



**By email only**

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Dear Jonathan,

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

Thank you for the opportunity to comment on your proposals to amend suppliers' electricity and gas licences, and associated reporting requirements to accommodate changes to the Debt Assignment Protocol (DAP). We have no objection to our response being placed in the public domain.

Turning to the two questions asked.

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

Yes, we agree with the proposal, for the reasons cited. However, we would also make the following observation.

In its consultation letter, Ofgem stated:

*“The effect of the proposed licence modification will be to ensure that all suppliers apply a consistent debt threshold so that customers are clear on their rights when they seek to switch. Modifying the gas and electricity supply licences will ensure that all suppliers must take this consistent approach. As well as giving consumers clarity, it will remove any ambiguity that may exist for suppliers, particularly relatively new entrants”.*

As far as we are aware, only nine out of 18 suppliers are participating in the point of acquisition (POA) model as of now, and Ofgem has indicated that it will take a proportionate view on this given that the smaller suppliers do not have many indebted prepayment meter customers. We understand this. It does, however, create an apparent dichotomy of approach: on the one hand, there being a consistent 'across the piece' application of the £500 threshold; on the other, two different DAP models applying it. Given this, we wonder if Ofgem should mandate, perhaps in the supply licence, that all suppliers must adopt the POA model - even if this is not straight away, but at some date in the near future.



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

We welcome the simplification of the reporting requirements and agree that they should accord with whether debts assigned are above, equal to or below the £500 threshold. We do, however, have a number of comments.

**Data item 5.2 - the number of indebted ppm accounts entering the switching process.**

Our preference is for this to be reported at objection level rather than customer account level. This data item should remain consistent with the current reporting requirement in 5.1, which reports at a successful objection level. There seems little value in moving to a unique customer account level requirement as this will add additional regulatory burden in developing a new solution.

The reporting should also reflect the date of the objection being in the reporting period, as it may be the case that the customer has entered the switching process in another period.

SLC 14 contains prohibitions on raising objections for debt. Suppliers also have their own thresholds for debt below which they will not object. The newly proposed wording would appear, incorrectly, to include these customers.

**Data item 5.3 - the provision of data relating to Complex Debt.**

While the reporting should cover customers with complex debt, we believe this will be a manually intensive process to provide said data. Perhaps its focus should be different from that suggested - that is, not where the debt is  $\leq$ £500, as this would be the most time consuming part to obtain. The D/G0307 flows have a complex debt indicator, but where populated, the 'Estimate total debt outstanding' field within the D/G0307 is not applicable if the debt is classed as complex. This would mean that account data outside the D/G0307 flows would need to be interrogated to determine if the debt was  $\leq$ £500.

We suggest that Ofgem asks suppliers to report on complex debt for all D/G0307s sent in the reporting period, whether or not it is  $\leq$ £500.

**Data items 5.3, 5.4 and general**

For both Data items 5.3 and 5.4 – the relevant guidance notes' sentences start with '*for those customer accounts reported in 5.2*'. We believe this wording may have the unintended consequence of excluding customers who entered the process in one quarter and completed it in another. To avoid any ambiguity, we recommend that this sentence is reworded so that these items are not restricted to only customers entering in the process in the quarter being reported.

General - it would be beneficial for the guidance to reference the flows to be used for reporting.



## Dates for implementation

The licence condition relating to the £500 threshold is due to take effect on 1 June and the revised reporting requirements on 1 April. Given our and other interested parties' probable comments, then by the time Ofgem has reached a final decision on reporting (which may alter the requirements), this will leave little time for the inevitable system changes necessary to accommodate them. Also, while 1 June is the earliest date post the statutory consultation period that the licence change can take effect, it would seem sensible to align the implementation dates to, say, 1 July; that way, both changes take effect at the beginning of a reporting quarter. It may well be the case, too, that more suppliers will be in a position to adopt the POA model if a later date is settled on.

I hope you find the above helpful. As always, if there is anything about which you require clarification, please get in touch.

Yours sincerely

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