

21 December 2018

Sent by email to: switchingcompensation@ofgem.gov.uk

Dear James

Way Forward on the introduction of Supplier Guaranteed Standards of Performance for Switching, and consultation on a Statutory Instrument

Thank you for the opportunity to respond to the above consultation. This is Centrica's non-confidential response and may be published on your website.

Executive Summary

- Centrica supports Ofgem taking steps to improve the consumer switching experience in the areas highlighted, and we remain committed to ensuring that we meet consumers' switching expectations.
- Centrica is supportive of Ofgem's planned approach to implement Guaranteed Standards of Performance (GSOPs) in two waves to ensure that compensation is only paid by parties which are at fault for causing delays to customers' service through switching.
- We are supportive of the plans to create the Wave 2 proposal, and will be attending the first engagement day on 11 January 2019.
- However, we believe that elements of the proposed Wave 1 decision are not proportionate to the harm caused to consumers, and are not targeted to suppliers at fault as much as they could be.
- We believe Standards 'B' and 'D' should be combined into one Standard. The standards are closely related to a single action completed today by the contacted supplier through the Erroneous Transfer Customer Charter ('ETCC'). As both Standards measure from the customer contact date, the contacted supplier will be required to pay £60 upon failing Standard B as Standard D will automatically fail. The responding supplier is expected to pay £30 for failing the standards.
- To address the extra compensation burden on the contact supplier, we believe that Standard B can be altered to place responsibility on the 'Contacted' and 'Responding' suppliers, rather than the 'Gaining' and 'Losing' suppliers. The responsibility of the Contacted Supplier should be agreed with the Responding Supplier whether an Erroneous Transfer is valid, and to communicate the outcome within 20WDs, making the payments if failed equal at £30 per supplier.
- Suppliers conduct during an Erroneous Switch (ES) discussion should be monitored and targeted. The current proposal will place incentives on both suppliers to act in a timely fashion, but will share the cost of detriment across both suppliers if the timescale is not met. Delays in resolving an ES can commonly be attributed to a supplier not acting within appropriate timescales. This poor performance can be attributed to one supplier, but the current measures will mean compensation will be paid by both. We believe DTN data can be used to monitor supplier performance, and to target compensation to the supplier in the ES scenario who has caused the delay to the resolution, and not shared across both parties. The 2 Wave approach provides the opportunity for this analysis to be completed, providing a more targeted compensation regime than the current proposal.
- A minimum final credit balance refund value should be applied for when compensation is due. Not all values of refund result in the same level of detriment.
- Under Appendix 1, we have included specific comments to the Statutory Instrument design.

Introduction

Centrica is committed to improving the consumer switching experience. Centrica has been a member of the Energy Switch Guarantee ('ESG') since its inception, including committing to meet the Guarantee's

more onerous 21 day switching requirements and agreed KPIs, promoting the Energy Switch Guarantee to our customers and committing to working with other signatories to improve overall market performance.

In addition to our commitments through the ESG, we are also committed to improving the resolution of Erroneous Transfers (ETs) through collaborating and creating recommendations through the Erroneous Transfer Working Group ('ETWG'), working closely with Ofgem and the other suppliers on ET performance.

We are supportive of Ofgem's aim to improve the consumer experience across the whole market and maintain that the same rules should be applied across all market participants. We have set out our thoughts on the decision document below:

Two Wave Approach

We welcome Ofgem's decision to create the new GSOPs in two waves. It is important that blame is attributed to parties at fault, and that those parties at fault pay compensation for not meeting the service standards as set out.

Centrica is enthusiastic to help Ofgem by providing both (i) data and (ii) the experience we have available of the switching issues being considered to identify common trends that lead to delays, and who it would be appropriate to attribute blame to.

We believe that a further consultation should be completed following the development of Wave 2, so it is clear if the scope has changed through development and if the proposed changes are proportionate and will mitigate consumer harm.

Erroneous Switches (ES)

We set out in our Summer response that we believe that available market data should be used to understand where failures in processes occur, and we are happy to see that this is being used for the occurrence of ES under the proposed Wave 2.

One area we did identify, in our previous response, is tracking DTN flows to measure the response speeds of Erroneous Transfers. We maintain there is a better way to target why the 20WD Standard for ES is not met due to slow (or no) initiation/responses, despite escalation through the defined industry channels. We understand that Ofgem is looking for suppliers to resolve ES faster so that consumer outcomes are better, but believe further analysis and monitoring of Supplier behaviour through the DTN will show that it is not always both parties at fault for not fixing an ES in 20WDs.

We believe the scope of the 2nd Wave should be expanded to consider how Standard 'B' can be targeted using the above data. We have ongoing and historic data to show how slow supplier activity puts the 20WD resolution timescale under threat, and that failing to meet the 20WD timescale can be attributed to one supplier and is not the fault of both. Targeting this Supplier behaviour will truly incentivise the fast resolution of ES.

