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Ofgem
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Supplier Guaranteed Standards of Performance: Consultation on Switching Compensation

Dear Rachel

Flow Energy (FE) fully endorse any initiatives that make a meaningful impact on the Switching Compensation areas under consideration.

Our response is high level and our recommendations are limited to establishing a mature and proportionate regime that ensures customers are adequately protected from poor supplier performance, whilst recognising limitations suppliers face both in terms of actual influence to resolve issues and assigning internal resource to manage such instances.

For the purpose of this response, our focus is primarily in the area of Erroneous Transfers as this has proven to be ‘stickiest’ area of concern, has a higher chance of serious customer detriment and is one that has proven most contentious in terms of setting the right regime to solve.

FE agree that the progress and deliverables within the Erroneous Transfers Working Group was disappointing. This absence of real progress should not be confused with a lack of effort or seriousness in approaching the matter. Ofgem are well aware that the significant majority of ET’s are caused or compounded by industry data which by definition is largely not within the gift of the gaining supplier to ‘clean’ at the point of transfer.

FE equally recognise that Ofgem are committed to doing something from a Regulatory stand point to fix this issue along other areas effecting confidence in switching. Given that, FE propose that the following options be given careful consideration so as not to move suppliers from managing and fixing a messy set of scenarios which ultimately improve customer experience, to a regime where focus on payments on time, every time are met to ensure compliance becomes the overriding goal. Key to this is the reality that for the majority of suppliers, the personnel carrying out these tasks are the same resource. It may be over simplistic to argue this is an either/or choice for the industry, however Ofgem must

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appreciate that in a market where staffing resource is carefully targeted, a move to the proposed standards will run the very real risk of suppliers shifting emphasis to compliance and payment and **not** root cause efforts to solve switching problems and resolve the issues.

Resource is much better spent on solving the root cause. The vast majority of ET's are due to poor address data. The work to start cleansing this has begun through IREG. However based on the early figures at the current rate it could take up to 2 years just to clear the backlog. Also this is just focused on updating plot addresses rather that the more difficult crossed meters and ambiguous flat numbers etc., that tend to cause the most complicated, time-consuming and detrimental ET's.

Timing of regulatory implementation/standards – There is a clear timeline around smart meter installation programme and moves to faster switching, which lends itself to a break clause/sunset clause in any regulatory framework.

Level of compensation - FE does not agree with the cost split between outgoing and incoming suppliers (they should be consistent to incentivise collaboration in resolving switching issues and to disincentivise suppliers just passing a problem on without attempting a resolution. customer ETs). The values proposed are those of other GSOS payments and are a very crude representation of perceived cost to customers. Dealing with ET's specifically, it could be argued the value is too low as some bespoke circumstances may warrant a higher compensation payment. Suppliers will not of course entertain such scenarios in a rigid regulatory incentive regime therefore some customers will be worse off, whilst others may get compensation for negligible or zero detrimental impact.

Customer perception – Providing an "Industry Standard" level of compensation depersonalises any efforts to provide meaningful recompense to a customer, whilst there is nothing to stop suppliers compensating a higher level in individual circumstances, there is a real risk of suppliers falling back on the set amount without taking the responsibility to ensure that fair and appropriate compensation is provided in relation to the detriment caused.

The bigger risk with an approach of automated compensation is that it undermines efforts to promote switching as easy and reliable. In reality only a small percentages of switches are delayed or fail and whilst it is right that correcting this should be the focus for suppliers, advertising that an enforced compensation amount has been put in place creates or reinforces the perception that the majority of switches fail. As has been shown repeatedly in efforts to increase switching levels, the aversion to risk or "hassle" is a much stronger driver than money. Whilst FE understand the desire to push for automatic compensation, we believe there is a real risk that the results will be counter-productive to the overall aim.

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Proposal

- Align compensation values for incoming and outgoing suppliers
- End date regulatory regime to (say) implementation date +18 months. This will allow the industry a minimum of 12 months performance to assess success of regime and what needs to be in place (if anything) beyond 18 months and in the transition through Smart metering mass implementation/faster switching implementation.

Turning to the other standards proposed; Delayed switches, Timing of final bills and credit refunds after a switch.

Delayed switches – This cliff edge proposed standard will have similar behavioural consequences in suppliers who will shift resource to ensure payment compliance rather than address the customer process to seek to ensure switches in 21 days. Notwithstanding this point, it can be argued that transfers in days 22 to (say) 25 are typically not because of poor supplier behaviour but simply due to system and procedural issues that legitimately prevent 21 days being met.

Proposal

- Extend timeline to day (25) not 21 and consider volumes in 21-24 period prior to any additional regulatory intervention

Timing of final bills and credit refunds after a switch – Whilst not a perfect set of propels FE recognise that customer detriment can occur in such scenarios and it is significantly more within the gift of losing suppliers to manage these activities in good time and as such the proposed standards may prove worthwhile. Again for consistency FE believe a sunset/break clause of implementation date + 18 months would be warranted to ensure mature and proportionate standards are in situ moving forward

We would be happy to discuss and develop our thinking with you should you find that beneficial

Yours sincerely

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