

# Compliance and Enforcement Conference 2018



**10:15 Welcome**

Mary Starks, Executive Director, Consumers & Markets, Ofgem

**10:30 Annual Update // Lessons from Compliance and Enforcement**

Kieran Coleman, Head of Enforcement, Ofgem

Madeleine Plater, Head of Compliance, Ofgem

Tom Corcut, Head of Market Intelligence & Oversight, Ofgem

**11:30 Refreshments**

**11:45 The Changing Approach to Compliance with Principles**

Andy MacFaul, Senior Manager, Compliance, Conduct and Enforcement, Ofgem

Ruth Saunders, Senior Policy Manager, Future Retail Regulation, Conduct and Enforcement, Ofgem

**12:15 Roundtable Discussion: The Changing Approach to Compliance with Principles**

**13:00 Lunch**

**14:00 Best Practice – What Does Good Look Like?**

Terry Higgins, Manager, Compliance, Conduct and Enforcement, Ofgem

Gillian Cooper, Head of Retail Energy Markets, Citizens Advice

Debra Vaughan, Lead Ombudsman, OS:E

**14:30 Roundtable Discussion: Best Practice – What Does Good Look Like?**

**15:15 Refreshments**

**15:30 Energy Industry Voluntary Redress Scheme**

Alasdair Morgan, Manager, Enforcement, Conduct and Enforcement, Ofgem

Graham Ayling, Senior Project Manager, Energy Saving Trust

**15:50 Closing Remarks**

Anthony Pygram, Director, Conduct and Enforcement, Ofgem

**16:00 End**

**Continue the  
conversation on  
Twitter**

**#OfgemCE**

# Annual Update

## Lessons Learned from Compliance and Enforcement



**Kieran Coleman – Head of Enforcement, Ofgem**  
**Tom Corcut – Head of Market Intelligence & Oversight, Ofgem**  
**Madeleine Plater – Head of Compliance, Ofgem**  
25/09/18

## **Welcome to the 2018 Compliance and Enforcement conference!**

The purpose of this first session is to update you on lessons learned over the past year, focusing on:

### Market Intelligence & Oversight

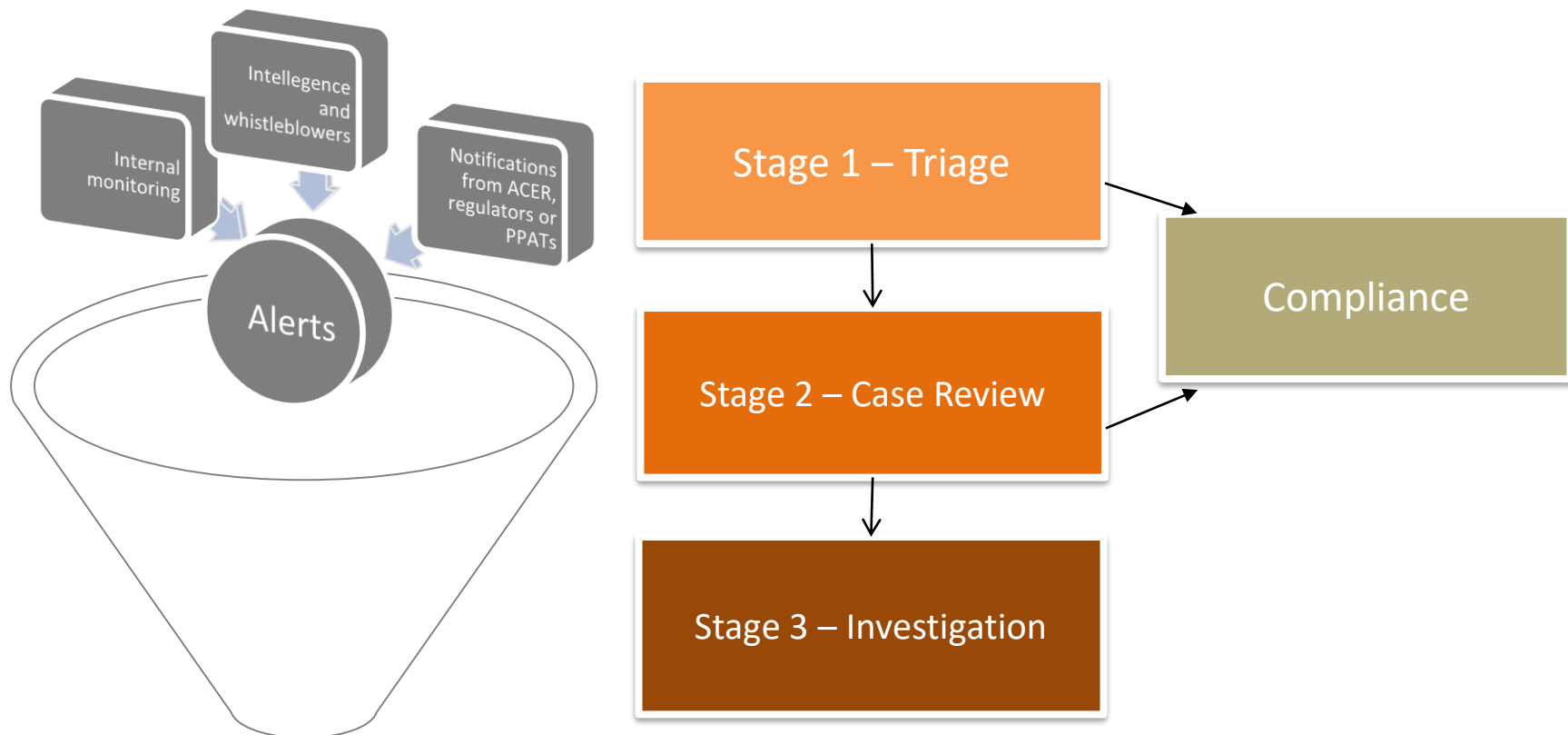
- REMIT monitoring process and activity
- Monitoring potential REMIT breaches and ensuring compliance
- Investigation activities and procedures

### Retail Compliance and Enforcement

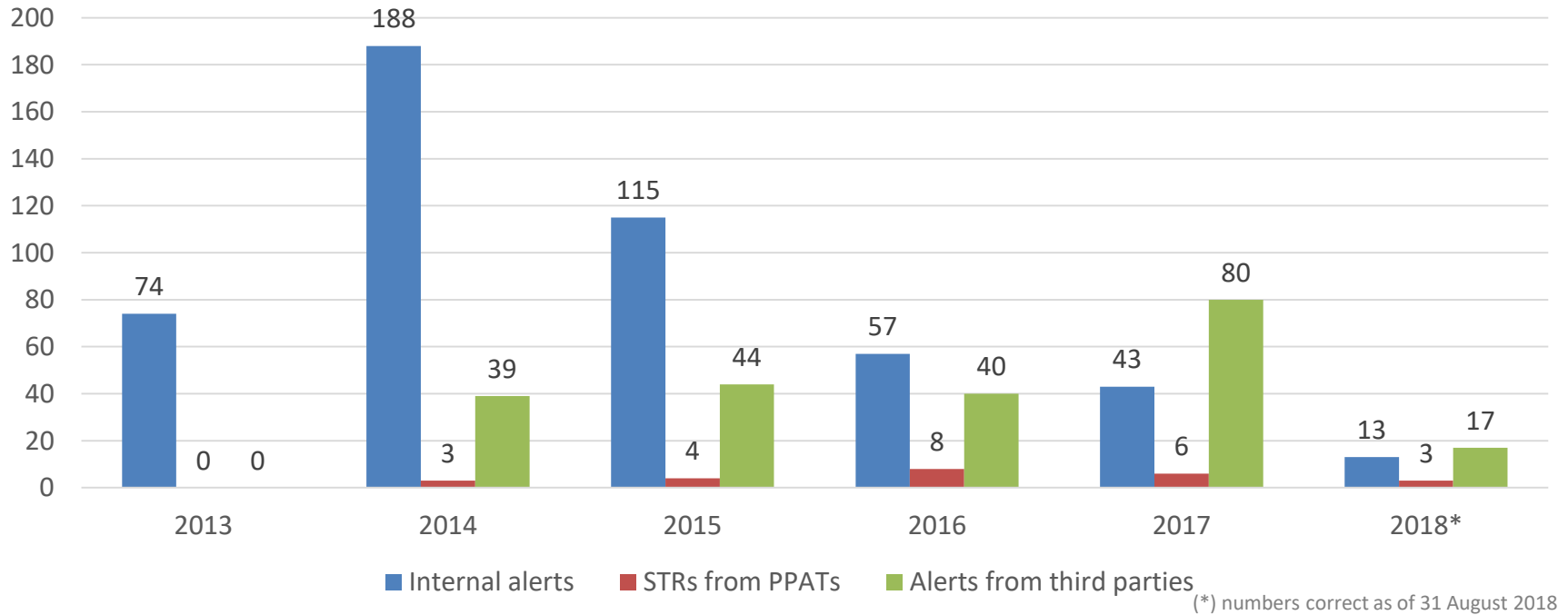
- Providing timely and accurate info
- Tariff and product offerings
- Supporting customers in vulnerable situations
- Lessons from Iresa
- Closing investigations via alternative action

