Rachel Clark
Consumers & Markets
Ofgem
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E14 4PU

31 July 2018

Dear Rachel,

Response to Consultation on Switching Compensation

SSE welcomes the opportunity to respond to Ofgem's latest consultation on Customer Switching Compensation. We remain committed, in our part, to making switching more reliable and in a way which will deliver best value on behalf of energy consumers and other industry participants.

We understand Ofgem's desire to enhance perceptions of consumer switching and are supportive of prudent measures which improve market confidence, hence our active participation as members of the Energy Switch Guarantee. However, in their current form, we are not satisfied these proposals will achieve a fair and equitable outcome for participants and create the desired improvement incentives for the benefit of the customer.

There would appear to be no obvious exemplars for a Guaranteed Standards based customer switching regime working in other markets today. Therefore, when developing new proposals are based upon an unproven model, particularly when making direct payments to consumers, we must take complete care in designing arrangements which are fair, interoperable and have a high degree of risk mitigation in place.

We cannot support the 21-day switch and ET proposals that place costs on losing suppliers with no visibility or control over meeting the performance standard. This provides no incentive in putting things right and we believe this aspect of the proposals will probably be open to challenge. Guaranteed Standards work well in creating appropriate incentives for individual parties to deliver quality services to their contracted customers, where they have every opportunity to make a difference. Those that are not party to the commitments made when a contract is agreed cannot be expected to compensate customers where those commitments are broken.

Ultimately, we don't believe the time is right for automatic compensation at this stage and far more could be achieved by comprehensively reporting the switching performance of all suppliers, providing both an incentive to improve and fully informing the most appropriate and proportionate next steps.

In terms of reducing the impact where things go wrong, the existing complaints procedures are already in place and are there to put things right where things go wrong with all matters, including consumer switching.

We also need to be careful in the message we are making with these proposals in saying compensation is necessary because energy switching will be a hassle. This is not true for the majority and where there are issues with the switching mechanism, perhaps we should seek to fix these first, rather than proposing compensation because we expect things will go wrong.

However, where circumstances have determined automatic compensation is necessary, the arrangements must deliver proper incentives through clear accountability and shared responsibility will never achieve the stated objectives and will probably require further intervention. We have set out an alternative approach in Annex A, based on assigning primary accountability for each standard and setting a process for arbitrating costs where another supplier is at fault.

Finally, we would like to highlight our concerns about your proposed implementation timescales, whilst you are correct that much of the data required to identify standard performance is reported on, it is incorrect to assume that it is then a simple process to make changes to our customer and payment systems to trigger compensation payments. At the very least we would expect a 6-month implementation period.

We have included our responses to your consultation questions are included in Annex B and we look forward to continuing to work with you to develop switching compensation proposals which are fair and equitable for all. We would welcome an opportunity to discuss our ideas and response further.

Yours sincerely,

Adam Carden
Head of Regulation – Industry Codes

Annex A – An Alternative Approach

To deliver proper accountability for putting things right, we offer the following alternative, which for each of the proposed new GS standards provides:

A. Specific, default supplier accountability, arranging prompt payment of the bulk of automated compensation payment,

B. Allowable exceptions,

C. A simple, low volume, clearly defined, evidence based issues logging mechanism and arbitration beyond dispute, directing responsibility for compensation payment within clearly defined, rapid timescale.

A)1. For the new GS (A) and (C) accountability would need to be with the gaining supplier. The switching arrangements for energy were designed to be led by the gaining supplier, since that party has every incentive and control to drive the switching process. In recognition of this, other sectors such as for fixed line broadband switching have adopted a similar process design. We therefore believe, the losing supplier, who normally have no control or most likely no awareness of a switch taking place, should not be being mandated to pay out compensation on a proportional arrangement, to make automated payment achievable. The losing supplier will (rightfully) have no sight of the customer's application to the new supplier, when that contract was agreed, whether a later start date was agreed or when the customer's Cooling Off Period started and finished.

