

## Note of Ofgem-BEIS Independent Suppliers Forum 3 August 2016

This is a note of the forum held by Ofgem and BEIS at  
BIS Conference Centre, 3 August 2016.

From Anthony Pygram (Ofgem)  
and Steph Hurst (BEIS)  
To Independent Suppliers

Date 9 September 2016

Please see below for the agenda items and any relevant points to note which were not featured in the event slide pack.

| Agenda Item  | Notes  |
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| <p><b>Introduction from chairs</b></p> <p><b>Anthony Pygram (Ofgem) and Steph Hurst (BEIS)</b></p> | <p>Anthony Pygram is the Partner for the Consumers and Competition division in Ofgem and chaired alongside Steph Hurst in Adam Cooper's absence. He is responsible for domestic consumers, business consumers and TPIs, the consumer vulnerability strategy, and code governance reform.</p> <p>Steph gave an overview of the new department. The now defunct Department of Energy and Climate Change (DECC) and Department for Business, Innovation and Skills (BIS) have been merged together to create the Department for Business, Energy &amp; Industrial Strategy (BEIS). All the functions of DECC are moved to the new department. All the ministerial team are new. The Secretary of State is Greg Clark. Baroness Neville-Rolfe is the Minister of State for Energy and Intellectual Property and will be the main energy minister. Margot James is the minister for retail markets, including energy retail markets. Other ministers also have energy in their portfolios.</p> <p>Anthony gave an Ofgem update. In particular, Ofgem recently <a href="#">published a decision</a> to retain the existing domestic and non-domestic objections regime. Furthermore, in September 2016, Ofgem will be publishing the latest Social Obligations annual report, analysing the data on social obligations submitted by suppliers.</p> <p>Anthony emphasised that there is a lot of change, forecast and planned, for the industry. Ofgem is aware of the impact this can have on smaller organisations and is engaging with government to work towards a joint understanding of this change and how we can work together to better manage it.</p> |
| <p><b>Introduction from Ofgem CEO</b></p> <p><b>Dermot Nolan (Ofgem)</b></p>                       | <p>Dermot last spoke at an Independent Suppliers Forum in January 2015. Ofgem's <a href="#">retail energy market report</a> shows that independent suppliers have a growing influence in the UK energy market with a combined market share of 14% in the domestic retail energy market. However, retail markets continue to fall short of delivering for a large proportion of consumers. The CMA's remedies provide an opportunity to transform the energy market and give consumers a new, better deal, especially the vulnerable. It is in industry's interest to embrace</p>   |

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|   | <p>this transformation and to work with us to achieve these goals. In addition to continuing our own programme of work, implementing the CMA findings and continuing to implement the existing EU legislation, we will also be working closely with the UK Government by providing support and advice where necessary as we work through the process of leaving the EU. Ofgem will continue to participate constructively in EU institutions and the European Internal Energy Market (IEM).</p> <p>A delegate asked whether the growth in new entrants poses a challenge in Ofgem’s ability to engage with every supplier. Dermot clarified that engagement is something Ofgem take very seriously and will continue to ensure that there is a sufficient amount of resources for this.</p> <p>In response to another question regarding our consultations on supplier insolvency, Dermot confirmed that we are looking at the market holistically. We do not want to dictate hedging policy but want to ensure that our policies are robust and consistent.</p>   |
| <p><b>CMA remedies implementation</b></p> <p><b>Steph Hurst (BEIS) and Alex Tyler (Ofgem)</b></p> | <p>Steph Hurst gave a brief overview of the CMA findings and package of remedies focusing on those remedies for which BEIS is responsible for implementing.</p> <p>Alex Tyler set out Ofgem’s approach to implementing the remedies for which it is responsible for and gave a brief overview of the <a href="#">documents Ofgem published on the 3 Aug</a>. This includes:</p> <ul style="list-style-type: none"> <li>• An <a href="#">implementation strategy</a></li> <li>• A <a href="#">statutory consultation</a> on removing the Simpler Tariff Choices rules</li> <li>• A <a href="#">policy consultation</a> on proposed changes to rules around tariff comparability and marketing</li> <li>• A <a href="#">policy consultation</a> on removing the “whole of market” requirement from the Confidence Code.</li> </ul> <p>Ofgem has divided the remedies into 5 main work streams:</p> <ul style="list-style-type: none"> <li>• Regulation for effective competition</li> <li>• Prompting greater consumer engagement</li> <li>• Protecting and empowering those on non-standard meters</li> <li>• Building industry systems and governance for the future</li> <li>• A robust and independent regulator</li> </ul> <p>The implementation strategy sets out the high level milestones. A more detailed plan will be published in the autumn. Ofgem is keen to encourage suppliers to take early action where they can eg in relation to the remedies for microbusinesses.</p> <p>The following points were made in discussion:</p> <ul style="list-style-type: none"> <li>• The implementation of remedies should not be undertaken through the “lens of large suppliers”. It is important to consider the implications for independent suppliers with fewer resources to attend working groups and workshops.</li> <li>• Ofgem is considering different information channels to make information on implementation more accessible to enable independent suppliers to feed in their views more easily.</li> </ul> |