# **Market Intelligence & Oversight**

Tom Corcut – Head of Market Intelligence and Oversight, Conduct & Enforcement



**Number of alerts by source**



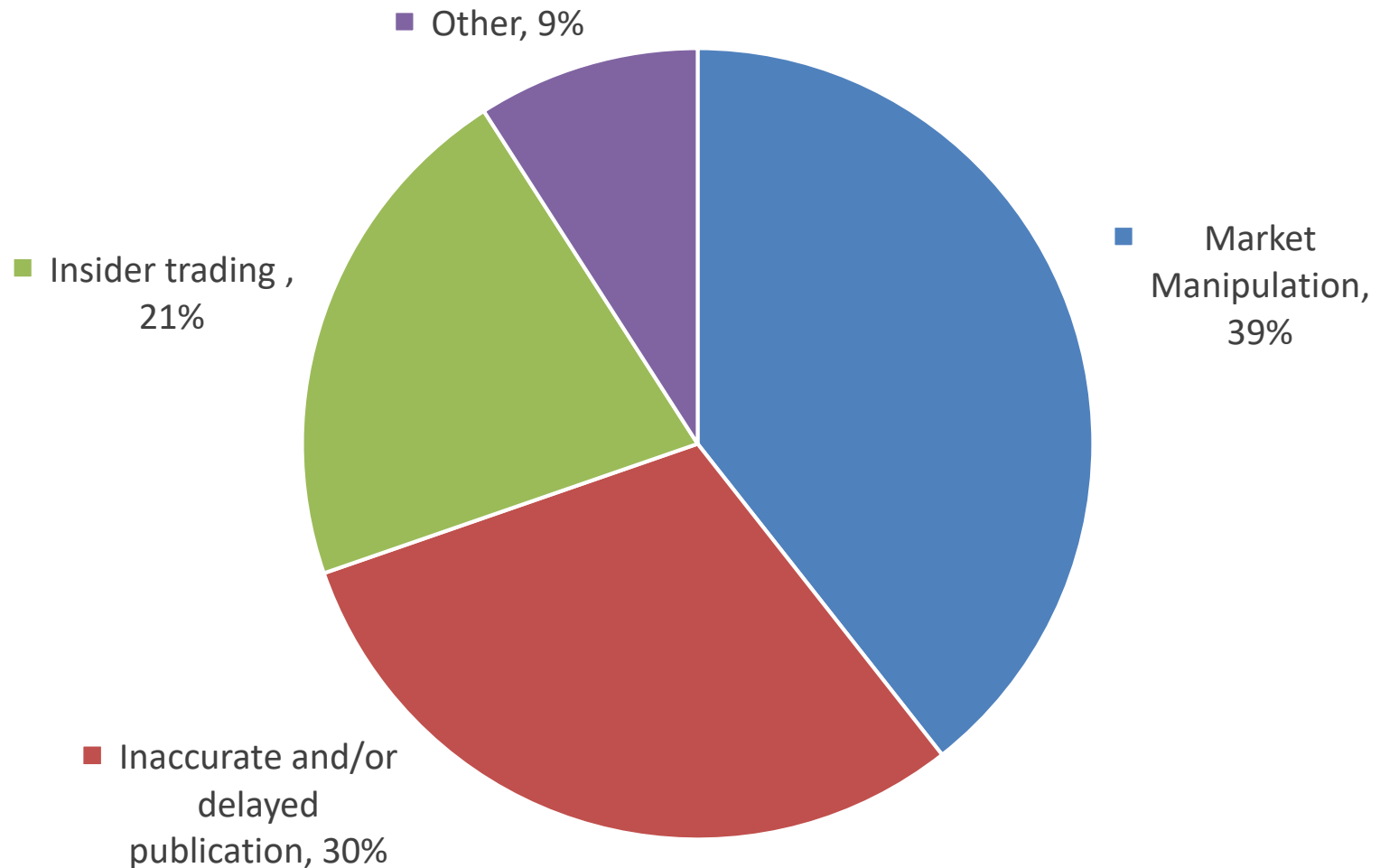
As we have developed our understanding of market abuse and monitoring processes over time we have seen the number of alerts raised internally falling over the years, while maintaining the capability to respond to issues of particular concern.

By reducing false positives we are able to better spend resource on higher quality analysis of events which cause concern.

Number of STRs has increased, but it is still low



### Overview of 2018 alerts by type of potential REMIT breach



Compliance work may be initiated at the initial or further analysis stages, as an alternative to investigation. This is normally an option where:

- No evidence of breach, but shortcomings with the market participant's approach are found;
- Evidence of a potential breach is found but compared to other issues it is less significant or serious.

Additionally, compliance action may be followed by an investigation if there is evidence of on-going behaviour.

Monitoring work has resulted in significant compliance activity and engagement with market participants. As a result we have seen:

Significant improvement in in the timeliness of publishing outage and other relevant inside information

Implementation of effective controls or processes to identify and prevent unintentional behaviour (for example 'fat-finger' errors which could be considered manipulative in certain circumstances).

