POLICY ISSUES PAPER – CONTROL SHEET

Title of Paper	**Erroneous transfers**		
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Issue Owner (Accountable)	Barry Coughlan		
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Status of Paper	1 – Initial Development and Review 2- Draft for Work Stream Leads 3 – Draft for User Group Review 4 – Draft for EDAG Review 5 – Final Recommendation for DA		
Timing	Our decision in relation to erroneous transfers will feed into development of the business process scenarios, to be completed later in the summer.		
Dependencies	There is an interdependency between this paper and BPD i23 Standstill, as it may be desirable to treat erroneously transferred consumers differently to other consumers in relation to any standstill period. There are also some soft dependencies between this paper and advance registrations, debt assignment, data modelling and the data cleanse strategy being developed by the Delivery Strategy workstream.		

Circulation	Design Team / Workstream Leaders / User Group / EDAG /DA Huddle / Website

Issue	This paper considers the process for preventing and rectifying erroneous transfers under the new switching arrangements.		
Impacts Domestic?	Yes	Impacts Non-Dom?	Yes
Policy Objective (and reference to ToM v2)	In the TOM v2 we said that we would review the arrangements for returning consumers to their previous supplier when they had been erroneously transferred. We said that we would design the new arrangements to ensure, as far as reasonably practical, that the gaining supplier only switches the supply point for the consumer with whom they have a valid contract.		
Previous Positions on this/related Issues	No previous positions		
Summary of Recommendations	We recommend several options for validating the consumer switching information that is received by suppliers to prevent erroneous transfers from occurring. There are instances in which some of the options may not be possible or appropriate, so we do not recommend prescribing which should be used. In relation to rectifying erroneous transfers, we recommend minimal changes so as not to disrupt existing bilateral arrangements between suppliers.		

Internal and External Engagement	
Business Process Design	Colin Sawyer
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Meetings at which this paper has been discussed	
Workstream	
User Group	11 Jul 2016, 15 Aug 2016
EDAG	18 Aug 2016
Design Authority	

POLICY ISSUES PAPER – CONTENT

Issue

1. Erroneous transfers (ETs) occur where a consumer has been switched by a supplier against their wishes. ETs can be caused by a number of factors, including inaccurate switching data, misselling, fraud or contract cancellations not being executed. ETs currently account for approximately 0.5% of switches in the domestic segment of the retail energy market.[1] While this is a reasonably small proportion of total switches, the experience for affected consumers is negative, and may bring the market into disrepute.

2. We expect that the changes to the switching arrangements that we are currently designing through the Switching Programme will help to place downward pressure on the overall number of ETs. Changes to the business processes, establishing clear responsibility for maintaining and disseminating key data, and efforts to cleanse industry data should all help to reduce errors.

3. However, in future suppliers may have less time to correct an ET before the switch has been processed. Due to current average switching times, ETs can be identified and resolved before a switch has been processed. However, if an ET is processed with a next-day switch, and identified only at the point at which a consumer receives a 'sorry to see you go' letter that they were not expecting, this would be likely to be after the point at which the switch has already been processed. In isolation this will place upward pressure on the number of ETs.

4. Through our changes to the switching arrangements, we want to ensure, firstly, that we put in place mechanisms to prevent ETs from occurring. This could include, for instance, tests of the Consumer Identification Number (CIN) for smart meters, or supplier triangulation of several data points to ensure the correct meter is being switched.

5. Secondly, we want to make sure the existing arrangements to effectively rectify ETs where they do occur are fit for purpose for a next day switching world, minimising any disruption to the affected consumer. Our starting assumption is that it should be possible to return a consumer to their original supplier using, in large part, the same switching processes used to carry out a regular switch, and that are in keeping with the arrangements set out in the Erroneous Transfer Customer Charter for returning consumers to their previous supplier.[2] However, there are instances in which specific measures to handle ETs may be required. These include smart prepayment switches, which are generally temporarily set to credit mode while the switch is completed. ETs may need to be handled differently under the 'standstill' arrangements we are currently

[1] Ofgem, Retail Energy Markets in 2016, July 2016. This figure is for March 2016 for the six large domestic suppliers. Anecdotal evidence from different industry parties suggests the true figure may be slightly higher when accounting for all suppliers. Ofgem monitoring suggests the figure for non-domestic is slightly higher, at approximately 1%.

[2] The Erroneous Transfer Customer Charter is included at annex [XX]

considering for the period immediately after a switch.[3] Additionally, the billing arrangements in the case of an ET are likely to look different to a regular switch as the consumer should only be paying the supplier with whom they have a contract.

6. Below we set out some background to ETs, and our analysis, options for dealing with some of these issues, and recommended way forward.

Essential Background

7. In version 2 of the Target Operating Model (TOM v2) for the Switching Programme we said: *"the new arrangements will be designed to ensure, as far as reasonably practical, that the gaining supplier only switches the supply point for the consumer with whom they have a valid contract."* We also said that we would review processes for returning erroneously transferred consumers. In effect, we set out two separate objectives for ETs:

    - To prevent ETs from occurring in the first place; and
    - To put in place effective arrangements to rectify ETs where they have occurred.

8. We signalled that we would explore a number of different options to achieve both of these objectives, including *"where a smart meter is installed there may be opportunities to use two-way communication so that the gaining supplier can confirm the correct gas Meter Point Reference Number (MPRN) or electricity Meter Point Administration Number (MPAN) with the consumer"*. We also suggested that we would consider the role of Third Party Intermediary (TPI) services in supporting suppliers' ability to switch the correct supply point.