A)2. For the new GS (E) and (F), the losing supplier would need to be accountable.

A)3. We have separate issue with the new GS standard proposals (B) and (D) which we do not believe can be legitimately applied to the same issue. However, if we individually consider either of **the new GSs (B) or (D), we believe the accountable supplier will need to be the "initiating" supplier** who was first contacted by the customer or who has identified the Erroneous Transfer (ET). The evidence based exceptions and arbitration would need to apply to ensure the arrangements are delivered fairly and equitably for all participants. The rules applied where the initiating supplier is assuming default accountability would need to ensure there is no redirection of customers by suppliers to another supplier, to circumvent default compensation accountability. We understand concerns were raised at the ETWG by some suppliers that there are some suppliers encouraging customers to contact the other supplier to initiate an ET.

B) There will need to be allowable exceptions, such as for the issuance of final billing, where a final reading was particularly difficult to obtain or the customer has requested a revised account. Exceptions will need to be recorded and auditable.

C) Rapid resolution of issues via the logging of allowable, clearly stipulated evidence and the right of reply within tightly defined timescales. Criteria based arbitration based upon a pre-determined decision support mechanism, which is beyond dispute. Prompt direction of responsibility for compensation, which could be fairly apportioned between parties. **Significantly, this straightforward mechanism will ensure fairness and equitability, will provide the right supplier incentives and will deliver prompt compensation payments by the responsible party at fault.**

Annex B – Responses to Questions

Question 1: Do you agree that the aims of the Guaranteed Standards are aligned with and complementary to the industry-led operation of the Energy Switch Guarantee? We would be interested to see any proposals that you think would better support a continued combination of voluntary industry action and regulatory incentives to deliver better switching outcomes to consumers.

We observe that the aims of the existing Guaranteed Standards (GS) are related specifically to the performance of a supplier in providing a service to their contracted customer and so an alignment and complimentary effect alongside the Energy Switch Guarantee (ESG) can only occur where there is a contractual relationship between a supplier and their customer and in situations where it is possible to clearly isolate the attribution of fault. However, if we could be sure in identifying clear responsibility for failed service levels and where between a supplier and their contracted customer, this option should offer the closest alignment and complement from amongst the available regulatory measures.

We believe moving to an early implementation of GS compensation arrangements would appear premature and these policy intentions should be subject to a fully informed, phased introduction once we have all the reporting evidence to assess whether likely outcomes will be fair and equitable for all participants. We understand the joint Erroneous Transfer Working Group (ETWG) have already proposed a performance and assurance framework (PAF) where the performance of all suppliers would be fully transparent and there would be a disciplinary process under the PAF to enforce required performance expectations. If there is insufficient appetite for the entirety of this proposal, the gathering and reviewing of performance data at least from all suppliers via an operational trial of the new GS proposals would appear prudent to assess fairness and equitability, ahead of the introduction of compensation payment.

We disagree with the concept of "shared responsibility" in your proposals and we propose the following for each of the proposed new GS standards;

1. Specific, default supplier accountability which we envisage will cover most compensation payments,
2. Allowable exceptions and in certain cases, for expected lower volumes,
3. A clearly defined, evidence based issues logging mechanism and non-disputable arbitration to direct responsibility for compensation payment within clearly defined timescales.

In terms of the new GS compensation proposals, alignment with the ESG will only apply where the service level standards are at 100%; where the acceptable service standards are below 100%, they are not aligned and would be inappropriate for a 100% automated guarantee pay out. As automatic compensation is finite in its application, some focused adjustments could be considered to provide allowable exceptions that enable suppliers to exclude certain categories or events, (e.g. as a way of taking a 98% SLA to 100%). For example, in the context of 21 day switching, the effect of the 2 annual quarters where there are 2 bank holidays, or where an additional public holiday is granted for a special event.