**Market participants' adherence to REMIT has noticeably improved as a result of our compliance work.**

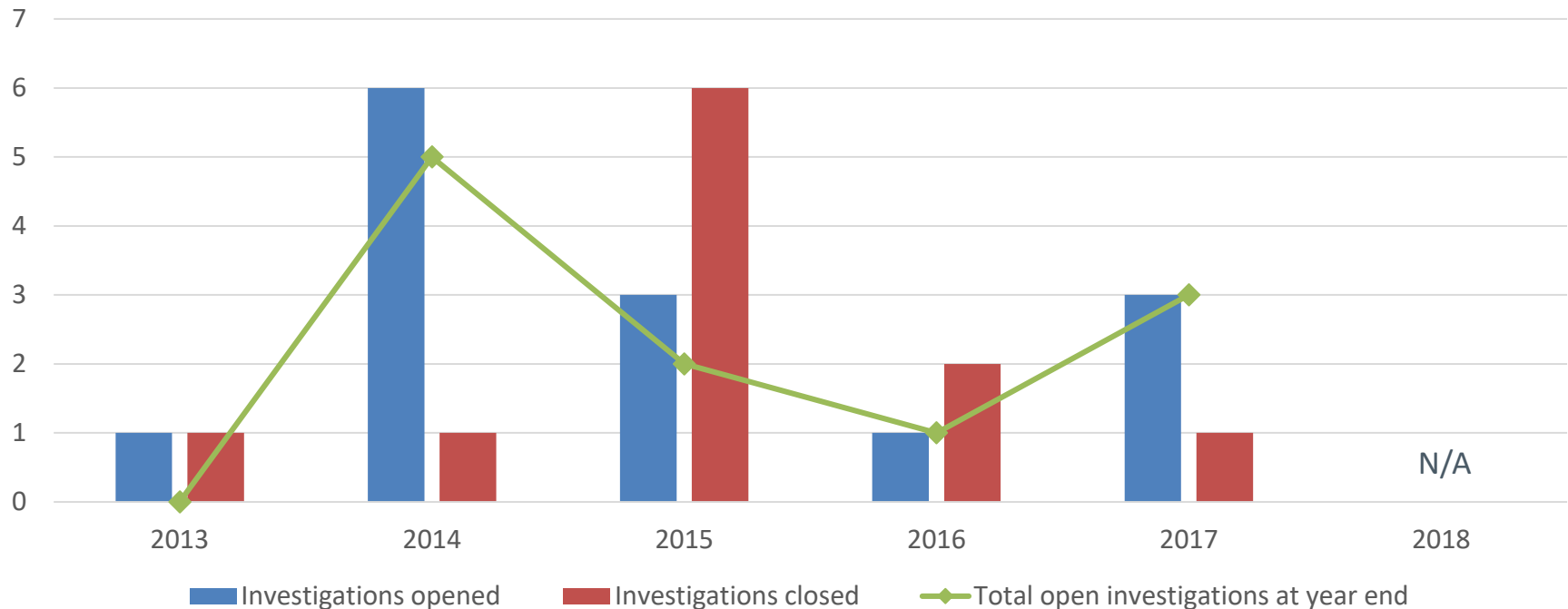
**We believe this has made the market much more transparent.**

Investigations opened according to our prioritisation criteria

Broad coverage of alleged breaches in investigations


Investigations complex - regime yet to be fully tested and we are learning all the time

No formal finding yet



# Retail Compliance & Enforcement

Madeleine Plater – Head of Compliance, Conduct & Enforcement  
Kieran Coleman – Head of Enforcement, Conduct & Enforcement

  
Making a positive difference  
for energy consumers

## Report

**Retail Supplier Compliance and Enforcement Report: Spring/Summer 2018**

<b>Publication date:</b>	13 August 2018	<b>Contact:</b>	Andy MacFaul, Senior Manager
		<b>Team:</b>	Retail Compliance Team
		<b>Tel:</b>	020 7901 7083
		<b>Email:</b>	<a href="mailto:andrew.macfaul@ofgem.gov.uk">andrew.macfaul@ofgem.gov.uk</a>

This report shines a light on some of our compliance and enforcement activities in the gas and electricity retail supply markets during the first half of 2018. The intention in doing so is to help retail energy suppliers learn from our work, better understand their obligations, and prepare effectively for regulatory changes.

In the report we:

- identify compliance issues likely to be of relevance across the market
- highlight our expectations and summarise learning points for suppliers, and
- flag some important changes to the regulatory framework for suppliers.

This is the second such report in an ongoing series that we expect to publish twice yearly. It covers much of our most recent activity and also some casework from last winter that occurred too late to include in the previous report.

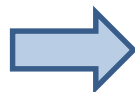
We'd appreciate **feedback** on the report so we can continue to improve it. Let us know what you think about it by completing this quick 5-minute [survey](#).

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- On 13 August 2018, we published the “Retail Supplier Compliance and Enforcement Report: Spring/Summer 2018”.
- The key themes included:
  - Providing accurate and timely information;
  - Tariff and product offerings; and
  - Supporting customers in vulnerable situations.
- We are aiming to publish this report twice a year.

### *Bills and annual statements: SLC 31A, SLC 25C/SLC 0*

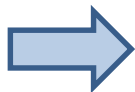
Concerns with accuracy and frequency of bills and Annual Statements



Suppliers must communicate clearly and accurately with customers so that customers can make informed decisions about consumption and supply

### *Call centre resourcing: SLC 0.3*

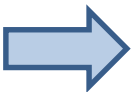
Concerns about the quality of customer care – long call wait and email response times recorded



Suppliers must ensure sufficient customer service staff to operate call centres effectively and should draw up contingency plans in the event of severe weather

### *Trade sales: SLC 23.4, SLC 23A.2(b)*

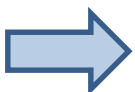
Trade sales cause uncertainty and alarm if not handled properly – leads to increase in customer contact



Suppliers should keep customers properly informed and give them chance to withhold consent beforehand. If sale puts customers at a disadvantage, the transferring supplier must give 30 days notice to all affected customers

### *White labels: SLC 22D, SLC 25*

Customers' consent was not sought during a termination of a 'white label' partnership – Long time to migrate customers to correct tariff, delayed savings

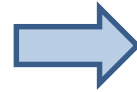


Suppliers must: have regard to consumers' switching rights; have contingency plans in place for should co-operation with a white label become difficult; and, notify customers and compensate in full for any detriment

Similarly, suppliers should also ensure third party representatives identify that they are acting on behalf of a licensee

### *Price increases for customers on fixed tariffs: SLC 22C (9)*

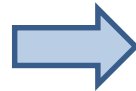
Price increase notifications incorrectly sent to customers on fixed tariffs



Applying a fixed term period to a tariff means it is a fixed term contract – Exit fees can only apply to fixed term deals and not variable products. If a welcome pack asserts that a price is guaranteed into a specified date, this is a fixed term contract.

### *Offering PPMs: SLC 27.1, SLC 27.5-27.6*

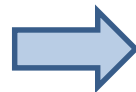
Concerns that suppliers not offering PPMs as a payment option and customers having difficulties repaying debts. Suppliers growing quickly and not ready to offer PPMs once over 50k customers



All suppliers must be able to offer PPMs as a repayment option to customers in payment difficulty. Suppliers must openly offer PPMs as a payment options to customers as soon as they exceed 50k customers – suppliers should plan ahead effectively.

### *Smart Meter roll-out: SLC 0*

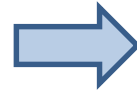
Issues with meeting annual smart meter installation milestones



Suppliers should engage effectively with consumers using a variety of channels to secure installation appointments, and to improve likelihood of positive customer experience. Suppliers should prepare thoroughly for the SMETS1 end date and be ready to ramp up SMETS2 installs.

### *PPM top-up arrangements: SLC 0.3*

Issues with functioning top-up cards that would enable customers to top up PPMs – led to a surge in self-disconnection, compounded by inadequate customer service arrangements

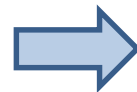


Suppliers should:

- be able and willing to use a variety of methods to make sure that customers know how to access and receive timely top-up details;
- should invest sufficiently in their customer service arrangements to enable customers to contact them in an emergency; and
- make an effort to identify and respond to the needs of domestic customers who are in vulnerable situations.

### *PPM and Warm Home Discount price caps: SLC 28A, SLC 28AA*

Some suppliers have failed to meet deadlines for migrating PPM and WHD customers to safeguard tariffs, mainly due to technical issues. PPM customers therefore not protected from excessive prices



Suppliers should:

- test their tariff change processes to ensure that they identify and resolve any technical issues ahead of deadlines so that customers are not out of pocket; and
- notify Ofgem promptly if they become aware of any compliance risks and quickly establish how to remedy any detrimental effect.



