

To: John Lees, Chair of the
Erroneous Transfers Working
Group

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Date: 16 June 2017

Dear John,

Ofgem support for the SPAA/MRA Erroneous Transfers Working Group

Thank you for the chance to contribute to the Erroneous Transfer Working (ETWG) consultation. We welcome the publication of the consultation and, as we stated in our letter to the MRA Executive Committee and SPAA Executive Committee on 23 April 2017¹, we support the work of the ETWG and its aim of reducing the incidence of erroneous transfers (ETs).

Whilst we support the work of the ETWG, for the avoidance of doubt, nothing in this letter should be taken as committing Ofgem to any position as regards the output of the ETWG. Should any code modifications or other matters that require a decision by the Authority arise as a result of the work of the ETWG, we will take a decision when these are received.

Background

Ofgem is leading the Switching Programme, which aims to deliver reliable and fast switching for consumers. Faster switching timescales may make it harder for customers to alert either the losing or gaining supplier that a switch is erroneous before it is processed. Therefore, without the implementation of improvements to the ET resolution process and improved methods to prevent ETs, the implementation of faster switching risks making ETs more common.

We published a policy paper on ETs on 31 August 2016², which concluded that industry is in the best position to tackle ETs.

Ofgem's position

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 detriment, and we frequently see evidence of the real distress and cost to consumers that they cause. As a result, there is significant public and political interest in ETs, and their prevalence undermines customers' perception of the switching process and the retail market as a whole.

¹ <https://www.ofgem.gov.uk/publications-and-updates/open-letter-mra-and-spaa-executive-committees-regarding-erroneous-transfers>

² 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

It is vital that improvements are made by the ETWG to tackle ETs as soon as possible and ahead of our implementation of our faster switching reforms.

We welcome the ETWG's aim to reduce the occurrence of ETs. We want to emphasise our continued desire for strong industry-led action to reduce the number of ETs. It is important that the industry continues to work to reduce the numbers of ETs.

As highlighted in our letter in April, we are keen for industry to develop and implement strong risk-based processes to prevent ETs before they occur. In particular, we want all industry participants to have strong MPAN, MPRN and address validation processes to catch erroneous switch requests. The consultation highlights some suggested methods of achieving this, including an ECOES API interface, providing some consumers with the chance to input MPxN details at point of sale and the introduction of a "best practice framework" for address validation practices. We are hopeful that the methods identified, and potentially some others, could be developed and help to prevent ETs.

Our view is that the development of an ET performance assurance scheme would be a positive development, if backed by appropriate incentives to ensure that poor performance is corrected. We appreciate there needs to be further discussion with industry about how the reporting and sanctions would operate. It is possible that the operation of such a system would require a degree of independent assurance in order to ensure consistency of reporting and the effective resolution of disputes.

To support an ET performance assurance scheme and allow suppliers to understand and take individual responsibility to improve their own performance, we also think it is desirable for reliable industry-wide ET data to be available to all suppliers. This was not directly mentioned in the consultation, but we believe this would enable each supplier to fully understand their own ET performance and compare themselves with the best performing suppliers with the lowest ET rates. It would ensure that industry can collectively monitor ET performance and reduce ET rates. We believe this could help industry performance normalise towards the best performers.

Increasing awareness of the consumer protections offered by the ET Customer Charter is important as existing levels of awareness appear to vary across the market. The ET Customer Charter will have most value if customers are aware of the benefits that it promises, and is subject to effective monitoring and sanction for suppliers who consistently do not meet the terms of the Charter. Additionally, we believe that a scheme applicable to all suppliers to compensate customers who have been subject to an ET could act as a strong incentive for suppliers to avoid ETs.

Next steps

We look forward to seeing how industry's response to the ETWG consultation will address these particular issues, in addition to the response to the full range of questions in the ETWG consultation. We hope that the group will make rapid progress in implementing improvements to industry processes for proactively identifying and reducing the incidence of ETs. We will continue to contribute to discussions in the ETWG to help the group achieve that goal.

We would be keen to see evidence and analysis of the effectiveness of your proposals at reducing numbers of ETs ahead of the introduction of our faster and more reliable Switching Programme. We look forward to seeing the actions arising from the ETWG's work in the second half of 2017. The group's original forward workplan aimed for implementation of a solution in January 2018, but we note the ETWG consultation proposes introducing process changes by November 2018. To mitigate this later implementation, we think the group should consider whether there is any merit in implementing some standalone improvements before November 2018.

As we set out above, it is our view that any incidence of an ET represents a source of consumer detriment and that suppliers should always be looking for cost-effective ways of reducing their incidence. Therefore, if the ETWG cannot develop and implement reforms to significantly reduce the number of ETs, we will consider whether additional regulatory intervention may be appropriate in order to reduce the numbers of ETs.

We look forward to continuing to contribute to discussions within the ETWG. However, if you would like to discuss this letter or your progress on tackling ETs any further, please contact graeme.barton@ofgem.gov.uk.

Yours faithfully

Rachel Clark
Switching Programme Director