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|  | <ul style="list-style-type: none"> <li>• It would be helpful for suppliers to have guidance on implementation of remedies, particularly those implemented through CMA orders.</li> <li>• Ofgem consultations on RMR and Confidence Code remedies are genuine consultations. Ofgem will consider different routes to achieving the outcomes set out by the CMA if there is a more effective way of achieving them.</li> </ul>   |
| <p><b>The Switching Programme</b></p> <p><b>Angelita Bradney (Ofgem)</b></p>   | <p>The Switching Programme aims to introduce fast and reliable switching on a new Centralised Registration Service (CRS). The Programme is currently in its first phase, the Blueprint Phase. During this phase, industry views will be sought on the costs and benefits of a short list of proposals and a decision will be made on which one will be progressed. Phase 2 involves the detailed business rules and developing the code and licence modifications. These will be transposed into the licence and industry codes in phase 3 and all new arrangements will be built and tested during phase 4.</p> <p>All decisions made so far by the Ofgem Design Authority have been published in a <a href="#">decision log</a>.</p> <p>The Switching team are planning an RFI for the end of 2016 and want to work with suppliers to make sure it is easier to respond to. <a href="#">A decision has been published on objections</a> and the challenge is now incorporating objections into the proposed new switching arrangements.</p> <p>Delegates were split into four groups for a workshop discussion on erroneous transfers and data cleansing. See appendix for more information on the workshop discussions and the key issues raised in each.</p>   |
| <p><b>Future of Retail Regulation</b></p> <p><b>Andrew Thomsen (Ofgem)</b></p> | <p>This session updated independent suppliers on the work Ofgem is undertaking to increase its reliance on principles when regulating the domestic retail energy market. This regulatory approach should provide suppliers with more flexibility to innovate. In order to make this work for consumers, it will be essential to have open conversations between the regulator and licensees about the policy intent of principles and what is expected in terms of compliance.</p> <p>The two roundtable discussions held during this session focused on the broad 'consumer facing' principles Ofgem plan to use to communicate its overarching expectations to suppliers. In the June <a href="#">open letter</a>, the current Standards of Conduct (SoC) were used as a starting point in this regard. Ofgem has also noted that it would investigate a broad, enforceable principle which clearly communicates expectations of supplier behaviour towards consumers in vulnerable situations. The recent <a href="#">working paper on broad principles</a> lays out the team's latest thinking on these matters.</p> <p>For the first roundtable discussion, delegates were asked whether they thought the current SoC clearly communicates licensee's core responsibilities to consumers. A point raised by several delegates was that the SoC was not their primary driver for treating customers fairly and that they have a strong commercial incentive to behave in this manner. They deemed that a consumer-centric culture was essential if</p> |

