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Dear Rachel,

Way forward on the introduction of Supplier Guaranteed Standards of Performance for Switching, and consultation on a Statutory Instrument to bring them into force

Thank you for the opportunity to provide comment on Ofgem's proposed way forward on the introduction of Supplier Guaranteed Standards (GS) of Performance for Switching, and on the draft Statutory Instrument (SI) to bring the new GS into force.

ScottishPower welcomes the various initiatives that Ofgem is leading to encourage consumers to engage with the energy market and to improve their experiences of switching. The current poor consumer perception of switching is a significant barrier to engagement and we continue to support Ofgem's aims in incentivising all suppliers to improve their performance in this regard.

Phase 1

Ofgem is proposing to introduce the new GS on a phased basis with the first phase covering standards relating to erroneous switches and credit refunds. We have provided detailed comments on the draft SI to implement these GS in Annex 1 together with suggested drafting amendments in Annex 2.

We also comment in Annex 1 on the proposed timescales for implementation, which we believe are too short given the level of change to systems and processes that will be required to facilitate monitoring of the standards at an individual customer level which we do not have to do at present.

Future phases

Ofgem intends to undertake further work to develop the remaining GS proposed in its June consultation largely covering delayed switches and final bills. We will continue to engage with Ofgem to support this process.

We welcome Ofgem's exemptions for the first phase within regulations 6A, 6B and 6C for situations where a supplier has failed and a new supplier is appointed through the SoLR process and we ask that Ofgem includes similar exemptions for the remaining GS. In particular, we note that where a customer switches from an appointed SoLR shortly after the supplier is appointed, depending on the quality of the data received from the failed supplier, it may take longer than normal to issue a final bill.

While we note Ofgem's argument that the Energy Switch Guarantee (ESG) does not provide an alternative to the compensation element of the proposed GS, we continue to have concerns that the ESG may be negatively impacted by the introduction of the remaining GS. There is a risk that some suppliers may no longer see the benefits of being a member of the ESG and this could curtail the ongoing improvements that the ESG is delivering to customer perception of the switching process. We continue to engage with the ESG to understand its role in engaging with consumers around the switching process.

Should you wish to discuss any of these points further then please do not hesitate to contact me.

Yours sincerely,



Richard Sweet
Head of Regulatory Policy

CONSULTATION ON A STATUTORY INSTRUMENT TO BRING INTO FORCE SUPPLIER GSOP FOR SWITCHING – SCOTTISHPOWER RESPONSE

1. Introduction

Our detailed comments on the proposed text of the Statutory Instrument to implement the 'phase 1' standards (Appendix 3 of the consultation document) are provided below.

Where appropriate, suggested drafting amendments to reflect these comments are provided in Annex 2.

2. Standard 6C: Resolution of erroneous transfers

Time limit for resolution

We note that the drafting in the SI for standard 6C refers to “working” days and wonder whether this should be “calendar” days to reflect the same timescales for supplier obligations to complete switches with a valid contract.

3. Standard 6D: Refund of credit balances

Time limit for refund

We support Ofgem’s amendment to the timescales proposed in the June consultation to refund any outstanding credit balance due to a customer after the final bill is issued. We think it is appropriate to take account of bank holidays and therefore agree that “ten working days” is more appropriate terminology than “two weeks”.

Payment by cheque – date received

Where payments are made by cheque, the draft SI (regulation 6D(4)) states that the date of refund will be the date a cheque is received at a customer’s postal address. We do not think this is practicable, as suppliers have no way of knowing when a cheque was received and therefore whether a GS payment is due to the customer for late refund.

Of course suppliers could use a proof of receipt postage method, but this would incur significantly higher postage costs (which are not envisaged in the impact assessment). It may also be less convenient for the customer and delay receipt if the customer is not around when the letter needs to be signed for.

We believe a more proportionate approach would be to amend the draft SI to allow for the credit to be treated as refunded where the supplier has evidence that it has issued the cheque using a method where in “normal” circumstances it would be received by the customer within ten working days. We have provided suggested drafting amendments in Annex 2.

4. Additional proposed exemptions where suppliers do not have sufficient information to make a payment

Failure to refund credit under standard 6D as a result of inadequate address data

Regulation 9(7A) provides an exemption for situations where the supplier is unable to provide timely communication to a customer under standard 6B because of inadequate address data. We think this should be extended to include situations where the supplier is unable to pay credit balances by cheque under standard 6D because of inadequate address data.

Failure to make payment under regulation 8(2) as a result of insufficient address data

We also think a similar exemption should apply in relation to additional standard payments where a supplier has attempted to make a standard payment to a customer by cheque, and where for example the cheque has been returned to the supplier due to the contact information provided being insufficient.

We have proposed drafting amendments to cover both of these points in Annex 2.

5. Implementation timescales

Ofgem suggests that a two month period for implementation of this first phase of the new GS should be sufficient for suppliers as each of the standards being introduced in the first phase replicates an existing obligation for the majority of suppliers.

We disagree with this assumption. Even if the obligations are currently in place, it is likely that suppliers' monitoring and reporting on performance against the obligations will be done at an aggregate level rather than an individual level, since suppliers are not currently required to pay automatic compensation where an obligation is not met. It is therefore not necessarily the case that suppliers' existing processes will allow for quick implementation of the new standards.

Following internal review of the proposals, we have identified that ScottishPower will have to build new processes and reporting to allow us to monitor our performance at an individual customer level to facilitate payments to customers for failed standards. In addition, our current processes for monitoring the timeliness of GS payments to allow any required additional standard payments to be made, is not built within our systems in a way that allows us to extend this process easily to any new standards implemented. Finally, we will also need to make changes to our reporting processes to capture both the full "opportunities" for each standard as well as any failures, to facilitate the reporting proposed by Ofgem.