9. Furthermore, we indicated that we would investigate whether any rules for a 'standstill' period should be varied where a switch has been identified as an ET.

10. Current licence conditions require that *"if a licensee applies under the [Master Registration Agreement/Network Code] to supply [electricity/gas] at a premises specified by a Customer (the "Transfer Request"), the licensee must take all reasonable steps to ensure that it has a Valid Contract with that Customer for that Transfer Request at the point it is made."* They also require that *"where a licensee becomes aware, prior to starting to supply [electricity/gas] at a premises, that it does not have a Valid Contract for the supply of [electricity/gas] to that premises it shall take all reasonable steps to prevent its Transfer Request from having effect."*[4] The steps to be taken when rectifying erroneous transfers are set out in the Erroneous Transfer Customer Charter, the Master Registration Agreement[5,6] and the Supply Point Administration Agreement[7,8].

[3] BPD i23 Lockout periods
[4] Electricity and Gas Supply Licence condition requirements 14A.10 and 14A.11
[5] MRASCo, Master Registration Agreement p.93, June 2016

11. As part of our work now, we want to revisit these conditions to ensure they remain fit for purpose in future when our new switching arrangements are in place. In particular, the latter of the two licence condition requirements refers to correcting erroneous transfers where these are identified prior to the start of supply. When switching can occur next day, this requirement may not, on its own, be sufficient to ensure a smooth process for returning a consumer to their original supplier.

Related Issues

12. **TPI access to industry data:** Within the Business Process Design workstream we are considering whether, how and to what data Third Party Intermediaries (TPIs) such as price comparison sites should have access in the new Centralised Registration Service (CRS). This is currently a live issue in relation to the Electricity Central Online Enquiry Service (ECOES) database and the Data Enquiry Service (DES), where industry are looking to introduce new arrangements for TPI access in early 2017. Following the Competition and Markets Authority's (CMA's) energy market investigation the industry are considering whether adjustments should be made to existing rules to allow TPIs to gain access to certain data.[9] Should TPIs gain access to certain industry datasets this may help to validate consumer-inputted information, allowing any errors to be identified at an early stage and potentially preventing ETs.

13. **Data modelling:** The Business Process Design work on data modelling aims to ensure that there is clearly defined ownership of certain datasets, and that updated information is quickly and efficiently disseminated to parties using that data. For example, there are currently distributed databases for address data, which are updated at different levels of frequency. This can mean that at any one time some databases can be out of date. Establishing clear roles and responsibilities for maintaining and disseminating different data points should help to align different datasets, possibly helping to prevent ETs that may be caused by inconsistencies between electricity and gas data, for instance.

14. **Data cleansing:** The Delivery Strategy workstream is developing an approach to cleanse industry data. Although quantification of problems and development of potential solutions is still at a relatively early stage, at this point it appears that one of the key causes of ETs is a mismatch between address and MPAN/MPRN (MPxN) data. This is a key focus of the data cleanse work. Anecdotal evidence suggests the accuracy of this information is relatively low – parties have suggested approximately 85% of this data is correct. We intend to develop a strategy to improve the accuracy of address and MPxN matching, which we expect will help to reduce the incidence of ETs.

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[6] MRASCo, MRA Agreed Procedure 10 (MAP 10):The Procedure for Resolution of Erroneous Transfers, November 2004

[7] SPAA, Supply Point Administration Agreement, April 2016

[8] SPAA, Supply Point Administration Agreement Schedule 10: The Procedure for Resolution of Erroneous Transfers, November 2004. To note, the requirements set out in this schedule are mandatory for domestic suppliers and voluntary for non-domestic suppliers.

[9] Competion and Markets Authority, Energy market investigation: Summary of final report, 24 June 2016

15. **Standstill periods**: Our current position is that to allow time for switching data to be fully validated there should be a short, configurable period after a switch where a consumer cannot switch again. This 'standstill' period would apply where a consumer has actively switched, or where they have switched and chosen to cool off. The design of the new arrangements does not, as yet, distinguish between a cooling off event and an ET. Without a carve-out, the effect would be that a consumer who had been erroneously transferred could be blocked from switching, if only for a short period, despite not having initiated the ET switch themselves. In this paper we consider the interaction between standstill periods and ET policy, to determine whether alternative processes or overrides should be included in the new switching arrangements so that those that have been erroneously transferred are not blocked from switching once returned to their original supplier.

16. **Debt assignment**: Where a consumer in debt switches supplier, there are processes for transferring the debt from old to new supplier. Where debt is being transferred, there are points of contact between the two relevant suppliers and the consumer. We expect that in most cases, where a switch involving debt transfer is erroneous, the ET will be identified and the switch halted during these contacts. However, there may be circumstances where a consumer cancels a contract in advance of a switch and the gaining supplier proceeds with the switch. In such cases it is possible that the debt will be transferred. We do not cover the process for reversing debt transfers in this paper, but will consider this eventuality as part of our design of business processes, which is ensuring the processes set out in the Debt Assignment Protocol function under the new switching arrangements.

Analysis, options, options assessment and recommendations

17. Below we set out our initial analysis in relation to ETs. We provide some background to the current incidence of ETs before setting out some specific considerations we need to reflect in our eventual policy recommendation and decision. We discuss each of these issues in turn, setting out potential options for addressing them, the pros and cons associated with these options, and our recommended way forward.

18. The section is broken down into two parts – we first focus on steps that may help to prevent ETs from occurring, before looking at measures to ensure they can be efficiently rectified.