In conclusion, there appears no recognition in the proposals of the established supplier complaints mechanisms and switching failures are currently within that scope. This could provide a suitable alternative, or at least alternative proposals should consider a consistent approach alongside related mechanisms.

Question 2: Do you agree with our proposed new performance standard for delayed switches?

We do not agree with your proposed standard for delayed switches. As you recognise, the proposed Guaranteed Standard is more ambitious than the current licence condition, which has allowable exceptions under specific reasonable circumstances. We observe that the common minimum standard was established across EU member states and we are concern that this standard may establish a divergence.

Similarly, the ESG recognises there are some exceptions that are managed through their performance standard of 98%. We do not therefore feel this well-intentioned ambition is reasonable in practice and is supported by a clear justification requiring automatic compensation beyond 21 days. For example, in the effect of the 2 annual quarters where there are consecutive bank holidays, or where an additional public holiday is granted for a special event.

We see no justification for a losing supplier being held accountable for compensation payments for this and several the other new GS standards. In this instance, accountability for payment should rest with the new supplier, subject to allowable exceptions and an evidence based exception process to arbitrate for the lower volume of cases where another party is seen to be at fault. The losing supplier plays no part in setting the supply start date (SSD) on a switch, holds no information on the gain suppliers contract to allow a claim to be validated and has no awareness of what may have caused a switch to be delayed. In such a scenario, compensation cannot act as an incentive to change behaviour (the losing supplier is unaware of the behaviour, if any, which has caused a problem) and can only act as a cost of losing customers.

Question 3: Beyond the licence definition of "valid switches", do you believe any additional exemptions are necessary to cover scenarios whereby a switch cannot be completed within 21 calendar days?

We believe there may be justification for exempting consecutive and clustered bank holidays. The effect of 2 Consecutive Bank Holidays, such as Easter and Christmas, and the 3 bank holidays in a 21-day period over Christmas, will not afford sufficient time to complete switches in 21 days and as per existing practice will need to be counted in the "outwith suppliers control" category where the switch will take 1-2 days longer. We would suggest this should be reflected as a separate category, to ensure there is no disruption to trend expectations during the 2 relevant quarters per year. We also need to consider the effect of additional public holidays granted for special events.

As a further consequence, Gas Minimum Switching Timescales will need to be brought in line with Electricity, since it is not possible to register a gas supply faster than 14 days. Electricity can be registered in 1 Working Day and allows the New Supplier to 'make up' for lost time and explains the quicker average switching time seen for electricity switches.

Question 4: Do you agree with our approach for losing suppliers compensating consumers?

We do not agree with your approach for losing suppliers compensating consumers. We see no satisfactory justification for a "shared responsibility" for a failure of a guaranteed standard. Individual accountability will need to be defined in each case – for either the gaining or the losing supplier or in some cases, the initiating supplier for the notification of ETs, but not all. We would prefer an evidence based exception process to arbitrate and direct compensation payments for the lower volume of cases where another party might be at fault. This would promote the right supplier performance incentives, which is a key policy intention.

For the new GS (A) and (C) accountability would need to be with the gaining supplier. The switching arrangements for energy were designed to be led by the gaining supplier, since that party has every incentive and control to drive the switching process. In recognition of this, other sectors, such as for fixed line broadband switching, have adopted a similar process design. We therefore believe, the losing supplier, who normally have no control or most likely no awareness of a switch taking place, should not be being mandated to pay out compensation on a proportional arrangement, to make an automated payment rule achievable. The losing supplier will (rightfully) have no sight of the customer's application to the new supplier, when that contract was agreed, whether a later start date was agreed or when the customer's Cooling Off Period started and finished.

