

To: Master Registration  
Agreement Executive Committee  
(MEC) and the Supply Point  
Administration Agreement  
Executive Committee (SPAA EC)

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Dear Colleagues,

**Open letter to support the work of the SPAA/MRA Erroneous Transfers Working Group and encourage electricity and gas suppliers' participation**

We are leading the Switching Programme, which aims to deliver reliable and fast switching for consumers. Our programme Design Authority approved our policy paper on Erroneous Transfers (ETs) on 31 August 2016<sup>1</sup> which concluded that industry is in the best position to tackle ETs.

Current rates of ETs across the retail market as a whole are too high and we are concerned by the variable performance of different suppliers. ETs cause considerable consumer inconvenience, and can cause significant consumer detriment. We frequently see evidence of the real distress and cost to consumers as a result of ETs. Their prevalence undermines customers' perception of the switching process and the retail market as a whole. As a result, there is significant public and political interest in ETs.

There are various existing requirements imposed on suppliers. In 2014, we introduced Supply Licence Conditions 14A.10 – 14A.11 to impose an obligation for suppliers to avoid ETs. The ET resolution process is set out in the Master Registration Agreement (MRA), Schedule 10 and Supply Point Administration Agreement (SPAA), Schedule 10. This schedule also includes the Erroneous Transfers Customer Charter, which details the customer protections that are in place. Schedule 10 is mandatory for all suppliers, except industrial and commercial (I&C) suppliers.

Without the implementation of improvements to the ET resolution process and implementation of improved methods to prevent ETs, we recognise that a risk associated with the implementation of faster switching is that ETs could become more common. Faster switching timescales may make it harder for customers to alert either supplier before the switch is processed that a switch is due to be made erroneously. Therefore, it is vital that there are improvements made as soon as possible, and ahead of our implementation of our faster switching reforms.

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<sup>1</sup> Erroneous Transfers policy paper, BPD i13, Ofgem, 31 August 2016;  
[https://www.ofgem.gov.uk/system/files/docs/2017/01/bpd\\_i13\\_-\\_erroneous\\_transfers\\_-\\_da\\_cover\\_note.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/01/bpd_i13_-_erroneous_transfers_-_da_cover_note.pdf)

## **The Erroneous Transfers Working Group**

After we published our ETs policy paper, the Master Registration Agreement Executive Committee (MEC) and Supply Point Administration Agreement Executive Committee (SPAA EC) accepted Ofgem's invitation to tackle ETs, and convened the SPAA/MRA Erroneous Transfers Working Group (ETWG). This group first met in October 2016. The two main aims of this group are to consider ways to prevent ETs and to improve the ET resolution process.

We support this working group through attendance and contribution. It is important that more suppliers are actively engaged in the group to ensure that it is able to drive industry-wide change that produces tangible benefits for consumers.

### **Ofgem's position**

We believe that suppliers must do more to prevent ETs and work together across the industry to develop new measures to help them avoid ETs. Avoidance measures should be in place that are risk-based and target those switches which are more likely to result in an ET.

We continue to encourage the ETWG to develop measures to prevent ETs. We previously provided recommendations in our policy paper, and suggested that industry should develop and implement an industry-wide 'best practice guidance' to ensure suppliers minimise the occurrence of ETs. In addition to ensuring appropriate validation of customer information prior to a switch being processed, this guidance could include any other measures within the control of suppliers. We would expect all suppliers to follow such guidance, or ensure that they have equally effective processes in place, following its development.

However, we encourage the ETWG to be creative and develop its own measures. The group should identify any other improvements that can be implemented to prevent ETs, such as the potential use of smart meter capabilities for this purpose.

We also support detailed consideration of measures to resolve ETs after they happen. We believe the suggestion of 'best practice guidance' could also be used to improve current processes to resolve ETs by ensuring certain standards are followed across industry. Additionally, we think there needs to be consideration whether existing compensation schemes paid to customers if the supplier does not confirm to the customer within 20 working days of their initial contact that they will be returned to their previous supplier could be extended to all customers who experience an ET and all suppliers.

We will continue our monitoring of suppliers' ETs performance in accordance with supply licence obligations. As ETs impose costs on all suppliers, we also support the ETWG's suggestions to consider code-led assurance processes to monitor suppliers' ET performance.

Separately, within the Switching Programme, we are also assessing our four proposed data improvement remedies. Although not the sole aim of these proposals, if implemented, they should help prevent ETs caused by poor data quality.

### **Next steps**

We believe that industry is best placed to take forward the work to improve the current ETs resolution process and develop ways to prevent ETs. We strongly encourage industry to do this as soon as possible.

Therefore, we would like the MEC and SPAA to urge parties to the MRA and SPAA to focus resource and efforts on this key area. We would welcome efforts of the MEC and SPAA EC to encourage suppliers to fully consider what they can do to prevent ETs and engage with the ETWG in a constructive manner to help it achieve its aims. If suppliers cannot develop and agree effective steps to reduce the number of ETs and implement them across the industry, we will have to consider whether there are regulatory interventions that could achieve that outcome.

Considering the number of new entrants in the market, we would also welcome efforts of the MEC and SPAA EC to encourage participation from a wide range of suppliers at the ETWG. We encourage the MEC and SPAA EC to consider how to remind all MRA and SPAA parties of their obligations to comply with existing ET requirements set out in MRA, which includes the customer protections within the Erroneous Transfer Customer Charter.

In terms of next steps, we ask the MEC and SPAA EC for an interim report on the ETWG's progress and would like to understand whether there are additional actions that can be taken, including any actions by Ofgem, to improve the chances of the group meeting its objectives.

We are happy to discuss this letter further with the MEC and SPAA EC and answer any queries you may have. If you would like to discuss further, please contact [graeme.barton@ofgem.gov.uk](mailto:graeme.barton@ofgem.gov.uk).

Yours faithfully

**Rachel Clark**  
**Switching Programme Director**

## **Annex: Supplier Requirements**

### **Electricity Supply Licence Obligation to prevent Erroneous Transfers**

14A.10 If the licensee applies under the Master Registration Agreement to supply electricity 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.

14A.11 Where the licensee becomes aware, prior to starting to supply electricity at a premises, that it does not have a Valid Contract for the supply of electricity to that premises it shall take all reasonable steps to prevent its Transfer Request from having effect.

### **Gas Supply Licence Obligation to prevent Erroneous Transfers**

14A.10 If the licensee applies under the Network Code to supply 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.

14A.11 Where the licensee becomes aware, prior to starting to supply gas at a premises, that it does not have a Valid Contract for the supply of gas to that premises it shall take all reasonable steps to prevent its Transfer Request from having effect.

### **ET Customer Charter**

1. 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.

2. 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.

3. 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.

4. The customer will be provided with confirmation within 20 Working Days of their initial contact that they will be returned to their old supplier.