19. In some cases there is no clear optionality in how the issues outlined should be dealt with. We set out our recommendations for these below for completeness. In other areas, we consider that some of the issues are 'live', and are currently being considered as part of other programmes of work beyond the Switching Programme. We set out our initial considerations in relation to these issues, though do not make any recommendations beyond noting the actions that are being taken forward on these areas outside the scope of the Switching Programme.

20. Among the six large domestic suppliers, ETs currently account for approximately 0.5% of switches (or circa 25,000 a year). Anecdotal evidence suggests the true incidence of ETs in the domestic segment of the market may be higher when all suppliers are taken into account. ETs are, on average, slightly higher among non-domestic consumers, at approximately 1%.

21. The number of affected consumers is significant, and the switching experience for those who are erroneously transferred is likely to be negative. The majority of ETs occur due to incorrect switching data or consumer errors. Evidence gathered to date suggests that mismatches between MPxN and address data is a particularly common cause. ETs can also be recorded where a consumer has switched but wants to return to their original supplier, and both suppliers agree that this can happen.

22. It is difficult to determine with any precision what is likely to happen to the level of ETs once the Switching Programme changes have been made. However, we consider that in the absence of specific measures to prevent their occurrence they are, on balance, likely to increase.

23. On one hand, the changes we are making to businesses processes, our definition of clear roles and responsibilities for owning and disseminating switching information, and our work on a strategy for cleansing industry data should place downward pressure on the incidence of ETs.

24. However, with the introduction of faster switching, the window for resolving errors before a switch is processed is substantially shorter. If an ET is not identified until a consumer has received a 'sorry to see you go' letter they were not expecting, in future the switch is likely to have been completed.

25. At present, the steps taken to validate consumer data before a switch is processed can be limited. If data errors are identified a supplier may be able to cross-reference electricity and gas information, or have a conversation with the consumer in order to obtain accurate information. TPIs may have less ability to validate switching data, due to their limited access to industry databases. With this in mind, strengthening requirements to validate data and help to prevent ETs from occurring might be warranted.

26. Even assuming these measures are successful in reducing ETs, we still need an efficient process for rectifying ETs where they do occur.

27. Our starting assumption is that, in large part, an ET reversal can be carried out using the same processes as a normal switch, ie the data exchanges between different parties will be similar. However, this will not always be possible or desirable. There are several specific instances we have identified where specific alterations to the normal switching process may be required.

Preventing ETs

28. The majority of ETs are caused by inaccuracies in the consumer's underlying registration data, which includes a wide range of items such as MPxN, address, supplier, meter serial

number/Globally Unique Identifier (GUID), etc. Of these, the most common issue relates to mismatches between address and MPxN data. At present, when consumers decide to switch they generally provide their postcode/address, which is used by a supplier or TPI to extract the MPxN and other information for the premises. This information is then used to process the switch.

29. However, errors can occur due to consumers being unable to correctly identify their address – this could be because the address name on industry systems is captured as a previous plot address, or the property may have been renamed since the consumer moved in. There may also be fundamental errors in the data, such that even if the consumer recognises and correctly selects their address, this address is not correctly aligned with the relevant MPxN. Where errors are identified by suppliers, it appears that some effort is made to obtain the correct information. However, this tends to be on a reactive basis, where certain data items are missing for instance. Suppliers have also suggested that the process for updating centrally-held data can be difficult. This means that where more accurate, up-to-date information is obtained, it may not be disseminated to other parties.

30. Through the switching programme we are tackling this problem from several angles. Within our Delivery Strategy workstream we are developing an approach to cleansing industry data, and the Business Process Design workstream is also assessing parties' roles and responsibilities in relation to maintaining and updated switching data, and disseminating this information to affected parties. Additionally, we are looking at whether and to what data TPIs could be given access.

31. In light of these initiatives, **improving triangulation of consumer data** and **enabling validation of switching data by TPIs** may be ways of improving the prevention of ETs. In addition, with the advent of smart metering, a third option is to conduct a **Consumer Identification Number (CIN) test**.

    i. **Improving triangulation of consumer data**: Although the data inputted by the consumer, or extracted from industry databases, may be inaccurate, inconsistent, or incomplete, it may in some cases be possible to impute the correct information by combining different data sources. This could, for example, include cross-referencing gas and electricity information, account names, or using the Unique Property Reference Number (UPRN) in use on several databases. The intention would be that where one data source does not provide a clear 'right' answer, several sources are used to validate the information before a switch is processed. This validation could be carried out on a blanket basis, or targeted at known categories of consumer data that may be more prone to ETs, such as plot numbers of areas where flat numbering is ambiguous. In other cases, it may be sensible to request further information from the consumer, for example by getting them to provide their MPxN directly, where the information initially provided cannot be reconciled with that held in central industry systems.

    ii. **Enabling validation of switching data by TPIs**: In the domestic segment of the market, TPIs such as price comparison sites are now the most popular means

of switching. TPIs generally do not have access to industry databases such as ECOES and DES, and so may be more limited in their ability to validate switching information before dispatching batch requests to suppliers. This can mean either that a potential ET is not picked up as early as possible, or that it is not identified at all. Following the publication of the CMA's remedies resulting from their energy market investigation TPI access to the ECOES and DES databases is currently being given consideration. We see merit in enabling TPIs to perform early validation of switching data, and are considering their access rights within the new CRS. To note, we do not intend to interfere in the relationship that exists between suppliers and TPIs, so TPI data validation would not be 'forced'. The responsibility for validation would ultimately sit with the supplier. Instead we would aim to facilitate TPIs performing some data validation, though precisely what their role and responsibility is would be for suppliers and TPIs to determine.

iii. **CIN test**: With the rollout of smart meters there is the potential to use a CIN to validate the information they provide at point of switch. The consumer could provide their switching information as usual before being prompted to provide the CIN that had been sent to their smart meter to confirm that the correct MPxN(s) are being switched.