We highlight our concerns that the new GS standard proposals (B) and (D) are essentially measuring the same issue in response to Question 8 below. However, **if we consider either of the new GSs (B) or (D), we believe the accountable supplier will need to be the "initiating" supplier** who was first contacted by the customer or who has identified the ET. The evidence based exceptions and arbitration would need to apply to ensure the arrangements are delivered fairly and equitably for all participants. The rules applied where the initiating supplier is assuming default accountability would need to ensure there is no redirection of customers by suppliers to another supplier, to circumvent default compensation accountability. We understand concerns were raised at the ETWG by some suppliers that there are some suppliers encouraging customers to contact the other supplier to initiate an ET.

The arbitrary payment of compensation by the losing supplier provides no incentive to change behaviour as there is no visibility of why the standard has failed and what steps are required to rectify this. Indeed, it is recognised that in many scenarios the losing supplier will not be at fault and in your proposal, will just have to take the penalty.

The only information where the losing supplier has awareness from a compensation perspective is in knowing that a change of supply loss has completed. And, where the new supplier has set the Change of Tenancy Flag via an industry flow when submitting a registration request, the old supplier will have had no relationship with this customer and will not have fair opportunity to validate whether a request for compensation is genuine or not.

The losing supplier is placed in a position where the decision of payment of compensation or not is made by a competitor behind closed doors. There is no visibility of the decision, taken by the gaining supplier, to compensate and there is no assurance that compensation decisions have been made robustly. The first the losing supplier knows that they have failed a standard is a consumer request, which they have little or no data to validate.

For the new GS (A) and (C), we strongly believe that to introduce proposals for losing suppliers to pay compensation, for events initiated by the gaining supplier with no knowledge, visibility or control, is inequitable and would be open to challenge. As a further illustration involving "shared responsibility" in a losing supplier scenario for a dual fuel customer, the electricity supply may be switched, but the application for gas may not be received for several days or weeks. A request for £15 compensation for electricity could be received before the gas loss has completed, then another request for £15 could be received relating to the gas. The losing supplier will not be able to validate the reasons for the request and would be required to pay the two £15 payments when the delay is totally out of their control.

For the new GS (E) and (F) and subject to agreeable service level definitions for all of the new standards, the losing supplier could be rightfully accountable and subject to arrangements as previously discussed for, 1. Specific, default supplier accountability which we envisage will handle the

majority of compensation payments, 2. allowable exceptions and in certain cases, for expected lower volumes, 3. a clearly defined, evidence based issues logging mechanism and non-disputable arbitration to direct responsibility for compensation payment within clearly defined timescales.

Question 5: Do you agree with our proposal to revise this performance standard to align to new faster switching requirements in the future?

We understand the desire to re-align the standards when faster switching is implemented but believe it would be better to initiate a consultation once we have achieved a period of steady state operation of the new switching arrangements and based upon the evidence available at the time, we can decide upon suitably appropriate arrangements.

Question 6: Do you agree with our proposed new performance standard for failure to agree whether a switch is erroneous or not?

We believe moving to an early implementation of this new proposed performance standard involving compensation arrangements would be premature and should be subject to a fully informed, phased introduction once we have all the reporting evidence to assess whether likely outcomes will be fair and equitable for all participants.

We understand the ETWG have already proposed a performance and assurance framework (PAF) where the performance of all suppliers would be fully transparent and there would be a disciplinary process under the PAF to enforce required performance expectations. If there is insufficient appetite for the entirety of this proposal, the gathering and reviewing of performance data at least from all suppliers via an operational trial of the new GS proposals would appear prudent to assess fairness and equitability, ahead of the introduction of compensation payment.

There must be the opportunity for all suppliers to work together where exceptions need to be resolved. In the absence of this opportunity to test inter-supplier issues such as failure to enter a proper dialogue regarding ETs. For example, some suppliers do not have contact details on the SPAA and MRA website and it can be difficult speaking to some suppliers to resolve issues.