The associated system and process developments are not insignificant, even with the reduced number of standards Ofgem is proposing for this initial phase. We therefore believe a two month implementation period is too short to allow all the internal and external system changes to be made to ensure we can meet the new obligations set out in the SI. We believe it could take up to six months to implement an enduring solution within our system based on our experience of implementing the changes to the existing GS regime Ofgem implemented in 2017. We ask Ofgem to reconsider its timescales for implementation and allow more time for suppliers to make the necessary changes within their systems.

SCOTTISHPOWER COMMENTS ON THE PROPOSED TEXT OF THE STATUTORY INSTRUMENT “THE ELECTRICITY AND GAS (STANDARDS OF PERFORMANCE) (SUPPLIERS)(AMENDMENT) REGULATIONS 20[XX]”

Reference	Comment and/or Suggested Amendment	Rationale
<p>Paragraph 3</p> <p>Regulation 6B</p>	<p>Insert new paragraph (4) into regulation 6B as below:</p> <p>(4) For the purposes of paragraph (1)–</p> <p>(a) where–</p> <p>(i) the supplier has advised a customer of a particular postal address that is appropriate for receipt of the notification described in paragraph (1); and</p> <p>(ii) the customer notifies the supplier of that information by post alone,</p> <p>the information is to be treated as received by the supplier when it is received at that particular postal address; and</p> <p>(b) where notification is given to the supplier outside working hours, the period of time within which the individual standard of performance must be completed begins to run at the commencement of the next following period of working hours.</p>	<p>The standards in regulations 6A and 6B are both triggered when the supplier receives notification from the customer of a potential erroneous switch. Ofgem has made allowance in regulation 6A for circumstances where a postal notification is not sent to the particular postal address advised by the supplier. We believe it would be reasonable to make a similar allowance for regulation 6B.</p>
<p>Paragraph 3</p> <p>Regulation 6D</p>	<p>Amend as below:</p> <p>(1) This regulation applies where–</p> <p>(a) a supplier no longer has responsibility for the supply of electricity or gas to the customer where–</p> <p>(i) a customer transfers to another supplier under a valid contract; or</p> <p>(ii) a supplier’s responsibility for the supply of electricity or gas to the customer has otherwise terminated.</p>	<p>Where payments are made by cheque, regulation 6D(4) states that the date of refund will be the date a cheque is received at a customer’s postal address. We do not think this is practicable, as suppliers have no way of knowing when a cheque was received and therefore whether a GS payment is due to the customer for late refund. (Other solutions such as proof of receipt postage are unlikely to be practicable).</p>

	<p>(2) This regulation does not apply where responsibility for a supply of electricity or gas to a customer transfers (from one supplier to another) without a valid contract.</p> <p>(3) Where paragraph (1) applies, a supplier must within 10 working days of issuing a customer’s final bill, or if applicable, corrected final bill, refund any outstanding credit balance to the customer.</p> <p>(4) For the purposes of paragraph (3), where a supplier is to issue the refund by cheque, the cheque is to be treated as refunded when on a date by which the supplier has reasonable expectation that it is would have been received at the postal address provided by a customer based on the postal method used to issue the cheque.</p>	<p>We believe it would be more proportionate for the credit to be treated as refunded where the supplier has evidence that it has issued the cheque using a method where in “normal” circumstances it would be received by the customer within ten working days.</p>
<p>Paragraph 5(2)</p> <p>Regulation 9</p>	<p>Amend as below:</p> <p>(7A) A supplier is not obliged to make a standard payment following failure to meet the individual standard of performance under regulation (6B)(3)(a), or (6B)(3)(b) or 6D(3), where the supplier can demonstrate that the written confirmation was sent within a reasonable time to meet the individual standard of performance but-</p> <p>(a) the postal address provided by the customer to the supplier is provided the supplier with an inaccurate or incomplete postal address, where the customer communication written confirmation is to be sent by post; or</p> <p>(b) the details for receipt provided by the customer provided to the supplier with are incomplete or inaccurate details for receipt where, the customer communication written confirmation is to be sent by electronic communication; ;</p> <p>and where for regulation (6B)(3)(a) and (6B)(3)(b) the</p>	<p>Regulation 9(7A) provides an exemption for situations where the supplier is unable to provide timely communication to a customer under standard 6B because of inadequate address data. We think this should be extended to include situations where the supplier is unable to pay credit balances by cheque under standard 6D because of inadequate address data.</p> <p>The current wording in relation to inaccurate or incomplete postal address doesn’t lend itself well to situations where the customer has moved out of the premises and failed to provide a new address. Rather than implying that the customer needs to have made an error (in providing an inaccurate address) our suggested amendment caters for a situation where the customer has simply omitted to provide an accurate address. .</p>

	supplier can demonstrate that the written confirmation was sent within a reasonable time to meet the individual standard of performance	
Paragraph 5(2) Regulation 9	Insert new paragraph (7C) into regulation 9 as below: (7C) A supplier is not obliged to make an additional standard payment under regulation 8(3) following a failure to make a standard payment under regulation 8(2) if the failure is a consequence of the postal address provided by the customer to the supplier being inaccurate or incomplete.	We believe an exemption should apply in relation to additional standard payments where a supplier has attempted to make a standard payment to a customer by cheque, and where for example the cheque has been returned to the supplier due to the contact information provided being insufficient.

ScottishPower
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