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|   | <p>they are to grow their customer base and remain viable. There was support for exploring modifications that would make the SoC clearer. Easily understandable rules that clearly convey the policy intent would allow suppliers to dedicate more resources to delivering positive outcomes for their consumers. Some delegates questioned the merits of the “Treating Customers Fairly Statement” currently included in the SoC licence condition. They did not feel it was the role of the regulator to prescribe how a supplier promotes and markets its behaviour to customers.</p> <p>The second roundtable discussion sought views on the potential benefits and challenges posed by a broad vulnerability principle. It was acknowledged that the broad definition promoted in Ofgem’s <a href="#">Consumer Vulnerability Strategy</a> correctly recognises that a range of risk factors can cause or exacerbate consumer vulnerability. Some delegates considered that complying with a broad vulnerability principle that requires suppliers to identify and respond to this broad range of risks would be a significant challenge. Some delegates voiced that it could be difficult for them to appropriately respond to a wider range of vulnerable consumers without it creating additional burdens that limit their ability to invest in other customer services and/or lower prices. Other delegates thought that the SoC already requires suppliers to treat each domestic Customer fairly and act appropriately and this meant they were already taking steps to identify and respond to consumer vulnerability.</p> <p>At the end of the session, delegates were encouraged to consider the SoC and vulnerability principle thinking outlined in the August <a href="#">working paper</a>. Stakeholders can share their views with the future retail regulation team by emailing <a href="mailto:FutureRetailRegulation@ofgem.gov.uk">FutureRetailRegulation@ofgem.gov.uk</a>.</p> |
| <p><b>Voluntary redress payments</b></p> <p><b>Kieran Coleman (Ofgem)</b></p> | <p>Voluntary redress payments are paid by companies investigated by Ofgem to suitable charities, trusts and organisations, and can be in addition to direct compensation as well as a fine paid to Treasury.</p> <p>A large and growing amount of such money has been paid in recent years to charities that support energy consumers. Historically, some charities have received voluntary redress money more than once.</p> <p>Ofgem <a href="#">is looking at options</a> for improving this process so that the long-term impact for consumers is maximised. The process should be more transparent and a wide range of charities should be able to access the money.</p> <p>The preferred option is for an expert third party (neither the company under investigation nor Ofgem) to be responsible for the entire process around managing the money, assessing applications, allocating the money and monitoring its use.</p> <p>Points raised in discussion include:</p> <ul style="list-style-type: none"> <li>• One delegate suggested that redress payments should go into a pot and allocated to charities on a regular basis.</li> <li>• Another delegate suggested that the money could be used to fund environmental schemes or to fund smart meters for consumers in vulnerable circumstances.</li> <li>• There was some disagreement among delegates over whether the companies under investigation should be able to choose</li> </ul>  |

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|  | <p>where the redress payment goes and over whether charities or trusts established by an energy company and/or with a similar name to the company should be precluded from receiving such payments.</p>   |
| <p><b>Theft of Energy</b></p> <p><b>Keavy Larkin and Sarah Jones (Electralink)</b></p>                                     | <p>ElectraLink provide essential support services and change management to a range of industry codes.</p> <p>From February 2016 new licence conditions have required suppliers to detect, prevent and investigate energy theft. The Theft Risk Assessment Service (TRAS) and the Energy Theft Tip off Service (ETTOS) were developed to fulfil these licence obligations.</p> <p>The TRAS is a data analytics service for GB energy suppliers to assess the risk of energy theft at consumer premises to help target theft investigations. Suppliers are required by the Supply Point Administration Agreement (SPAA) and Distribution Connection and Use of System Agreement (DCUSA) industry codes to submit data, split by domestic and commercial, to the TRAS each month. TRAS will compare the data with expected usage and other data from third parties (eg credit checks) to identify instances of suspiciously low consumption and inform suppliers. Suppliers are then required to investigate.</p> <p>ETTOS is a separate but complementary service to the TRAS and will go live in Autumn 2016. ETTOS will allow tip offs regarding suspected energy theft, received from the general public, to be sent to the relevant supplier or network operator. Crimestoppers provide a free-phone telephone service and a website for members of the public to report suspected energy theft. Suppliers are required to provide a nominated single point of contact (ESPOC) for ETTOS matters. The ESPOC will be responsible for the receipt of tip offs from the ETTOS, and any subsequent investigation (either directly or through their team).</p> |
| <p><b>Supplier Performance Report</b></p> <p><b>Christopher Wood, Roger Littlewood and Mark Jenner (Ofgem E-Serve)</b></p> | <p>Ofgem E-Serve, the delivery arm of the energy regulator, <a href="#">plans to publish a quarterly Supplier Performance Report (SPR)</a>. It will score energy companies' non-compliance issues across the six schemes that place direct obligations on them: the Feed-in Tariff, Renewables Obligation, Government Electricity Rebate, Offtaker of Last Resort, Energy Company Obligation and Warm Home Discount.</p> <p>Suppliers are generally good at meeting their overall obligations during scheme compliance periods but some can struggle with individual elements of the schemes, such as meeting deadlines and submitting accurate data. These issues can increase the cost to consumers of delivering the schemes and may indicate a systematic issue with an energy company's approach to meeting their obligations.</p> <p>By publishing the SPR, Ofgem E-Serve's intention is to improve transparency for consumers and minimise costs to consumers of delivering schemes and increase accountability around energy companies' performance on the schemes.</p> <p>The SPR complements the range of tools we have for monitoring suppliers' performance on the schemes and is already used by compliance teams to assess incidents of non-compliance. There are six categories and four levels of severity, distinguishing between incidents</p>  |