After **rapid growth**, Iresa ceased trading on 31 July whilst under investigation and subject to a Provisional Order

Have the people and infrastructure in place to handle growth and to handle spikes in contacts

Have fit-for-purpose systems, e.g. IT

First need to understand your obligations

“Lessons Learned on Software Implementation Projects” – published Feb.2018

Ensure customers are clear on your T&Cs, e.g. for uncommon approach to billing or requests for payment

Opening an investigation does not imply that we have made any findings about non-compliance

Investigations can be closed via alternative action

Investigation relating to inaccurate information provided to PPM customers closed in June 2018

Investigation relating to fees and switching window protections in Aug. 2018

More information is available in our Enforcement Overview 2017-18 published in June

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**We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.**

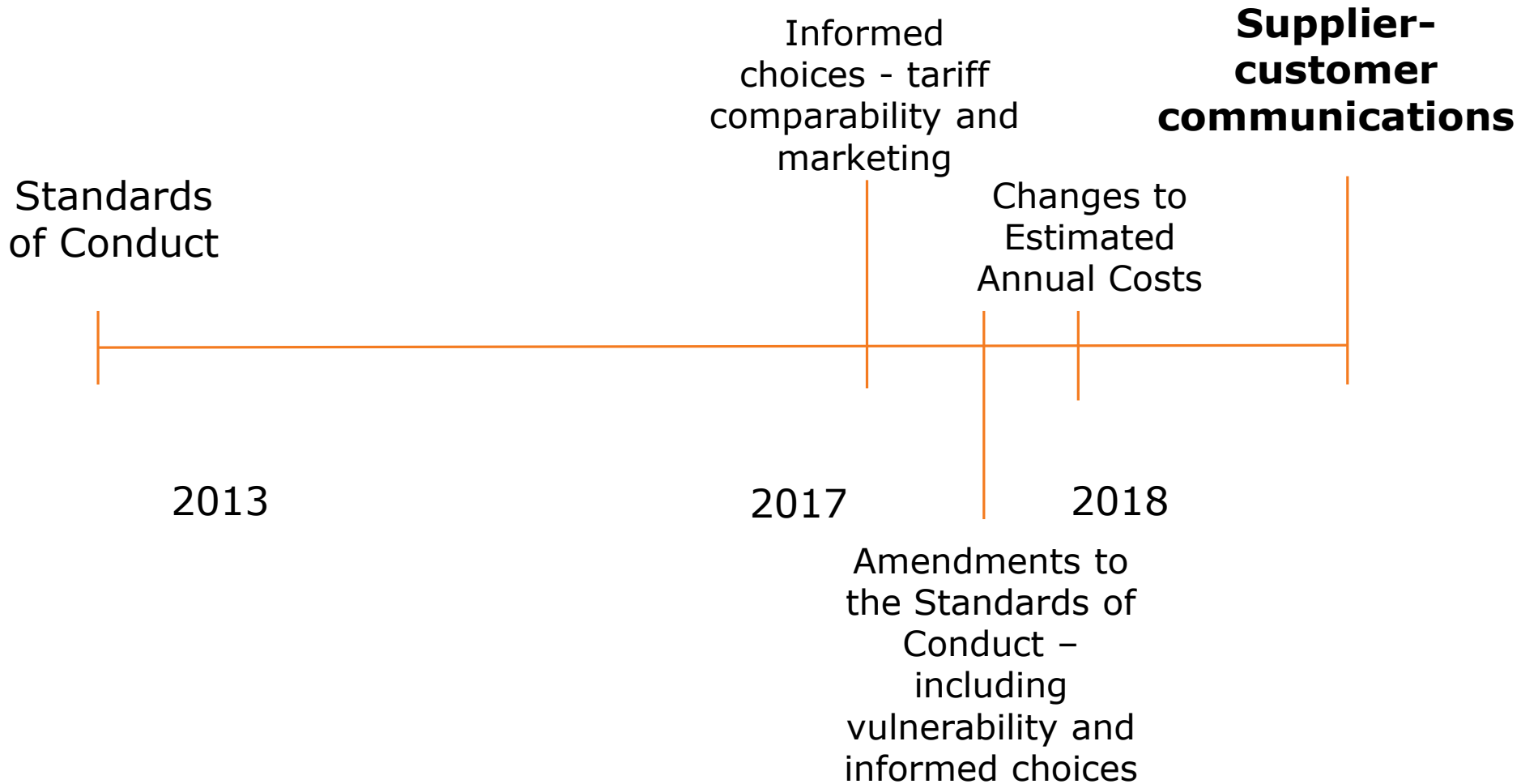
**11:30 – 11:45**  
Refreshments

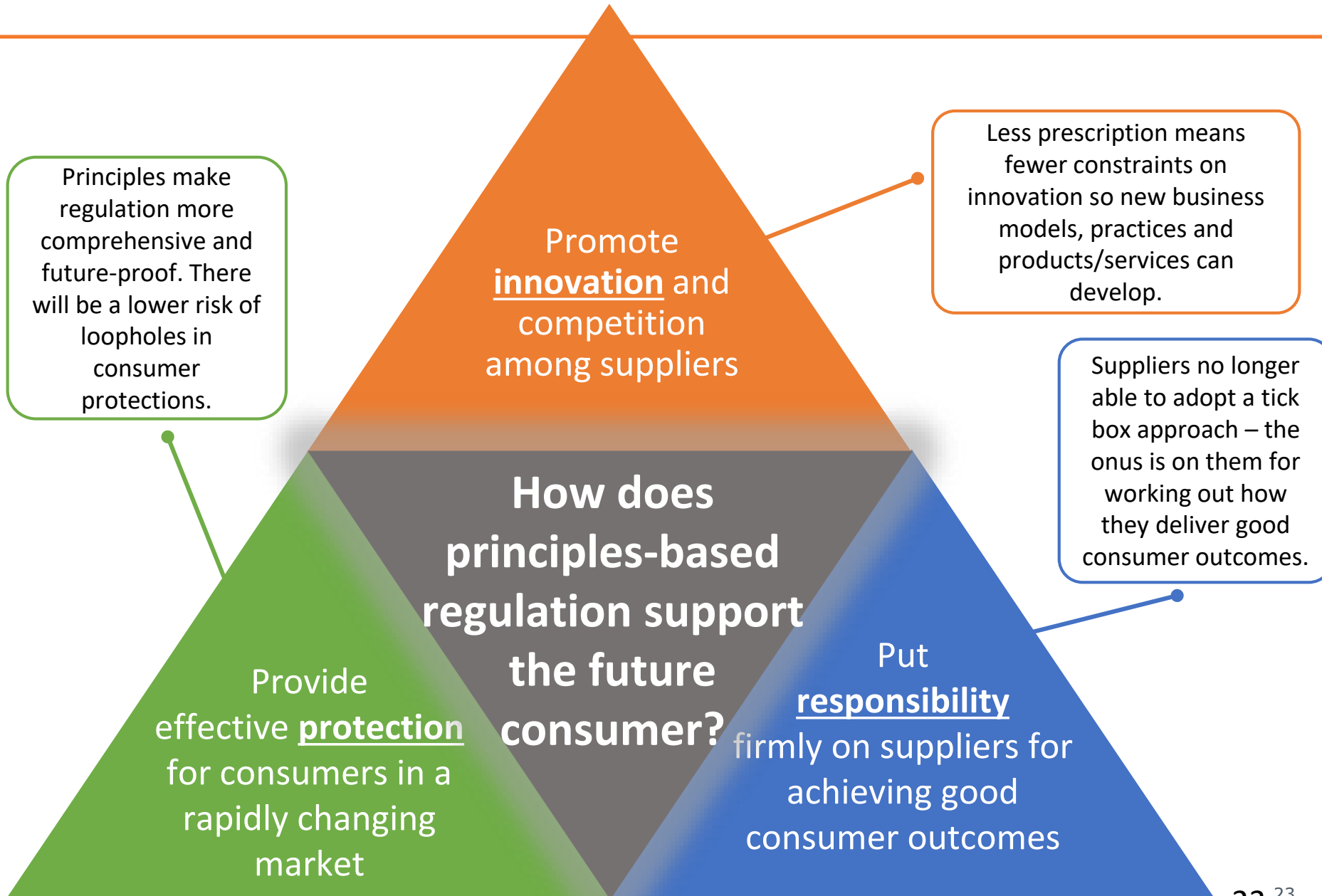
#OfgemCE

# Compliance with Principles



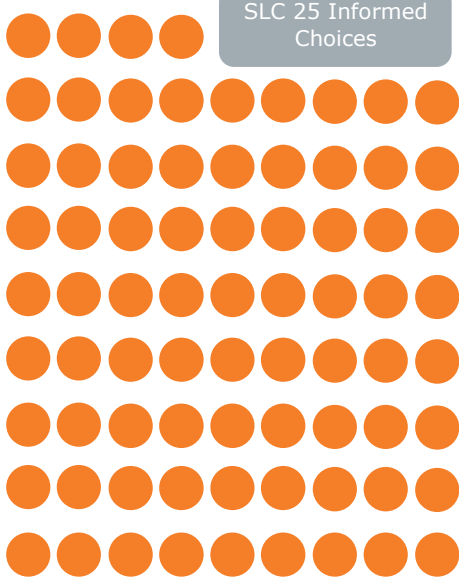
**Ruth Saunders**, Senior Policy Manager, Consumers and Markets  
**Andy MacFaul**, Senior Manager, Compliance, Consumers and Markets  
25/09/18





## Today's rules...

SLC 0 Standards of Conduct  
(including vulnerability and informed choices limbs)



SLC 25 Informed Choices

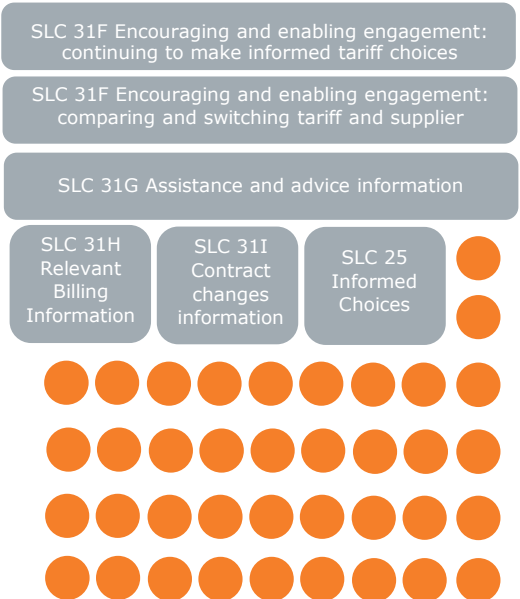
Broad principles

Narrow principles

Prescription

## Our proposal...

SLC 0 Standards of Conduct  
(including vulnerability and informed choices limbs)



SLC 31F Encouraging and enabling engagement: continuing to make informed tariff choices

SLC 31F Encouraging and enabling engagement: comparing and switching tariff and supplier

SLC 31G Assistance and advice information

SLC 31H Relevant Billing Information

SLC 31I Contract changes information

SLC 25 Informed Choices



## Characteristics & Preferences

Format



Timing

Content

Assistance &  
advice?

Bills & billing  
info?

A customer  
with a Time of  
prepayment  
meter...

Contract  
changes?

Encouraging &  
enabling  
engagement?

**Possibly...**

**Suppliers must  
take responsibility  
