



James Crump
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

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By email: switching.compensation@ofgem.gov.uk

Dear James

Introduction of Supplier Guaranteed Standards of Performance in Switching Compensation

We welcome the chance to respond to the statutory consultation of 23 November 2018 and Statutory Instrument for the introduction of switching compensation within Guaranteed Standards of Performance.

We are broadly supportive of the decisions made by Ofgem to introduce a set of minimum standards of service to protect consumers affected by erroneous switches and/or not receiving a refund of credit balances in a timely manner. As Ofgem itself points out, decisions must be implemented in such a way as to incentivise suppliers causing the issues from which consumers are suffering to improve their performance. This will boost consumer confidence ahead of development and implementation of the Faster Switching programme.

Our previous responses to automatic switching proposals have highlighted apprehension towards suppliers “acting in good faith” to identify where switching standards are breached and proactively making payments to eligible consumers. We remain concerned that suppliers should only be required to complete reports to Ofgem and Citizens Advice upon request. These concerns are sharpened following the recent issues around non-payment of ROCs by a material number of suppliers, which triggered the mutualisation process to the detriment of those suppliers who had acted in good faith and in accordance with their obligations, and their customers. As Ofgem will be aware, this has created additional volatility in the energy market.

Drawing on this lesson, we propose a more robust approach is required to ensure suppliers otherwise tempted to game the process are in fact required to take the same or equivalent necessary steps as prudent suppliers thus ensuring fairness across the industry. These proposals could include incentivising action through monthly or quarterly monitoring of supplier performance through Ofgem or Citizens Advice or more stringent self-auditing or self-certifying by suppliers to ensure compensation is being paid to consumers. Given the sums involved, it would be surprising if Ofgem were not to consider a more stringent approach for such a material compensation scheme expecting to total over £70m.¹

Please do not hesitate to contact me if you would like to discuss any of the issues covered in this response. We look forward to continuing to engage with Ofgem on future Guaranteed Standards proposals.

Yours sincerely

[not signed]

Carl Whitehouse
Industry Codes Manager

¹ Impact Assessment on Supplier Guaranteed Standards of Performance for Switching
https://www.ofgem.gov.uk/system/files/docs/2018/11/impact_assessment.pdf