For the new GSs (B) or (D), we believe the accountable supplier will need to be the "initiating" supplier who was first contacted by the customer or who has identified the ET. The evidence based exceptions and arbitration would need to apply to ensure the arrangements are delivered fairly and equitably for all participants. The rules applied where the initiating supplier is assuming default accountability would need to ensure there is no redirection of customers by suppliers to another supplier, to circumvent default compensation accountability. We understand concerns were raised at the ETWG by some suppliers that there are some suppliers encouraging customers to contact the other supplier to initiate an ET.

Question 7: Do you agree with our proposed new performance standard to ensure a consumer is not erroneously switched?

Whilst we clearly support the principle behind the standard, we do not agree with the proposed standard based upon "shared responsibility" to ensure a consumer is not erroneously switched. We believe it completely fails our previously stated objective for an outcome which is fair and equitable with no scope for gaming. It is recognised that ETs are often caused by poor address data, metering data or where the customer provides incorrect address when they sign up on line. Rather than seeking to justify culpability based upon the root cause, the broad-brush apportionment of liability for compensation would appear to be an inappropriate approach in this instance.

As with the standard on delayed switches, we can see no justification in placing an arbitrary burden on the losing supplier, who must assume the customer has requested the switch unless they hear otherwise. The switching process was deliberately designed to be led by the gaining supplier, since they have the incentive for driving switch instigation and progression through to completion. Associated with commercial risk of customer acquisition, liability for fair and equitable compensation arrangements from the gaining supplier would seem to be most appropriate. For this new GS standard, we propose the gaining supplier assumes the following:

1. specific, default supplier accountability which we envisage will handle significant majority of compensation payments;
2. allowable exceptions and in certain cases, for expected lower volumes; and
3. a clearly defined, evidence based issues logging mechanism and non-disputable arbitration to direct responsibility for compensation payment within clearly defined timescales.

ETs impact two addresses and customers, but the ET Customer Charter states that it is the Customer that raises the ET that is due the compensation. In many ETs, the other customer involved is unknown to the gaining supplier. In this instance, the gaining supplier cannot issue a cheque payable to "the occupier", since in most cases they will be unaware of the customer's name. Payments may need to be re-routed via that customer's legitimate supplier.

Also in the scenario where the customer writes to cancel and the request is dated within the cooling off period but is received after, this is recorded as a failed cancellation and would result in payments to customers for no valid reason. We are also concerned that suppliers could incorrectly record ETs as a Customer Service Returner which would mean no compensation payment is made.

Question 8: Do you agree with our proposed new performance standard for sending the "20 working day letter", as currently required by the ET Customer Charter?

We are concerned that the new standards (B) and (D) are measuring performance for the same activity. The agreement whether a switch is valid or erroneous within 20 days and the sending of the letter within 20 working days are aspects of the same process.

Regarding the letter notification of that process, we support the ET Customer Charter and aim to send the 20 Working Day Letter within 20 Working Days. We believe this process should be mandatory for all suppliers and should help drive performance improvements.

We believe the accountable supplier for the same process described in (B) and (D) will need to be the "initiating" supplier who was first contacted by the customer or who has identified the ET. The evidence based exceptions and arbitration would need to apply to ensure the arrangements are delivered fairly and equitably for all participants. The rules applied where the initiating supplier is assuming default accountability would need to ensure there is no redirection of customers by suppliers to another supplier, to circumvent default compensation accountability. We understand concerns were raised at the ETWG by some suppliers that there are some suppliers encouraging customers to contact the other supplier to initiate an ET.

Question 9: Do you agree with our proposed new performance standard for sending final bills?

In principle, the losing supplier would appear best placed to assume accountability for this standard, provided:

1. There is an exceptions/arbitration process in place as previously described; and

2. necessary and appropriate governance changes are put into effect in advance of implementation, to afford sufficient control to the losing supplier to make fair accountability a reasonable expectation.

We would observe that there are differences in the final reading processes for gas and electricity meaning that it is more likely that compensation events would be paid to electricity customers. The electricity deemed and missing readings processes starts 30 working days after the switch whilst the equivalent gas process starts at 15 working days.