for outcomes**

## Why can't we just stick to the current prescriptive rules?

Assistance &  
advice?

Bills & billing  
info?

A customer  
with a Time  
of Use  
tariff...

Contract  
changes?

Encouraging &  
enabling  
engagement?

**“ Principles put the responsibility firmly on suppliers for achieving good consumer outcomes. ”**





### **Questions you should be asking yourselves**

- Do our current processes meet the outcomes required by the principles for all consumers?
- How will we demonstrate this?
- If no, which group(s) of customers are we not meeting this for? In what way? Are we providing the right information / at the right time / in the right format?
- How will we address any gaps?
- What consumer research, testing, feedback and insights do we collect to underpin our decisions?

Good practice	Bad practice
Tell us about significant plans	Major surprises
Consider risks and benefits to customers	No audit trail showing how you considered risks and benefits
If things go wrong, let us know	Failure to provide information
Tell us how you'll put things right for affected customers and prevent recurrences	Failure to address the causes and the effects



**Any questions?...**

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**12:15 – 13:00**

**Roundtable 1**

**The Changing Approach to  
Compliance with Principles**

# Best Practice

What does good look like?



**Terry Higgins, Ofgem**  
**Debra Vaughan, Ombudsman Service**  
**Gillain Cooper, Citizens Advice**

25/09/2018

Terry Higgins, Compliance  
Manager, Ofgem

Gillian Cooper, Head of Energy  
Retail Markets, Citizens Advice

Debra Vaughan, Lead  
Ombudsman, Ombudsman  
Services: Energy

Questions

Table Discussion



Provide information and advice to consumers

Handle cases for vulnerable consumers

Use research and evidence from our service to advocate for consumers

Help solve problems by working with suppliers, changing policy and supporting consumers to navigate the market



Provide risk assessment

Prioritize actions using regulatory kit: policy, compliance or enforcement



Impartial - resolves disputes between consumers and suppliers

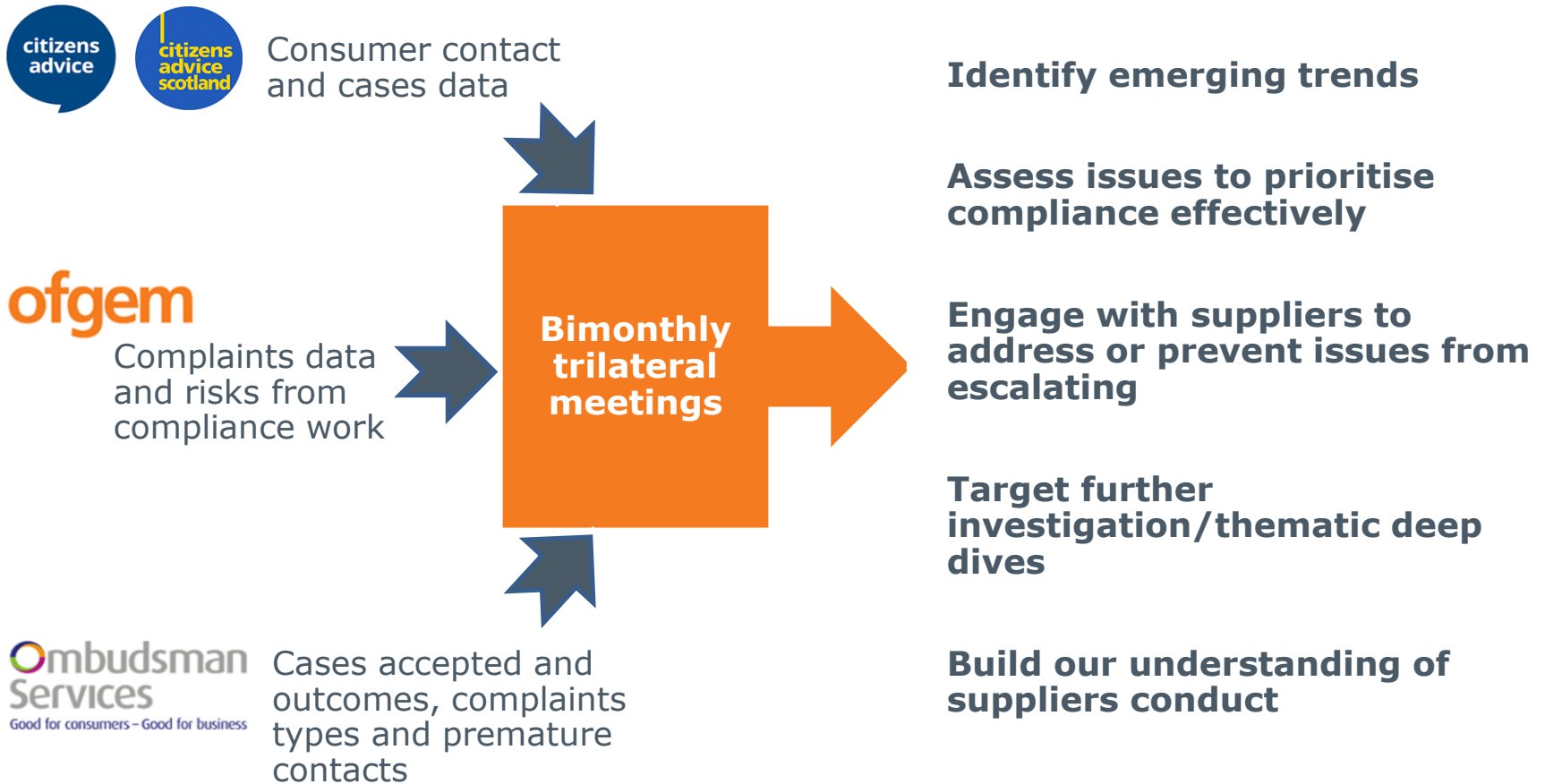
Work with suppliers on service improvement

