categories: Complex Debt, Not Complex Debt, and Total. For a definition of Complex Debt see MRA 'Agreed Procedure for the Assignment of Debt in Relation to Prepayment Meters. MAP 13' at <a href="http://www.mrasco.com/mra-products/mra-agreed-procedures">http://www.mrasco.com/mra-products/mra-agreed-procedures</a>.</p>	<p>Energy UK supports this information being reported by the losing supplier as the gaining supplier may not have the necessary data readily available.</p> <p>We would, however, welcome clarity on what is meant by the 'Complex Debt process'. The complex debt flag is used by the losing supplier as an indicator to inform the gaining supplier that the debt is complex. It is then the decision of the gaining supplier whether to proceed with the transfer or not. We assume for data item 5.3 Ofgem is interested in the number of complex debt flags raised by the losing supplier via the D/G0307.</p> <p>With this in mind, we would also welcome clarification from Ofgem that the total figure reported under 5.3 should correspond to the total number of D/G0307 sent by the old supplier.</p>
<b>5.4</b>	<p>For those customer accounts reported in 5.2, where debt was ≤£500, the number of customer accounts completing the switching process in the reporting period, split by the type of debt. These figures should be provided by the losing supplier broken down into the following categories: Complex Debt, Not Complex Debt, and Total.</p>	<p>Energy UK supports this information being reported by the losing supplier as the gaining supplier may not have the necessary data readily available.</p> <p>To avoid confusion, we would, however, welcome clarification on which point in the process designates a 'completed' switch.</p> <p>As noted above (5.2), It is also important that Ofgem are conscious that while suppliers are able to provide data on the number of customer accounts completing the switching process where there is a debt of ≤£500, this</p>

		<p>figure will not always be comparable with the number of customers with that level of debt entering the switching process (5.2) for the period. This is due to the time taken to complete a switch after a debt objection has been raised.</p> <p>One member has noted that it is not possible for their customers to complete the switching process where their account is flagged as having a complex debt, as such this field would always report zero and therefore suggested the 'Complex debt' field should be removed.</p>
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Ofgem should also consider whether, to ensure consistency, there is merit in aligning the start date for the license change and the reporting requirements. A start date of 1<sup>st</sup> July would enable the first quarter under the new arrangements (including the POA model) to be accurately and fully reported in Q3.