An Industry Change will need to be raised to change the electricity deemed reading and missing reading processes to allow the losing supplier much more time to be able to intervene and assist the new supplier with agreeing a meter reading to be used during the switch process.

Question 10: Do you believe any explicit exemptions are necessary for scenarios whereby suppliers are unable to issue a final bill within six weeks?

We believe that the processes for receiving the meter technical details should be considered for exemption when a meter exchange has occurred shortly before the switch. It is possible to lose a customer before these meter technical details have even been received from the industry participants and the escalation stage reached. These issues do make it very difficult to ensure the final bill is issued within 6 weeks.

Question 11: Do you agree with our proposed new performance standard for refund of credit balances? Views would be welcome on whether it is reasonable to consider that a customer deciding to switch supplier should be considered to have requested any outstanding credit balance from their losing supplier, and that refunding that credit balance within two weeks of a final bill would be timely.

We agree in principle to a standard on the refund of credit balances but the standard is not aligned with the agreed service standard under the ESG. In this case, the acceptable standard is for 90% within 14 calendar days and so an automatic compensation trigger in 100% of cases would appear wholly unreasonable and not complementary between the two schemes. As per our previous comments finding appropriate exclusions or events that could allow suppliers to commit to higher standards could be a solution.

Question 12: Do you believe we should add any other new performance standards?

We have not currently identified any further standards; however, we believe there is much more definition to be made for the newly proposed GS standards to enable an effective assessment of their suitability in practice.

Question 13: Do you agree with our approach to dual fuel switches?

We agree with the approach to dual fuel switches but far greater clarity is required around when switches are processed at different times. This will also show up further inequalities in the shared responsibility proposals and the complete lack of control or awareness by the losing supplier. We need to defined the operation of a dual fuel switch in each of the new GS standard scenarios to ensure there will be consistency of interpretation by all participants and to ensure a fair and equitable outcome.

As a further illustration involving “shared responsibility” in a losing supplier scenario for a dual fuel customer, the electricity supply may be switched, but the application for gas may not be received for several days or weeks. A request for £15 compensation for electricity could be received before the gas loss has completed, then another request for £15 could be received relating to the gas. The losing

supplier will not be able to validate the reasons for the request and could pay the two £15 payments when the delay is totally out of their control.

Question 14: Do you agree that where both gaining and losing suppliers are involved in the process covered by a guaranteed standard then both should pay compensation where the standard is breached?

We believe explicit involvement between both the gaining and losing suppliers would only be likely for the proposed new standard (B) and as we discuss in question 6, this would not be guaranteed to happen in practice. As we have said, in most other cases, we can see no satisfactory justification for a "shared responsibility" for a failure of a guaranteed standard or the apportionment of liability for compensation, indeed all current guaranteed standards are setup with a single supplier at fault.

Individual accountability for compensation liability will need to be defined in each case – for ether the gaining or the losing supplier, but not both and as previously mentioned an exception process to arbitrate for the lower volume of cases where another party is seen to be at fault.

The switching arrangements for energy were designed to be led by the gaining supplier, since that party has every incentive and control to drive the switching process. We therefore feel it is inappropriate that the losing supplier, who have little control or most likely no awareness of a switch taking place, being mandated to pay out compensation where another party has failed a guarantee standard. You also mention in 2.4, page 19, the difficulties in designing workable and automatic compensation arrangements in certain cases "where identification of the breach may be difficult" and we believe the concept of "shared responsibility" falls into that category in a substantive manner.

Question 15: Do you believe additional safeguards are needed to ensure suppliers are not liable for payments if consumers have acted in bad faith?

This would appear to have merit and seems to be a reasonable approach, but deployment would require safeguards in handling. For issues outside a party's control or instigation, we believe that party should not be penalised. The mandate for automated rules based payment of compensation would place an undue risk on suppliers from inappropriate misuse. Mitigation measures would be challenging, as would the recovery of false claims.