32. Some or all of the three above options could be beneficial in helping to prevent ETs from occurring. However, if it was not possible to take any of these actions prior to a switch, they could equally be used as post-switch validation, so that if an ET has occurred it is identified as early as possible.

Improving triangulation of consumer data

33. Improving industry parties' ability to triangulate consumer switching data should help to reduce the incidence of ETs. Where the 'correct answer' cannot be directly identified, cross-referencing gas and electricity data, for instance, could help to validate the information received by the supplier.

34. Suppliers currently carry out some validation of switching data. However, this is most common when a data problem is evident, so validation tends to be carried out in a reactive rather than proactive fashion. Current switching times can allow ETs to be prevented where consumer information is found to be incorrect or incomplete after submission. In future this window will be reduced, meaning that more emphasis will need to be placed on up-front data validation by suppliers.

35. The success of this validation will rest in part on other pieces of work within the Switching Programme. This includes the data cleanse work being considered by the Delivery Strategy workstream, as well as the data modelling work being conducted by the BPD team, which should ensure that suppliers will have better data with which to validate switching information.

36. However, one 'new' step that we want to consider is providing consumers with the facility to manually provide their MPxN where it is not possible to determine this from the basic switching information, such as address, they have provided. The majority of

consumers are unlikely to be familiar with their MPxN information at present, so it is not our intention that consumers would be asked for it in all cases. Instead, where the switching information provided by the consumer does not appear to the supplier or supplier representative to be correct the consumer could be prompted to seek out their MPxN from a recent bill in order to ensure the correct meter is being switched. The in-built validation in MPxNs should ensure that any manual entry errors do not lead to ETs.

Enabling validation of switching data by TPIs

37. Currently the role of TPIs in providing up-front validation of consumers is relatively constrained. TPIs may have partial access to some industry datasets, though they may only receive updated data infrequently. This may mean the information they could use to validate the data provided by consumers is out of date.

38. TPI access to ECOES and DES is currently being actively considered following the CMA's recommendation as part of its energy market investigation. As part of the Switching Programme we are engaging with this work, and will also be considering the access rights for different parties within the new CRS. This may help to improve TPIs' ability to provide an early check of switching data and identify any problems at point of switch by cross-checking consumer data with that held in central industry systems. Doing so at this stage of the process may enable consumers to provide updated, accurate information so that the switch can continue. Or if this is not possible, having identified the data error it could be escalated and resolved, either by the TPI themselves or by passing to a supplier or other industry party. In either case, we would expect that this should help to improve the reliability of the switching process for consumers.

39. We do not, at this point, think it would be desirable to be prescriptive about the validation activities that must be taken by TPIs as opposed to suppliers. Any split in responsibility is a decision to be reached by suppliers and those TPIs acting as their representatives. We want to ensure that in our design of the new arrangements, and in putting in place any obligations to perform up-front validation that we do not prevent some of this role from being performed by TPIs. This should ensure that those TPIs that wish to can offer data validation as part of their services, while also not placing an onerous burden on all TPIs.

CIN test

40. With the rollout of smart meters, there is an opportunity to use the CIN test to provide a robust form of up-front and/or early post-switch validation to confirm that the right meter is being switched. A message can be sent to the consumer's meter with relative ease that could act as confirmation that the switching information that has been provided is correct and, should the message not be received and confirmed, avoid potential ETs.

41. The CIN test is unlikely to be practical in all cases. It will necessarily be restricted to those consumers with smart meters installed. The proportion of smart-metered consumers will increase over time, though the rollout is unlikely to be complete by the time the new switching arrangements are implemented, and in any event not every

consumer may eventually have a smart meter installed. Additionally, in some cases the CIN test may not be suitable – some consumers may not have easy access to their meter display, or individuals may be switching on behalf of others (eg an elderly relative) and so may not be on the premises to provide test confirmation.

42. It is therefore clear that although the CIN test may be beneficial in validating switching information, it is unlikely to be appropriate in all cases. However, it may be the best way of validating certain high-risk categories of switches that may be more prone to ETs than others, such as areas where there are unusual property naming conventions, or for plot addresses.

43. We consider that each of the options we have identified in relation to the prevention of ETs could have merit in certain circumstances. Facilitating better triangulation of consumer switching data, enabling validation of switching information by TPIs and the CIN test could each help to reduce the incidence of ETs, either on their own, or in combination. They could also be used as a post-switch check, to ensure that if an ET has occurred it is identified and resolved quickly.

Recommendation

44. Although there does not appear to be a one-size-fits-all approach to validating consumer switching data, we consider that there are risks in not strengthening some requirements now. Existing licence requirements make clear that suppliers should take all reasonable steps to ensure they have a valid contract with the consumer before completing a switch. These requirements remain relevant. However, in light of the condensed window to identify and prevent ETs from occurring we want to strengthen these in two ways. We recommend that new requirements be put in place to ensure that:

    - **RECOMMENDATION A**: Consumers have the facility to manually provide their MPxN information where it has not been possible to reliably obtain this based on the address or other basic information they have provided. Consumers should be informed why this information is being sought, and where they can get it. They should also be informed of what they should do next, such as contacting their current supplier, if the MPxN is still not recognised.