Identify industry-wide risks and takes action to address them

Provide redress for individual consumers

Ombudsman for consumer disputes

**Making the best use of  
resources, market  
knowledge, skills and  
functions to work with  
suppliers to better  
protect consumers**





**More holistic and early view of market issues, helping us target efforts to improve consumer outcomes; more consistent and informed consumer engagement**

**More informed, coordinated and targeted supplier engagement, including early feedback; a better picture of suppliers' attitude towards putting customers at the heart of their business**

**Evidenced, coordinated, targeted and proportionate action; reducing duplicate information requests**

**“Good practice isn’t good  
luck**

**The harder I practice, the  
luckier I get”**

**Gary Player**

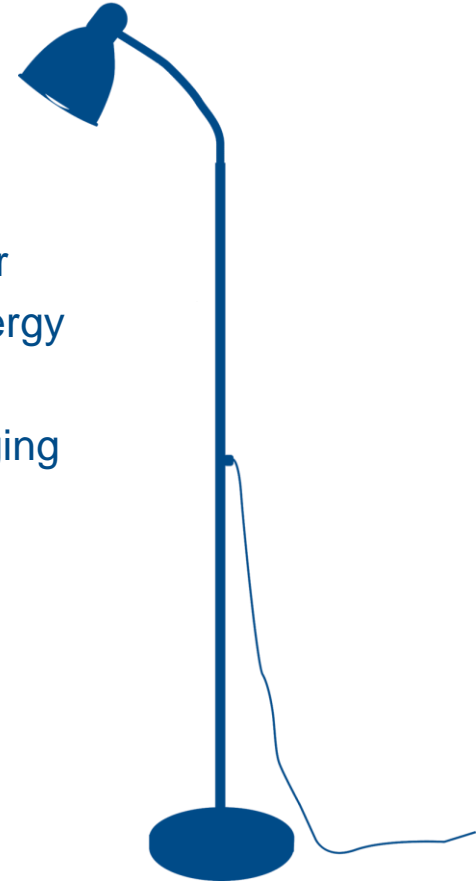
# Best practice: identifying what good looks like

**citizens  
advice**

Ofgem Compliance and Enforcement 2018 Conference  
25 September 2018

## About Citizens Advice

- We are the official consumer body for energy
- We use research and evidence from the people who contact our advice service every day to understand the problems facing energy consumers in Great Britain
- We help solve these problems by engaging with industry, changing policy and supporting consumers to navigate the market





**Putting  
consumers first**

# When you're acquiring new customers



You're only as good as your agents



Accessibility matters

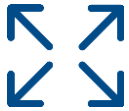


Achieve what's possible rather than what's required



Take responsibility

# When you suspect there's vulnerabilities



Make every contact count



Look at the big picture



Build effective referral relationships

**Further reading:** [August 2018: Hidden debts](#), [May 2018: Energy market and people with mental health problems](#), [July 2018: Beyond ECO - future of fuel poverty support](#), [July 2016: Welfare reform and essential bills](#) as well as our good practice guides

# When you're rolling out smart meters



Work with a range of partners



Don't just capture information, act on it



Ensure households in vulnerable situations are not left off supply



Keep in touch

**Further reading:** [July 2018: Early consumer experiences of smart meters](#) and [March 2017: Smart support: support for vulnerable consumers in the rollout](#)



# When you're supplying micro businesses



Take responsibility for the entire customer experience



Don't assume



Offer independent debt support and establish a trust fund

**Further reading:** [August 2018: When brokers go rogue](#) and Forthcoming: Good practice guide on recovering debt from the smallest businesses and Forthcoming: Micro and Small Business energy market engagement report

# When you're the appointed SOLR

Analysing the experience of customers of GB Energy, Future Energy and Iresa highlights that suppliers should:



Be transparent



Ideally take over the previous supplier's debt book



















Or liaise with the administrator on behalf of the affected customers

# Standing out from the crowd

Success is consumers making switching decisions based on price and customer service

- Suppliers are incentivised to do the right thing because good customer service is recognised and rewarded
- When suppliers don't follow the rules, they're held to account

Gas and Electricity	Electricity Only	Gas Only				
Tariff Name	Billing	Exit Fee	Personal Projection	Payment by	Savings	Customer service rating
<b>Better Energy (all online) 21 August 2018</b>						
	Paperless Billing	£60	£996.31 per year	£84.00 Monthly Fixed Direct Debit	You will save <b>£143.69</b> per year	3.55 out of 5 
		<b>Warm Home Discount</b>				
<b>Octopus 12M Fixed</b>						
	Paperless Billing	no fee	£997.15 per year	£84.00 Monthly Fixed Direct Debit	You will save <b>£142.85</b> per year	3.80 out of 5 
						
<b>DWMEExclusiveAug18</b>						
	Paperless Billing	£70	£997.19 per year	£58.00 Monthly Fixed Direct Debit	You will save <b>£142.81</b> per year	No rating
						
<b>ENGIE Fixed Sept 19 v5</b>						
	Paperless Billing	£60	£999.05 per year	£84.00 Monthly Fixed Direct Debit	You will save <b>£140.95</b> per year	4.30 out of 5 
						
<b>So Lynx - Green</b>						
	Paperless Billing	£10	£1001.15 per year	£84.00 Monthly Fixed Direct Debit	You will save <b>£138.85</b> per year	4.80 out of 5 
						
<b>Nabuh Energy Rey Tariff (12 month fixed)</b>						
	Paper & Paperless Billing	no fee	£1001.71 per year	£84.00 Monthly Fixed Direct Debit	You will save <b>£138.29</b> per year	No rating
						

## Further reading

- [Holistic support for energy consumers who self disconnect from their prepayment meter \(December 2017\)](#)
- [Supporting consumers with restricted meters \(July 2017\)](#)
- [Smart support: support for vulnerable consumers in the smart meter rollout \(March 2017\)](#)
- [How energy suppliers can signpost and refer vulnerable consumers to the right source of help \(January 2017\)](#)
- [Staying connected - helping and supporting consumers who have self disconnected \(April 2016\)](#)

### Coming soon

- Supporting small businesses in debt
- Helping consumers benefit from time of use tariffs