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|  | <p>which contravened scheme legislation or Ofgem E-Serve’s guidance. Suppliers won’t appear on the SPR if they are completely compliant. The scoring methodology is defined in further detail in the consultation. The data will be published every 3 months.</p>  |
| <p><b>Vulnerability and the smart meter roll-out</b></p> <p><b>Charlotte Friel (Ofgem)</b></p> | <p>The smart meter roll-out presents a unique opportunity for suppliers to review and improve their consumer engagement practices and ensure their customers have a positive experience.</p> <p>It is particularly important that during the roll out suppliers are taking reasonable steps to identify and tailor their smart meter customer experience to consumers in vulnerable circumstances. The Smart Metering Installation Code of Practice (SMICOP) exists to safeguard the consumer experience during the smart meter installation process. The SMICOP also identifies specific activities suppliers are obligated to undertake when dealing with consumers in vulnerable circumstances.</p> <p>Suppliers must comply with the SMICOP throughout the smart meter installation process, from the point of booking appointments to post-installation support. They must certify their compliance by submitting a self-certification form to Electralink each year they are installing smart meters. Depending on how many smart meters they install in a year, they are required to have a third party undertake customer surveys. If they have more than 10,000 customers, they are also required to have a third party undertake an independent audit of compliance.</p> <p>Some points that were raised in discussion:</p> <ul style="list-style-type: none"> <li>• The work undertaken by Smart Energy GB will hopefully encourage customers to switch to a smart meter and better understand the reasoning behind customers not wanting to switch.</li> <li>• There are a number of exemptions for microbusiness suppliers. Namely suppliers must take all reasonable steps to cater for disability not necessarily vulnerability.</li> </ul> |
| <p><b>Energy Switch Guarantee</b></p> <p><b>Kerry LeVan (Energy UK)</b></p>                    | <p><a href="#">The Guarantee</a> is a set of 10 commitments developed by energy suppliers who are signatories, to promote:</p> <ul style="list-style-type: none"> <li>• customer confidence in the switching process</li> <li>• customer understanding of the switching process</li> <li>• customer willingness to switch</li> </ul> <p>Energy UK currently administers the guarantee, but it is not exclusive to Energy UK members. It is open to all domestic suppliers.</p> <p>A soft launch took place in June, and 9 suppliers have signed up to the guarantee. A further 5 suppliers have since pledged to sign up the guarantee. A full launch will take place in October in conjunction with the next Power to Switch Campaign and Big Energy Saving Week. Despite a low-key launch, the Energy Switch Guarantee received a positive media reaction, and some switching sites are already highlighting those suppliers that have signed up to it.</p> <p>BEIS, Ofgem and Energy UK are keen for all domestic suppliers to sign up to it.</p>   |

# Appendix – Switching Programme workshop discussions

## Questions for suppliers

These questions refer to [slides](#) 25 – 32 used at the forum.

1. How would these options work in practice?
2. Are there circumstances in which some or all of them could not be used?
3. Are there other means of validating information and reducing the incidence of ETs?
4. For each of these exceptions, what is the best means of handling them to ensure a smooth return for the consumer to their original supplier?
5. Are there additional exceptions that we should think about?
6. Are there also difficulties in the case of non-smart prepayment ETs?
7. How does poor data quality affect customers' ability to switch to your business?
8. Are you able to quantify how many switches are 'lost' because of poor quality data?
9. Which of the data types listed here (or any others not listed) should we prioritise in order for our data cleanse exercise to have the greatest effect?
10. How common are the issues with address data that we have identified? Are there others that we have missed?

## Summary of feedback from breakout sessions

### 1. Erroneous transfers (ETs)

#### Preventing ETs

- There were concerns with data quality in the gas market. Delegates are not expecting Project Nexus to improve data quality as the focus is on loading industrial and commercial (I&C) data rather than cleaning it.
- Address data differs across fuels – need a consistent format for gas and electricity addresses. Also addresses can be different for Royal Mail database and electricity and gas databases. There are problems with Scottish tenements and new builds.
- Feeling that electricity data quality is better – this is driven by stronger controls in this market and greater level of effort from DNOs in ensuring data quality.
- Suppliers triangulated data where there were concerns with data quality. This could include asking customers for a photo of the meter to get the meter serial number. Only go back to the customer where there was a data issue.
- Significant issue with plot addresses in IGTs and GT networks – this makes it very difficult to pick the correct site to transfer. Data quality on IGTs was very problematic. Some suppliers were conducting extra validation for each switch on an IGT.
- Smart meter roll out thought to provide an opportunity to cleanse address and meter technical data.
- TPIs have incentives to provide good quality contracts in the I&C market.
- Where I&C customers provided a portfolio of sites to switch, there were often problems with the quality of information from customers – for example there may have been changes of tenancy that the customer had not updated in their portfolio of sites.