We believe that the identification of consumers acting in bad faith, fraudulently, or misusing the compensation regime and sharing where multiple suppliers are involved in a Standard could create significant data protection issues and reinforces our view that "shared responsibility" is not appropriate and individual accountability for compensation liability should be clearly defined.

Question 16: Do you agree with the proposed two-thirds to one-third ratio of compensation payments between gaining and losing supplier in these cases? Please provide any evidence you have to support your views.

No evidence has been put forward to justify the ratio between suppliers. We believe the only influence a losing supplier can possibly have over the switch is the quality of industry data. Yet, data set out in Ofgem's Strategic Outline Case for the Switching Programme, published in 2017, appears to indicate that only approximately 20% of failures are attributable to poor industry data. Even if we assume the losing supplier is responsible for 100% of these errors, a 2/3- 1/3 split would appear excessive.

Ofgem's own data suggests that the clear majority of switching data issues relate to poor address data, which is the responsibility of network companies to maintain. Whilst Suppliers clearly play a part in notifying network operators of address issues, it is unreasonable to place the whole cost of such issues on Suppliers when other licensed participants have a role to play.

At the very least, the Ofgem data suggests that losing supplier compensation should be halved, assuming a 100% supplier responsibility for data issues (which we would dispute) but this approach ignores the fact that data quality is not a static picture and the efforts being made by industry to improve its data.

Given that over 80% of compensation payments made by Losing Suppliers under the delayed switch and ET proposals would be for situations where no fault could be reasonably attributed to them, then we strongly believe that setting a compensation payment at any level would be unjust.

Question 17: Do you agree that compensation payments where both suppliers are involved should be £30 or £15?

When introducing a proposal based upon the existing GS scheme, we appreciate the rate for compensation for a supplier's failure to achieve service levels will be at a rate of £30 for the performance failure payable by the accountable supplier. However, we believe this should be a maximum amount and where for example a credit transfer or delayed final bill amount is of lessor value it could be discretionary that the amount of compensation should as a minimum match the amount due (e.g. £2.50) but the supplier could choose to pay the full £30.

Question 18: Do you agree with our proposals that all other proposed new guaranteed standards should be subject to compensation payments of £30, in line with existing guaranteed standards?

When applying a proposal based upon the GS scheme, the rate of compensation for the accountable supplier's service failure is £30. We cannot appreciate the proposed mechanism, which seeks to multiply payment for a service failure, based upon an assumptive shared responsibility. Attached to this response, we have proposed single supplier accountability and so a total payment liability of £30 in accordance with existing GS standard failures would appear more realistic. As previously mentioned, we do not agree with the shared responsibility proposals and there must be a single accountability for compensation payments to provide appropriate incentives for the responsible party to put things right for the consumer.

Question 19: Do you agree suppliers should be required to make all payments in 10 working days?

We believe this will be particularly challenging where the supplier does not have a contractual relationship with the customer in question. This would appear to be an issue where a supplier has never had dealings with a customer and the rules around how payment could be made under these circumstances.

Consequently, ET scenarios will need careful management. ETs are agreed through the Industry Data Flows which do not have the customer address as a Mandatory Data Item. The Customer Name Data Item is mandatory but is often populated with 'The Occupier', the 'Householder' or 'Homeowner' etc. For sending a cheque to the customer that is due the compensation, the full name and address would have to be correct otherwise the customer will not receive the cheque or be unable to cash it, potentially causing even more upset and confusion. Payment would probably need routing via the correctly appointed supplier.

Existing Guaranteed Standards currently cap a late GS payment at 1 x £30 additional payment. Once a late payment is made no further payments are currently due. We feel a change to continual rolling payments as a change to existing standards would be inappropriate.

For switching in 21 days, we assume the losing supplier should only be expected to pay the customer within 10 working days of a request for payment (provided it contains sufficient information to validate it), otherwise they will not know the switch had failed 21 days.