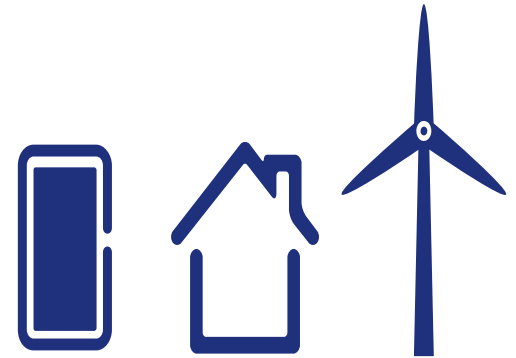


Gillian Cooper, Head of Energy Retail Markets  
@CAenergypolicy  
[Our website](#)

**“ Benefits for  
society as a whole,  
including those  
struggling with  
their bills”**

# Best Practice – What Does Good Look Like?

Debra Vaughan



 ombudsman  
Services

Good for consumers – Good for business

# The Energy Ombudsman



- Ombudsman Services is a national private sector ombudsman scheme, founded in 2002 to provide independent dispute resolution
- The Ombudsman Service Ltd is a not for profit organisation, limited by guarantee.
- We independently resolve complaints between consumers and companies that are signed up to our scheme. Our service is free for consumers.
- Before we can accept a complaint the consumer must give the company a reasonable opportunity to resolve it, We will help to get the complaint resolved as quickly as possible with the most appropriate outcome.
- If we decide that a participating company has made a mistake or treated the consumer unfairly, we may require a remedy that returns them to the position they would be in if the mistake had not occurred.



# The three roles of the Ombudsman

1

Resolve individual complaints

2

Identify opportunities and make recommendations to improve complaint handling in individual companies

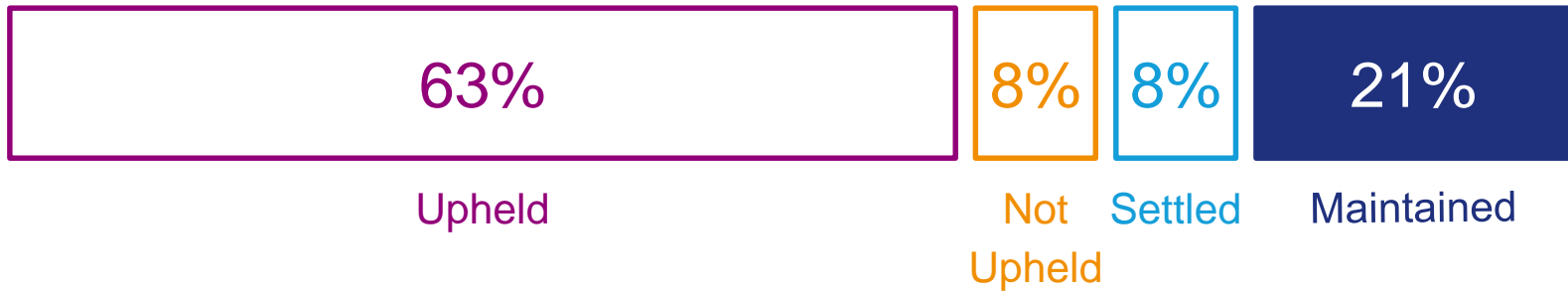
3

Recognise and address systemic industry-wide issues to help prevent consumer detriment

# Complaints about best practice



# Turning complaints into best practice



## Focus on prevention

- Best practice in complaint prevention
- Supplier level case study
- Sector level examples

## Best Practice – What Does Good Look Like?

- What does good look like?
- Best practice and principles

## Contact details



- [Ombudsman-Services.org](https://www.Ombudsman-Services.org)
- [@OmbudService](https://twitter.com/OmbudService)

**“None of us is as smart as all of us.”**

Topic 1

- Suppliers must seek to identify Domestic Customers in a vulnerable situation in a manner which is effective and appropriate and, when applying the Standards of Conduct, do so in a manner which takes into account any vulnerable situation.
- What operational initiatives do you think you could/have you put in place to best serve your vulnerable customers?

Topic 2

- Suppliers must make it easy for a Domestic Customer to contact them and ensure customer service arrangements and processes are complete, thorough, fit for purpose and transparent.
- How do you best manage resources for customer service contacts and complaints in unexpected adverse conditions? – e.g. the severe weather event February 2018



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**14:30 – 15:15**

Roundtable 2

**Best Practice**

**What Does Good Look Like?**

**15:15 – 15:30**  
Refreshments

#OfgemCE

# Voluntary Redress

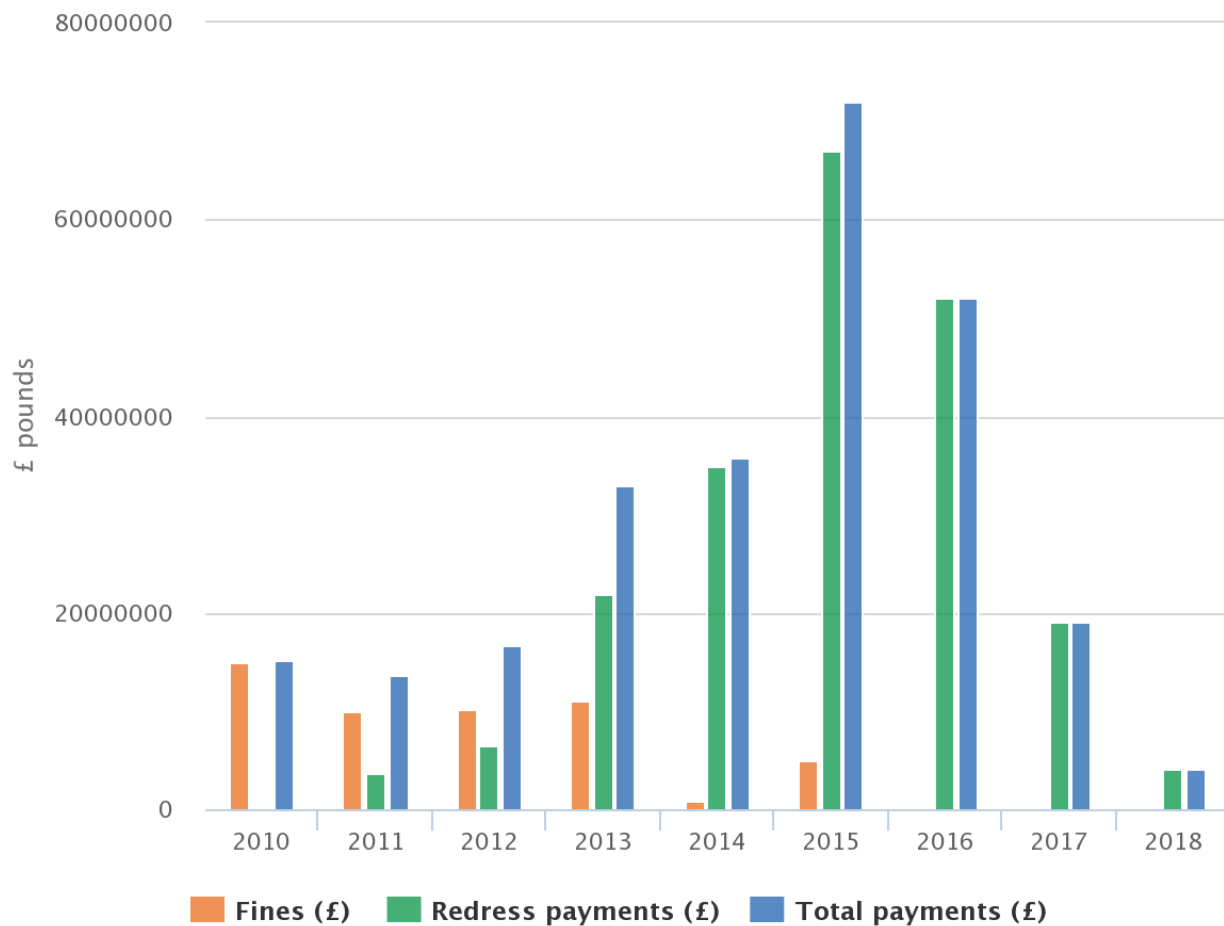


**Alasdair Morgan**  
25 September 2018

# Origins of the policy

- Consumers who are affected by a breach should receive compensation
- Further funding to help broader energy consumers