- Role of TPIs is key – if they are not subject to regulation (eg obliging them to verify customer details in certain cases) there will remain the risk of ETs for switches initiated by the TPI.
- Some suppliers log an ET when they are in fact trying to retain a customer that has switched away then agreed to go back to the original supplier (cooling off arrangements).

### **Rectifying ETs**

- General concern with the process for Supplier A and B to agree that an ET has taken place and the time taken for Supplier A to take the customer back. Takes lots of time and effort from suppliers to operate the ET process.
- Important to get the customer back to their previous supplier as soon as possible – they can take months to sort out.
- Complex process to explain to customers and reputational risk for suppliers.
- There are different processes to return ET's customers in the gas I&C market (inter-shipper disputes process). This is because I&C gas suppliers are not signatories to the Supply Point Administration Agreement (SPAA).
- Support for erroneous supplier providing meter read data for smart meters to help the old supplier provide continuous billing to the customer. This was thought to be most useful where the customer was on a non-standard tariff (eg free Saturdays). It was suggested that, in the future, DCC should retain meter read information – this could support Supplier A in billing the customer.
- On standstill periods, there was support for avoiding these for ET's customers, both for the switch back to supplier and the customers' subsequent move to a new supplier – though one group thought the standstill period should apply for a subsequent switch after the ET has been rectified. However, the potential to override the standstill period might be costly to operationalise in practice for limited benefit.
- There was support for making the standstill period as short as possible.
- Preference for 'unpicking' a switch rather than 'switching back' from some – though unclear how this would work with smart meters.
- Issue with prepayment customers – cumbersome process to switch meter to credit mode then back to prepayment meters (PPM) could lead to risks for PPM customers if subject to an ET.
- Need to ensure we are not building in complexity for a tiny share of the market.
- In order to keep it simple, could the same process apply for cooling off and ETs?

## **2. Data cleansing**

- Perception that data quality has been neglected for a number of years, and that incumbent suppliers have not done enough to maintain the correct consumer information. Attendees recognised that as an industry we would never get to 100% perfection of data, but errors were too prevalent at present.
- The initial focus should be on those that have never switched. Those that have switched have demonstrated that their data is sufficiently correct to enable a switch, so cleansing could focus on the majority of consumers who have never switched.



- The number of different sources of data across gas and electricity is not conducive to efforts to cleanse data. It would be better to have a single source of the truth.
- There also needs to be clear and simple processes to update the central industry databases (e.g. MPRS and UKLink which 'feed' ECOES and SCOGES). Suppliers' experience of this at present is that it can be difficult at times to ensure that the up-to-date information they obtain from consumers is passed through to central databases. They questioned whether things such as photos of installed meters could be used as part of the validation process to ensure changes to information could be quickly agreed.
- Delays receiving information and inconsistencies in the frequency that information is sent out (eg the monthly releases from ECOES, and quarterly releases from SCOGES) can mean that often suppliers are using out-of-date data.
- Attendees largely agreed with the types of issues we had identified that were most likely to cause data quality problems (eg plot-to-postal issues, flat/property naming conventions, ambiguous address information provided by consumers). In addition, they suggested that switches between incompatible meter types (eg between credit and prepayment meters, or credit and different types of time of use meters) could prevent switches from being completed. They also suggested that incorrect profile class information and erroneous identification of 'de-energised' meters could cause problems.
- The groups suggested a number of potential ways to improve data quality:
  - Incentives: Financial rewards or penalties for obtaining correct information and feeding this through into central industry systems.
  - Nominating a single gas and electricity database, to allow cross-comparison of both fuels' information and to act as a single source of the truth.
  - Utilising the smart meter installation process by getting smart meter installers to validate information about the consumer and their premises.
  - Ensuring that consumers have the ability to provide their MPAN/MPRN directly, rather than only providing their postcode/address. This should not be a first order activity, but MPAN/MPRN information could be sought where the consumer could not be identified by their address.
  - Consider whether there were ways to use the switching database as proposed by the CMA to validate consumer information.
  - Exploring whether the Theft Risk Assessment Service (TRAS) database, which contains a comprehensive set of consumer information, could be utilised as part of a data quality improvement and validation exercise.
- The groups suggested that we assess the success of efforts to cleanse data as part of Project Nexus, in order to determine which activities were likely to have the most positive impact. They also suggested that consideration be given to the experiences of other industries such as water, to see whether there were synergies or lessons that could be learned from elsewhere.