    - **RECOMMENDATION B**: In 'high-risk' cases, such as plot addresses, premises with ambiguous naming conventions, or in instances where the impact of an ET would have a significant negative impact on the consumer (eg smart metered prepayment switches), the CIN test should be used to confirm the correct meters to be switched.

45. Separately, we expect that our work to cleanse industry data and ensure clear roles and responsibilities for maintaining correct and up to date information will help to support better triangulation of data, and establish processes for disseminating correct/updated information in a timely and efficient manner.

Rectifying ETs

46. As the erroneous supplier is responsible for processing the switch, albeit they may have done so in good faith, they should be responsible for supporting the switch reversal wherever appropriate. We do not envisage that this is a blanket requirement, but rather that there may be certain activities which could be, or are more easily, performed by the erroneous supplier, thus reducing the burden on the original supplier, who bears no responsibility for the ET.

Consumer billing

47. In the case of an ET, we think the original supplier should be responsible for billing the consumer.[10] As the consumer has not made an active choice to switch to the new supplier, having to pay a bill to that erroneous supplier would be confusing for the consumer. It would also arguably be without legal basis as no valid contract exists with the erroneous supplier. To correctly bill the consumer may require the exchange of consumption data, the original supplier seeking a new meter reading or generating a new estimated read. It would also require the original supplier to reapply the consumer's pre-ET tariff conditions. This would allow the consumer's bill to be 're-engineered' to reflect what they would have paid had the ET not occurred.

48. Where a smart metered consumer has been erroneously transferred from one set of time of use rates to a different set, it may not be able to impute the rates that would have applied from the billing registers used by the new supplier. Under normal circumstances, the consumer's registered supplier is the only one that can access the consumer's usage data. This may mean that where an ET has occurred, only the erroneous supplier can access historical consumption. However, to correctly bill the consumer the original supplier will need access to this consumption information. In this case, the old supplier may need to access the historical half-hourly consumption log to be able to reapply the consumers previous set of rates.

49. This issue may be current, in that some smart meters have already been installed. However, complex time of use tariffs, which may make charging more difficult to unpick, are not as prevalent currently as we might expect them to be in future.

50. One way of ensuring the consumer's bill can be correctly re-engineered is for the erroneous supplier to obtain the half-hourly consumption data for the consumer and share this with the original supplier. Our current understanding is that consumer consent would not be required should the original supplier wish to access this information themselves, as the original contract terms would still be in effect.

51. For traditional prepayment consumers, if an ET has occurred this may be identified at the point at which the consumer receives a new meter key or card from a supplier they are not familiar with. They may at this point contact their supplier in order to correct the

[10] This is unlike cooling off arrangements, where our recommended position is that the consumer would be charged by the new supplier for the period they are with them before either switching again or returning to their previous supplier.

ET, and are able to continue to use their original key or card until that point. In this case the erroneous supplier would be responsible for settlement of the consumer up to the point that the consumer switches back, while the consumer would continue to pay their original supplier. It would be for the two suppliers to rebalance settlement amounts. Were the consumer to start using the new card and the ET was not identified quickly, this may be more difficult to resolve. In this case the consumer may be consuming and paying for their energy at a different set of rates to their original terms. The balance, if any, on the meter will likely not align with what it would have been had the ET not occurred. In this case the two suppliers may need to reconcile what the consumer has paid with what they would have paid in the absence of the ET, before determining the correct balance to be reapplied to the key or card.

52. We expect that in many cases the issuing of a new prepayment key or card will act as a trigger for the consumer to contact their supplier where an ET has occurred. If they do not, and they start to use the key or card of the erroneous supplier, this may require retrospective unpicking of the amount they have paid. We consider that compensation is likely to be the best way of ensuring the consumer does not suffer detriment in this case. However, in relation to the amount they have been billed, the original and erroneous supplier may need to agree the amount that should have been billed and reallocate any key/card balances to the consumer as appropriate.

53. In each of these cases, the process for re-engineering bills may be manual and resource intensive. Much of this effort is likely to fall on the original supplier. We want to minimise this burden as far as possible, as the original supplier is unlikely to be at fault for the ET occurring in the first place. We have identified several options for minimising the burden to the original supplier:

    i. **Placing obligations on the erroneous supplier to support the return and correct billing of the consumer**: The erroneous supplier would be required to support the consumer's return to their original supplier and, wherever possible, support the process for the original supplier to re-engineer the consumer's bill. These obligations on the erroneous supplier could take the form of specific steps to be undertaken by them, for example extracting and providing consumption information to the original supplier, or general requirements to support the process wherever possible.

    ii. **Erroneous supplier to compensate the original supplier**: The erroneous supplier could be required to compensate the original supplier to cover the costs incurred in the course of efforts to return and re-bill the erroneously transferred consumer. This could take the form of a bespoke compensation amount to be determined by factors such as the length of time and resource involved in reversing the ET, or a nominal amount of, say, £20 per ET, which is the amount of compensation paid by suppliers to consumers when the terms of the ETCC are not met.

iii. **Do nothing**: Under this option, no specific changes would be made to existing requirements. ETs can occur for all suppliers, so we could assume that the costs involved in reversing them may even themselves out across suppliers over time.

Placing obligations on the erroneous supplier to support the return and correct billing of the consumer

54. In principle, requiring the erroneous supplier to support the return and re-billing of the consumer by their original supplier should help to place some of the burden of effort involved in an ET reversal on the party responsible for the ET's occurrence. In particular, placing obligations on the erroneous supplier to obtain historical consumption information to support re-billing the consumer could remove some of the effort involved on the part of the original supplier.