# Fines and redress since 2010

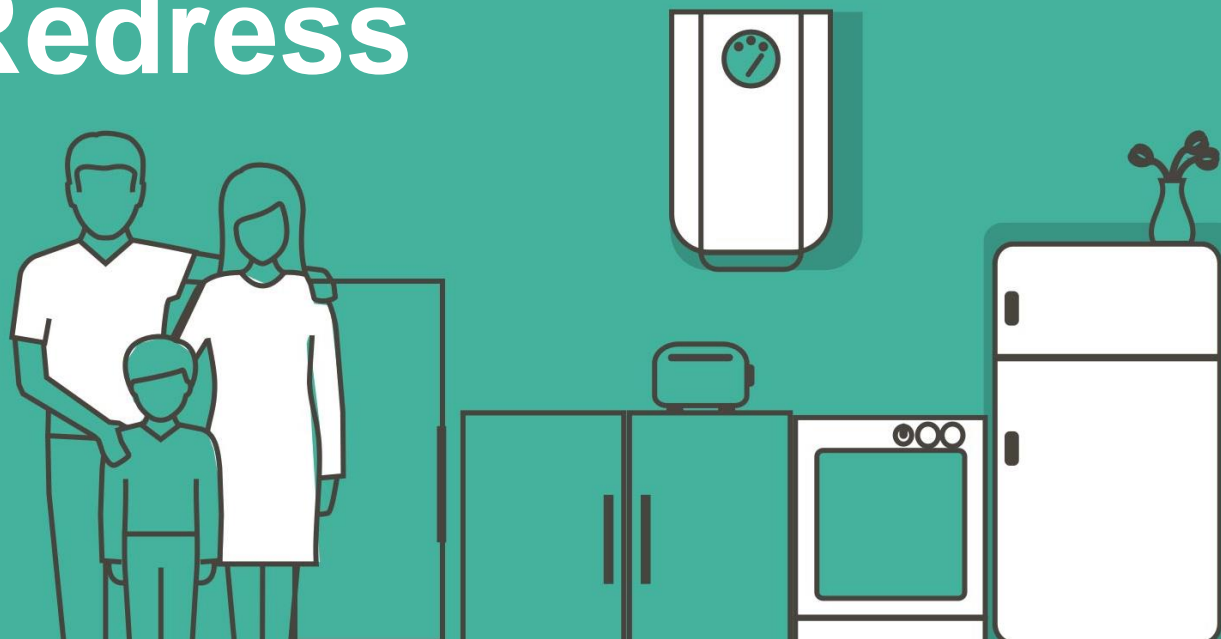


**“The primary objective of our voluntary redress funding is to maximise long term benefits for energy consumers by ensuring that funding is well targeted.”**

**- Ofgem 2016 consultation**

# Energy Industry Voluntary Redress Scheme

Graham Ayling  
Energy Saving Trust





# Energy Saving Trust

- Leading independent, impartial organisation working on energy saving
- Evidence and research based advice and consultancy services
- Programme delivery for public and private sector
- Energy saving, transport, renewables



# Eligibility

- Registered charities
- Others can partner with charities
- Charity must lead and be accountable
- Regulated energy companies cannot benefit in any way



# Application and assessment

- Two step application:
  1. Register interest
  2. Apply for a fund
- Quarterly calls
- Minimum £20k grants, Max - total fund or £2m
- Assessed against common criteria
- Decision by an independent expert panel



# Energy Redress Round 1 summary

- 163 organisations are registered for the scheme
- 64 completed bids in Round 1
  - Most included energy advice and some energy efficiency measures
- Total value of bids was over £4.6million for £300k funding pot



# Round 1 funded projects

Organisation	Project type	Location
Energy Projects Plus	Locality-based energy advice	Wirral, Merseyside
Fintry Development Trust	Community heat pump with shared ground-loop	Dundee, Scotland
Groundwork Oldham and Rochdale	Urban energy advice pilot	Greater Manchester
Northumberland County Blind Association	Testing heating controls for people with visual impairment	Northumberland
Urras Sgìre Oighreach Bharabhais Community Company	Energy advice, LED lighting and slow cookers for an island community	Isle of Lewis Scotland
Wigan Warriors Community Association	Energy Champions Advice programme	Greater Manchester



# Our aims for Energy Redress

- Maximise positive impact of Redress money
  - Cost effective, impactful projects
  - Due diligence
  - Avoid duplication
  - Encourage collaboration
- Transparency
  - Impact monitoring built in from the start
  - Regular reporting to Ofgem
  - Communication of results

energy  
saving  
trust



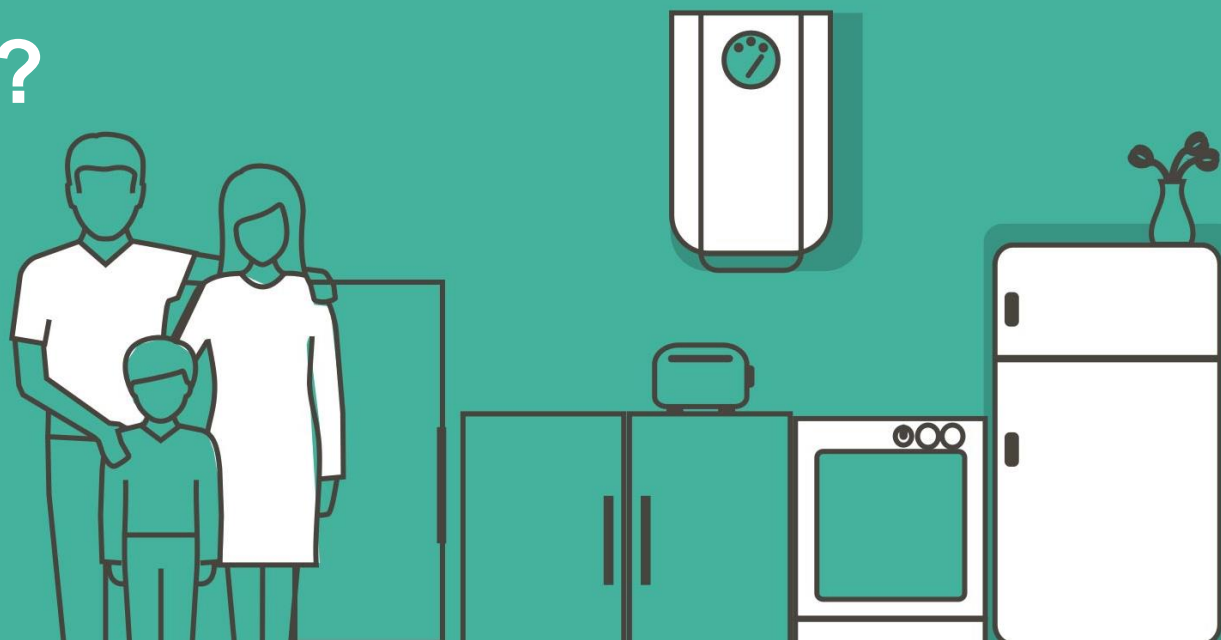
# Find out more

- Online - <https://energyredress.org.uk/>
- Email - [energyredress@est.org.uk](mailto:energyredress@est.org.uk)
- Next round launches in the autumn, with a larger grant pot

# Thank you!

## Any questions?

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# Closing Remarks



**Anthony Pygram**  
25 September 2018

# **Thank you**

Please share your experience with us today by completing the feedback survey which is in your inbox

**#OfgemCE**