



Making a positive difference
for energy consumers

Energy consumers and their
representatives, energy
suppliers, third party switching
organisations and other
interested parties

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Debt Assignment Protocol: Remedy Implementation

The Competition and Markets Authority (CMA)'s energy market investigation concluded in June 2016 following a referral by Ofgem in 2014.¹ The CMA set out a package of remedies to address problems it found in the energy market. One of these remedies focused on the Debt Assignment Protocol (DAP)², where the CMA identified difficulties for indebted prepayment (PPM) customers attempting to use the DAP to switch.

This letter sets out the actions we have taken to implement the DAP remedy and how we intend evaluating the impact of these actions.

Yours faithfully,

Anthony Pygram
Partner, Consumers and Competition

¹ All documentation relating to the CMA's Energy Market Investigation can be found here:
<https://www.gov.uk/cma-cases/energy-market-investigation>

² The DAP is the industry process used to facilitate the transfer of debt between suppliers when indebted PPM customers switch provider.

The Debt Assignment Protocol

The gas and electricity supply licences require an outgoing supplier to facilitate the transfer of a debt of up to £500 per fuel when a PPM customer seeks to switch to a new supplier.³ When a customer switches, they take their debt with them and repay it to their chosen supplier.

We reviewed the DAP in 2014 when we identified particularly low switching rates via the DAP (typically less than 1% of attempted switches were successful). We took action by making changes to the gas and electricity supply licences obligating all suppliers to increase the debt threshold at which they would need to facilitate switching through the DAP as an outgoing supplier from £200 to £500 per fuel.⁴ Alongside this we worked with industry to agree a voluntary change to the process: the Point of Acquisition Model.⁵ Following these interventions, the proportion of attempted switches increased significantly (to a rate of 9%-11% in Q1 2016).⁶

Following on from this work, the CMA made the following remedy Recommendation to Ofgem designed to drive further improvements with the DAP:

“Ofgem to take appropriate steps to ensure that changes to the Debt Assignment Protocol are implemented by the end of 2016, and in particular in areas relating to objection letters, complex debt and issues relating to multiple registrations.”

Our objectives in meeting the Recommendation

In meeting the Recommendation, we have taken actions designed to deliver an uplift in the proportion of attempted switches that are completed and improve the experience of customers using the DAP.

Our actions

In our Remedies Implementation Plan⁷, we highlighted a number of specific actions we would take to meet the Recommendation. In line with the Recommendation and our Implementation Plan, we have engaged with industry to ensure the timely delivery of these actions where necessary.

Supplier Request for Information

We issued a Request for Information (RFI) to suppliers in August 2016 to better understand the current state of the DAP and quantify the issues with the process. We asked for data relating to switches attempted during the first calendar quarter of 2016. The findings from this RFI are as follows:

- **9%** of attempted switches completed via the DAP

³ Electricity supply standard licence condition 14 and standard gas supplier standard licence condition 14.

⁴ The changes to the gas and electricity supply licences took effect on 8 July 2015:

<https://www.ofgem.gov.uk/publications-and-updates/decision-make-modifications-gas-and-electricity-supply-licences-reform-switching-process-indebted-prepayment-meter-customers-debt-assignment-protocol>

⁵ Using this model, suppliers provide customers with information about data sharing at the point of acquisition and ask customers to confirm that they are content for details of their debt to be shared between the outgoing and new supplier. Suppliers do not then ask customers for consent to data sharing later in the switching process as was previously the case in the DAP. Removing the requirement to provide consent for data sharing partway through the process has removed a barrier to switching, allowing the process to run more smoothly and improving the customer experience.

⁶ As reported in our Domestic Suppliers' Social Obligations 2015 annual report (30 September 2016):

<https://www.ofgem.gov.uk/publications-and-updates/domestic-suppliers-social-obligations-2015-annual-report>

⁷ Our Remedies Implementation Plan (9 November 2016) is on the Ofgem website:

<https://www.ofgem.gov.uk/publications-and-updates/cma-remedies-implementation-plan>

- **28%** of attempted switches completed outside of the DAP⁸
- Of those attempted switches that failed to complete, a significant proportion did so because the two suppliers involved in the switch held entirely different names for the customer involved

Code modifications

The DAP process is set out in two industry codes, the Master Registration Agreement (MRA) and the Supply Point Administration Agreement (SPAA). Our 2014 review and the CMA's findings highlighted a number of issues with the process which, if addressed through code changes, could positively improve outcomes for consumers by driving up the proportion of switches completed via the DAP and improve the quality of the customer experience.

Industry raised code changes to address these issues and make additional improvements. The changes included mandating the Point of Acquisition model in the DAP for use by all suppliers; amending the definition of 'complex debt'; removing outdated Debt Objection letter templates; and making various other minor improvements. These changes were implemented in November 2016.⁹

Energy UK factsheet and awareness raising activities

In parallel with the code modification process, Energy UK produced a factsheet to explain how the DAP process works for use by consumer group Frontline Advisors. This factsheet was circulated to consumer groups and published on the Energy UK website in November 2016.¹⁰ The factsheet should help Frontline Advisors provide well-informed advice to indebted PPM consumers looking to switch supplier.

We understand that Energy UK also used a UK parliamentary event on switching in November 2016 to highlight the new factsheet, and were expecting to highlight the factsheet at a Scottish Parliament event earlier this month. We welcome Energy UK's efforts in this area.

Anticipated outcomes

We anticipate the combination of the actions we and industry have taken will result in:

- Providing a sound baseline that can be used to assess the extent of future quantitative improvements to the DAP
- Improving the DAP process to help increase the volume of switches completed via the DAP and making the process more efficient for suppliers to operate
- Better equipping Frontline Advisors to support consumers using the process, helping to improve the customer experience.

Further industry-led work

Alongside this letter, we have shared an aggregated, anonymised dataset derived from the RFI we issued to suppliers in August 2016 with suppliers and the industry's Issues Resolution Expert Group (IREG). The dataset identifies the progress of individual switches through the DAP process, including highlighting that a number of switches appear to be falling out of the process due to the two suppliers holding entirely different names for the customer.

⁸ Switches originally attempted via the DAP may end up completing outside of the DAP process for a number of reasons, for example, a customer may repay their debt to the outgoing supplier in full partway through the switching process and switch to their chosen supplier without the need for debt transfer via the DAP.

⁹ MRA CP 0271 (<https://mra.mrasco.com/change/updating-map-13/>) and SPAA CP 16/342 (<https://www.spaa.co.uk/SitePages/CPDetails.aspx?UID=899&Source=https://www.spaa.co.uk/SitePages/CPArchive.aspx>)

¹⁰ The factsheet (dated 1 December 2016) is available on Energy UK's website here: <http://www.energy-uk.org.uk/publication.html?task=file.download&id=5937>

Suppliers are responsible for managing code-based processes including the DAP. This role includes implementing improvements via the code modification process as necessary. We anticipate suppliers using this dataset as part of their ongoing collective role in managing the DAP to help identify where any additional improvements can be made.

Evaluation

In our Implementation Plan, we noted our intention to evaluate the impact of the actions we would take to deliver the remedy in 2018. We said that we would do this by issuing a one-off RFI to suppliers, and also consider running a consumer focus group. We will consider these activities further in the second half of 2017.