55. There are limits to the support that can be provided by the erroneous supplier, however. Certain activities, such as the reapplication of old tariff rates, can only be performed by the original supplier. And even in the case of accessing historical consumption information, in some instances it may be more straightforward for the original supplier to obtain this themselves.

56. It may therefore not be sensible to introduce requirements for the erroneous supplier to perform specific activities as part of the ET reversal, as this may inadvertently delay or make the ET reversal process less efficient. Our intention is to ensure that the responsibility is shifted to the erroneous supplier where this helps to reduce the effort required by the original supplier. This should also ensure that we do not unnecessarily interfere with any existing bilateral ET resolution arrangements.

Erroneous supplier to compensate the original supplier

57. Even assuming the erroneous supplier is able to support the original supplier's efforts to return and re-bill the consumer, it is still likely that the original supplier will bear much of the burden of effort. There may therefore be a case for requiring the erroneous supplier to compensate the original supplier to ensure the latter does not lose out. Requiring them to do so may also help to incentivise strong up-front data validation to help reduce the overall incidence of ETs.

58. One unintended consequence of this approach may be that suppliers are less willing to agree that an ET has occurred. This may inadvertently cause delays to the length of time it takes to rectify an ET and return the consumer to their original supplier. Additionally, in some cases consumers that have recently switched want to return to their original supplier and both suppliers voluntarily agree to use the ET processes to return the consumer. Exceptions to any compensation requirements may be required in such cases.

59. It may be complex and costly to develop a methodology for determining the level of compensation to be paid on a case-by-case basis. A flat compensation amount may therefore be more appropriate should we pursue this option. We welcome views on the practicality and proportionality of this option, and on how best to go about determining the level of any compensation to be paid.

Do nothing

60. Although ETs could occur for most suppliers, due for instance to flaws in industry data, some suppliers may be less thorough in their validation of switches than others. Doing nothing to rebalance the costs and effort involved in reversing ETs therefore seems to unduly penalise the original supplier, who bears no responsibility for the ET's occurrence.

Recommendation

61. We want to ensure that, wherever possible, the burden of effort involved in rectifying an ET is placed on the erroneous supplier as the party responsible for processing the incorrect switch. To achieve this, we propose to:

    - **RECOMMENDATION C**: Introduce a new principles-based requirement for the erroneous supplier to support the ET reversal process where this helps to ensure a smooth return and accurate re-billing of the consumer by the original supplier, and where this helps to reduce the burden of effort on the original supplier.

62. We consider there may be merit in exploring the option to require the erroneous supplier to compensate the original supplier for the costs involved in reversing an ET. We do not make any concrete recommendations on this option at this point, but welcome stakeholder views on whether and how this option should be taken forward.

Smart prepayment

63. When smart prepayment consumers switch, their meters are temporarily set to credit mode while the switch is processed, before being reverted to prepayment mode when the switch is completed.

64. This would also be the case where the consumer has been erroneously transferred. Where an ET has occurred for a smart prepayment consumer, the consumer will be issued a new set of top-up instructions. Unlike with traditional prepayment they could not continue to use their old instructions. However, as it is an ET the new supplier may not be aware they should revert the meter back to prepayment mode. The consumer may therefore accumulate debt while meter is in credit mode without their knowledge.

65. We are concerned about the significant negative impact on the consumer in this case. ETs can take a substantial amount of time to resolve, in some cases months. The debt accumulated may be significant. Additionally, a disproportionate number of vulnerable consumers tend to be on prepayment meters, and may already be in debt.

66. The reverse situation could also occur, where a meter functioning in credit or prepayment mode is transferred to prepayment mode when an ET has occurred. In this case the emergency credit on the meter may be exhausted quite quickly, and the energy supply stopped.

67. A similar negative impact could arise from a prepayment to prepayment erroneous transfer, as the consumer may no longer be able to top up. In this case their supply may stop and cause damage to a premises if appliances like freezers cannot run. The impact

may be more severe for vulnerable consumers, particularly were this to occur during cold winter months and they were unable to run their heating.

68. In each of these scenarios, the consumer could suffer significant detriment. We want to ensure these consumers are protected, and not penalised for an error for which they themselves may not be responsible. As noted in our earlier section on preventing ETs, we want to ensure that suppliers put in place robust checks to stop ETs from occurring in the first place. However, assuming that these checks are not fully successful in all cases, there are two main options, which could be applicable in some or all of the above consumer scenarios.

    i. The first is to provide for compensation to consumers who are in this circumstance. A method for determining the level of compensation could be established for these specific circumstances, or it could be settled between the supplier and consumer in question, and escalated to the Energy Ombudsman if an agreement cannot be reached.

    ii. The second option is to prevent the erroneous supplier from billing the consumer for the duration that they are supplied by them. The erroneous supplier would in this case incur the energy supply costs for the consumer without being able to recoup these costs. The original supplier in this case would not bill the consumer for the period they were on supply with the erroneous supplier either, but would recommence their charging from the point the consumer is returned to them. From the consumer's perspective, they would not be charged at all for the period they were with the erroneous supplier.

69. The second option could apply only where a prepayment consumer had inadvertently been left in credit mode. In the other scenarios supply is likely to stop once the emergency credit has expired. In this case compensation may be the only practical course of action in order to ensure the consumer does not lose out, though it may be appropriate to require to the erroneous supplier to cover the cost of any emergency credit consumed.