For ensuring a consumer is not erroneously switched, we assume the count for compensation starts when the ET has been accepted. In all compensation scenarios, there will need to be precise definition as to when the compensation triggers will take effect.

Question 20: Do you agree with our proposals to require additional payments to be made for failure to compensate consumers promptly?

Currently under existing arrangements GS payments are applied for failure to pay in 10 days and failure to achieve this will result in an additional £30. Additional payments are capped at £30 and no further payments after this are applicable. We believe it would be prudent for the new proposals to reflect this approach. The risk of gaming could place excessive risk on participants and would add to market overheads which would ultimately affect all customers.

Question 21: Do you agree with our proposals to require additional payments to be made by suppliers if they fail to resolve problem?

We believe there are scenarios where it may be difficult to fully determine whether a problem is resolved. For example, disputed ETs, where both suppliers reasonably have different views on whether there is a problem to resolve in the first place.

If payments where to be introduce we believe it would be prudent to follow current practice and cap additional payments at £30.

Question 22: Do you agree that the new Guaranteed Standards should be introduced for domestic suppliers only?

Yes, we agree.

Question 23: Do you agree that no changes are needed to requirements regarding the provision of information to consumers?

Yes, we agree. However, there will need to be care in determining when the customer should be informed of a GS failure under the new proposals – we suggest this should be when the GS has been investigated and a clear outcome is documented. There is a risk otherwise it might not turn out to be a failure which may cause complaints or further investigation into the issue if the customer expected compensation.

Question 24: Do you agree that we should expressly require suppliers to keep accurate records of their Guaranteed Standards performance?

Currently we maintain accurate records and publish a quarterly report via our website. In support of fairness and equitability, we agree that an accurate reporting process needs to be in place. We assume aspirations would be properly served to a similar timescale as for the current reporting. Our precise views will be dependent on an understanding of the more detailed proposals.

Question 25: Do you agree that Ofgem should have the power to request an audit of individual suppliers' Guaranteed Standards performance?

Yes, this arrangement would appear appropriate to ensure there is equitable handling of the revised GS scheme by all participants.

Question 26: Do you agree that we should mandate quarterly Guaranteed Standards performance reporting from all suppliers?

Yes, the arrangements would need to apply to all and be equitable between all participants but would need adequate time to establish and deploy appropriate reports and the governance around these.

Question 27: Do you agree with our plans to publish individual supplier Guaranteed Standard performance?

This would appear a good idea. If performance is published in a suitable format, such as the example used by Citizens Advice, it should incentivise suppliers to focus on areas of failure. It will also bring to light good performer and poor performers which could enable further investigation in more detail to check evidence for where compensation payments are valid and areas where it is not. We need to ensure reporting is inclusive of all suppliers in the market.

Question 28: Do you agree with our proposal to retain the existing dispute resolution procedure within the Regulations?

We agree that there should be no change to the existing process.

Question 29: Do you support the option of higher compensation payments for switches that go wrong where the supplier has attempted to switch the customer faster than five working days during the Switching Programme transitional phase?

We support higher compensation where a gaining supplier has taken additional risk. There will need to be a heightened duty of care, to accurately effect a switch in a timescale less than 5 working days, which could risk an ET without providing any warning to the affected customer. We believe this would not be an acceptable switching outcome and therefore those responsible for deciding to take the additional risk should be expected to bear a higher cost of compensation.

Question 30: Do you agree with our proposal to allow suppliers and other bodies a two-month implementation period to make necessary adjustments to comply with the new Guaranteed Standards after we publish our decision?

We believe that a 2-month implementation period is too small to make the necessary adjustments to our systems and processes. Whilst you are correct that much of the data required to identify standard performance is reported on, it is incorrect to assume that it is then a simple process to make changes to our customer and payment systems to trigger compensation payments. At the very least we would require a 6-month implementation period.