Standards 'B' and 'D' introduce two payments for the Contacted Supplier that are very closely related as both Standards have the same starting point; the initial customer contact date. The contacted supplier is expected to reach an agreement with the responding supplier within 20 WDs under Standard 'B', and then notify the customer within 20WDs of the initial customer contact date under Standard 'D'. The reality of this, is that Standard 'D' will rarely fail by itself. It will only fail if the suppliers were unable to reach agreement under Standard 'B'. Having the two standards introduces a greater burden on the contacted supplier as it will require the contacted supplier to pay £60 compensation to the customer as opposed to the responding supplier paying £30 for failing Standard B.

Ofgem has responded to the two separate responsibilities placed on the contacted supplier, and justified the inclusion of standard D alongside standard B as it is an action required by the contacted supplier, and one that is often automated so is not difficult to implement¹. We believe that any standard should be justified and proportionate to the harm created and attributed to the party at fault, and not implemented as a matter of ease.

We agree that the customer should be kept informed at the end of the decision, but we believe that standards B/D form part of the same action for the contacted supplier and not two separate steps. We also believe that the contacted supplier being charged £60 and the responding supplier being charged £30 is not reflective of the harm caused by the suppliers' actions. A more appropriate approach, is to alter Standard B so that it reads that the suppliers involved are the 'Contacted' and 'Responding' suppliers. The Contacted Supplier responsibility under standard 'B' would be to agree and send a letter to the customer within 20WDs with the outcome of the investigation. The Responding Supplier will be required to agree within 20WDs with the contacted Supplier. Combining the two will remove the requirement to have Standard 'D', will ensure both parties are appropriately incentivised to address the E.T and will provide a strong enough incentive on the contacted Supplier to send the letter to the customer.

The Erroneous Switch standard compensation practicalities also need to be considered as there will be the occurrence where a Supplier will be required to pay compensation to a customer it has not had contact with previously i.e. when a Supplier gains the incorrect address, and the consumer contacts their old Supplier to initiate the Erroneous Switch process. We believe this can be remedied through Suppliers sharing customer information, but believe this will need to be reviewed from a data privacy perspective. An alternative solution, is the process we use today by sending letters to 'The Occupier' at the incorrectly transferred address, asking the Occupier to contact us to claim their compensation payment. This will remove the automated nature of the payment, but will create the communication for customers to claim compensation (if owed). Clarification from Ofgem on what is expected in this scenario would be welcome. We believe, for simplicity, the customer should claim the payment from the supplier following notification that the customer is eligible for compensation.

The Statutory Instrument allows for specific exceptions under 7A for when compensation is not owed. Under 7A(b) we believe an amendment should be made to account for instances when the customer's email address inbox is full or rejects the supplier email for reasons other than the address being incorrect.

Credit Refunds

Centrica operates a credit refund policy in line with the ESG where we look to process refunds within 14 days, and we do where it is possible.

We stated in our response that we believe a minimum threshold should be applied to the credit refund standard, as a £30 payment in all instances is not reflective of the detriment to the customer. We note this is a view supported in other responses and Ofgem has stated that any money owed back to the customer causes a detriment and £30 is to be paid. We understand that the value of any refund and detriment experienced is very different dependent on the customer i.e. £20 to one customer could have little impact whereas another in a vulnerable circumstance could be reliant on it. However, we do maintain that there are some credit refund limits that Suppliers are expected to refund to customers, that if they are not processed under the proposal will result in £30 compensation owed to the customer.

As an example, British Gas refunded 2647 accounts with a balance of £5 or less in one week, and of that volume, 2270 had a £1 or less credit balance. We would still look to process in the timescale, but do not believe £30 compensation should be owed for these outstanding balances should a delay occur. The

¹ Ofgem decision document: Appendix 1, Paragraph 1.66.

impact assessment does not look to consider size of the balance owed and considers the detriment to be the same from a customer owed one pence to hundreds of pounds. We maintain that there are values that are not chased by the customer, therefore the 'stress' element of detriment is removed. We ask that Ofgem introduces a minimum threshold.

We note that the Statutory Instrument looks to impose that a refund can be counted as complete when it is received at the postal address of the customer, possibly suggesting that tracking is required. We believe this wording should be amended, so that it can be reasonably expected that the customer receives their refund within 10WDs.

Centrica will provide its support in providing data and insight into the further development of the new GSOPs. As noted above we believe that there are important changes to the Wave 1 proposal, that if made, will make the proposal more proportionate, and better attributed to parties at fault, improving the customer outcomes further.

We would be very happy to discuss any part of our response with Ofgem in more detail. Should you have any questions, please contact my colleague Gregory Mackenzie, at Gregory.mackenzie@centrica.com

Yours sincerely



Nigel Howard
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Appendix 1: Statutory Instrument comments

This appendix is to highlight specific concerns with the current Statutory Instrument drafting as opposed to our main letter above, setting out concerns and alternative approaches to ensure that compensation is appropriately targeted, and proportionate to harm.

Erroneous Switches

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We note that the Statutory instrument looks to impose that a refund can be counted as complete when it is received at the postal address of the customer, possibly suggesting that tracking is required. We believe this wording should be amended so that it can be reasonably expected that the customer receives their refund within 10WDs.