70. We recognise that in some cases consumers could become aware that they may not be charged and use this to their advantage by not reporting the issue to their supplier. If this were the happen, it may be difficult for the supplier to identify and correct an error, and their costs may build over time. Additionally, in attempting to mitigate the risk of being exposed to significant costs incurred as a result of this issue, suppliers may increase prices generally. This may mean that costs are smeared across all consumers, effectively subsidising some at the expense of others.

Recommendation

71. We consider the issues outlined above are current issues that should be resolved now to support the roll out of smart meters. We are feeding the issues raised in this paper into the Consumer Reference Group (CRG) working group. We will review any outputs of this group to see how they should be incorporated into our design proposals.

Standstill periods

72. Our recommended position on standstill periods is that to allow switching data to be fully validated, there should be a short configurable 'standstill' period after a switch, during which a consumer cannot switch again. This standstill period would apply where the consumer has actively switched. It is also envisaged that it would apply where a consumer has switched, but chosen to cool off and been returned to their previous supplier.

73. The design of the new arrangements does not currently have a mechanism for distinguishing between cooling off events and ETs. We consider that, as a consumer that has been erroneously transferred has not made any active choice to switch themselves, it is not fair that that consumer should be blocked from switching. This would apply where the consumer has been switched to the erroneous supplier, and when the switch has been reversed.

74. The number of consumers affected by this is likely to be quite low as the proportion of those that would switch within a few days[11] after being reverted back to their old supplier is likely to be a fraction of the overall number of ETs. Nevertheless, if consumers do find themselves erroneously transferred and are then prevented from switching for a number of days after reversion to their old supplier, the consumer experience is likely to be negative. There are several options for addressing this issue:

    i. **Apply the standstill period and compensate the consumer**: Under this option the standstill period would apply to the consumer after the ET, or upon their return to the original supplier, or both. The consumer would have to remain with the relevant supplier for a short period before being able to switch again, but would be provided with compensation for any inconvenience caused.

    ii. **Manually override the standstill period**: No specific functionality would be created within the CRS, but suppliers would be required to manually override any standstill period that would otherwise apply to a consumer that had been erroneously transferred.

    iii. **Include an 'ET' field or flag in the CRS**: Where an ET has occurred, a flag would be inserted in the CRS that would act to override any standstill period that would otherwise apply to the consumer.

75. Where a consumer has been erroneously transferred, their experience is already likely to be negative. Imposing a standstill period on them should they wish to switch to a new supplier, either directly from the erroneous supplier or upon their return to the original supplier, is likely to worsen this experience. Although the number of consumers affected is likely to be quite low, there is a risk that those caught in this situation are deterred from engaging further. Providing compensation to the consumer may help to mitigate

[11] Our recommended position on standstill periods is that they will be configurable to between zero and ten days. We intend to use five days as the indicative parameter for RFI. Whatever the selected standstill period initially, we intend to assess over time whether it can be reduced.

their negative experience, though we consider it would be preferable if the consumer were able to switch unhindered.

76. Manual intervention to override any standstill period and allow the consumer to switch again is likely to be costly for suppliers. Additionally, if an override does require manual intervention then this is likely to delay the consumer's ability to switch.

77. Adding an ET field or flag to registration requests, while this may still involve manual action by a supplier, is likely to be a more efficient means of overriding any standstill period and enabling the consumer to switch again without any significant delays. Further, centrally identifying ETs may have benefits for efforts to improve the quality of data in future. It may enable targeted action to correct errors where they have occurred, and enable any patterns in the errors that occur to be identified and addressed. We therefore want to create, or at least allow for, a manual or automated process to override the standstill period for those that have been erroneously transferred.

78. In general, feedback from the Independent Supplier Forum supported removing standstill periods where ETs have occurred, as these could inconvenience consumers, though they noted that in any event the standstill period should be as short as possible. Some stakeholders supported removing the standstill period for the return from the erroneous supplier to the original supplier, but suggested keeping it in place should the consumer then want to switch to a new supplier. They noted that implementing any override, manual or otherwise, would likely add costs to industry.

Recommendation

79. We consider that to minimise any damage to the consumer experience, the standstill period should not apply to consumers that have been erroneously transferred. This should be the case with the ET itself in the first place and also to the ET reversal (ie the consumer would be able to switch away from the erroneous or original supplier whenever they choose):

    - **RECOMMENDATION D**: To ensure an erroneously transferred consumer is not blocked from switching, we consider a flag should be included on registration requests that would act to override any standstill period that would otherwise have applied.

Potential for gaming

80. There is currently no means of distinguishing between a cooling off event and an ET reversal. Our recommended position on cooling off is that, should a consumer wish to cool off, they should be offered the choice of returning to their previous supplier or remaining with the new supplier until they switch again. In either case, the consumer would be billed for the duration of time that they are with the new supplier. In some cases this may mean that the consumer is billed by that supplier for a matter of days.

81. To avoid having to bill for a short duration, where a consumer has specified that they want to return to their previous supplier, there is the potential for some suppliers to

game the rules by declaring a cooling off event to be an ET. There is no obvious impact to the consumer in this case, as they will still receive their desired outcome, ie a return to their previous supplier. However, declaring an ET rather than a cooling off event may inappropriately shift some of the burden of effort to the old supplier as they would, in effect, have to simulate continuous billing.

82. There are two main options for how we could prevent suppliers gaming the rules around cooling off and ETs to their advantage:

    i. **Enhanced proactive monitoring of cooling off and ET levels reported within the CRS**: Should we include flags for cooling off events and ETs within the CRS, we could build on our existing monitoring in order to benchmark the respective levels of each across suppliers and over time. Any unusual trends could be used as the basis for further investigation.

    ii. **Reactive, supplier-reporting based approach**: If a supplier observed unusual trends in the number of ETs declared by a particular supplier they could relay this information to us for further exploration. This is effective a 'do nothing' option, as there would not be any enhancement of the monitoring we do at present with respect to ETs.

83. The practicality of the first option depends on the type of flags, if any, that are included for ETs and cooling off events on registration requests. Even if it is possible for us to distinguish between ETs and cooling off, it may still be difficult to determine the accuracy of the reporting with any certainty. For instance, suppliers may in some cases want to agree between themselves and the consumer that the ET process should be used on a voluntary basis. Additionally, there may be peaks in the incidence of either ETs or cooling off events, or both, that are driven by issues other than gaming. These could include the release of new competitively-priced tariffs or poor supplier customer service issues.

84. Although they may not have perfect information, the original supplier will in many cases be in a position to judge whether the customer has cooled off or if an ET has occurred. More intrusive monitoring may therefore not be proportionate to the likelihood of gaming, and adopting a more reactive approach – conducting specific investigations where suspicious trends have been drawn to our attention, and where appropriate – may be a more effective way of ensuring suppliers deliver on their responsibilities.

Recommendation

- **RECOMMENDATION E**: We intend to continue our current monitoring of the level of ETs, though we propose not to expand on this by attempting to proactively monitor potential gaming of the rules on ETs and cooling off. Where suspicious trends or activities are reported to us we will judge these instances on their merits before deciding whether specific investigation is warranted.

85. We may choose to revisit this recommendation at a later stage once our policy on cooling off has been decided.

Missed communications

86. Where a consumer has been erroneously transferred, during the time they are with the erroneous supplier they may have missed important communications about their original tariff, such as price increase or end of fixed term notices. Consumers that have switched, cooled off and returned to their previous supplier may similarly miss these communications. They may therefore only find out about changes to their contract at the time of their next bill.

87. The electricity and gas supply licence conditions specify the notification window that must be provided to consumers before a price increase applies (30 days) or before their fixed term tariff comes to an end (42-49 days). In some cases erroneous transfers may not be identified and reversed until after these periods have partly or fully expired. Upon reversal of an ET a consumer may not be aware that the terms and conditions they thought they were on have changed.

88. We want to make sure that consumers are aware of any changes to their terms and conditions so that they can make an informed choice of whether to switch or not. This is likely to be a 'live' issue that can happen at present, albeit in a relatively small number of cases. However, moving to faster switching may mean that this issue becomes more common in future.

89. There are two potential ways of dealing with this issue:

    i. **Reset the clock**: The first is that the clock could be 'reset' to ensure the consumer still receives the 30-day notification in advance of a price increase, and the 42 to 49-day notification that their tariff is coming to an end when they are returned to their original supplier. This may mean manually adjusting the consumer's terms and conditions to delay a price change or extend the life of a fixed term contract.

    ii. **Provide notification as soon as practicable**: The second is that a notification could be issued with a shorter (or no) advance notice period. Depending on the time that has elapsed since the ET occurred this notification could be retrospective.

90. The option to 'reset the clock' and ensure that the consumer receives the full 30-day notification window for a price increase, and the 42- to 49-day window for an end of fixed term notice is likely to be burdensome to implement. This may require the supplier to make adjustments within their billing system to effectively create a bespoke set of contract terms for a single consumer. This is likely to largely be a manual process to reset any changed rates or to extend the life of a soon-to-close (or already closed) fixed term contract.

91. The alternative, to notify the consumer of changes to their contract while they were away as soon as possible, would reduce or remove the advance notice the consumer has of changes to their contract. However, this would reduce the need for suppliers to make adjustments within their billing systems, thus reducing overall costs.

92. The consumer experience under either of these options is unlikely to be positive. Under the second option, the consumer could potentially be informed that a price increase has already been implemented, which is clearly not a positive message. However, while the consumer will get more advance notice of the change under the first option, they will still be faced with a price increase or end of fixed term notice immediately upon their return to their original supplier.

Recommendation

93. We do not make any concrete recommendations at this point. In principle we consider that consumers should be notified as soon as possible of any changes to their original contract terms, either upon return to their original supplier or before the ET reversal is complete. However, we welcome input on current practice in this regard, and whether specific amendments to existing requirements are necessary or desirable.

94. Where an ET has been identified and rectified quickly, the impact to the consumer is likely to be minimal. Where ETs have taken months to resolve, the impact is likely to be more acute. We do not want consumers to suffer detriment as a result of supplier error. However, we consider that this potential detriment is potentially better addressed through compensation from the erroneous supplier rather than requiring what could be complex amendments to billing systems.

Advance registrations

95. Under the new switching arrangements, suppliers will able to log new switches in the CRS up to 28 days in advance of the proposed switch date.[12]

96. Between the logging of an advance registration request and the switch date a supplier may identify the switch as an ET. In this case we would expect the registration request to be withdrawn. This is in line with current licence condition requirements for suppliers to take all reasonable steps to prevent a switch from going through where no valid contract exists with the consumer in question.

97. It does not appear that there are any viable alternatives to this approach, as it would clearly be impractical to wait for the switch to be processed in this case before reversing it.

[12] BPD i35 Advance Registrations

Annex [XX] – 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; and
- 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.