

Switching Compensation Phase 2 Working Group

Session 1



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24/01/19

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5. Next Steps and Next Meeting
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What we want to achieve

To understand the aims of the Working Group and to assess whether and how they can be achieved

To agree a framework for delivering his work, and to understand how we might achieve delivery

To understand the next steps for delivering the work, and to end the session with all members having a clear view of activity for the next session

To match members' expertise to the aims of the group

To start to deliver the first phase of the work (if we have time)

Not for this session

To discuss whether Guaranteed Standards should be used to remedy episodes of consumer detriment

To re-open aspects of the policy decision for Phase 1 work

Background

We initially consulted on six proposed guaranteed standards. We consulted on four new Guaranteed Standards in our recent Way Forward document.

Numerous respondents to our initial consultation noted that responsibility for wrongdoing in the cases of delayed switches, erroneous switches and delays to final bills was not always clear-cut.

Some respondents felt that the proposed mechanism for attributing responsibility and applying payments for the standards was inequitable and had the potential to distort the market.

Guaranteed Standard to be implemented in summer 2019

| | |
|---|---|
| A | To ensure a switch is completed within 21 calendar days from the date the consumer enters into contract with gaining supplier, unless there are valid reasons for delay to switch |
| C | To ensure a consumer is not erroneously transferred |
| E | To issue final bills within six weeks of a switch |

In our Way Forward paper, We stated that “we propose to undertake further analysis of industry flow data to ensure that some Guaranteed Standards are targeted at those suppliers who are at fault for customer detriment.”

In January, we convened an initial meeting which discussed the terms of the Phase 2 Working Group.

Our aim for this Working Group is to provide consensus on a better, data-led approach to implementing Guaranteed Standards, working with suppliers to ensure that responsibility is applied fairly to those at fault for detriment.

We continue to believe that Guaranteed Standards in these areas are necessary and are the right way to compensate consumers for detriment suffered and to incentivise suppliers to avoid delays and erroneous switches.

We estimate that this work will take at least six months to research and deliver, and we will issue new standards with the best data available in summer 2019.

We want to work with all suppliers (large and small) to make sure that these Guaranteed Standards are as well targeted at detriment as possible.

| | | |
|---|--|--|
| 1 | Publish Decision and Statutory Instrument creating Guaranteed Standards B, D and F relating to Erroneous Transfers (and credit refunds) immediately, Guaranteed Standard A1 requiring return of erroneously switched customers within 21 days. | COMPLETED 23 November 2018 |
| 2 | Consultation on Initial Statutory Instrument. | COMPLETED 21 December 2018 |
| 3 | Initial meeting to convene Phase 2 Working Group | COMPLETED ON 11 January 2019 |
| 4 | Final decision on Statutory Instrument/ SI is made. Two-month supplier implementation period for Guaranteed Standards A1, B, D and F begins. | January 2019. Completion late March/early April 2019 |
| 5 | Phase 2 Working Group to undertake further analysis of industry flow data to ensure that Guaranteed Standards are targeted at those suppliers who are at fault for customer detriment. | Starts January 2019, until mid-2019 |
| 6 | Guaranteed Standards A1, B, D and F come into effect. Compensation payments where suppliers are in breach of these standards. | May 2019 |
| 7 | Publication of further Statutory Instrument implementing better targeted Guaranteed Standards covering delayed switches, final bills and responsibility for Erroneous Switches. | Summer 2019 |
| 8 | Expected implementation of second tranche of Guaranteed Standards, after Statutory Consultation | Autumn 2019 |

Workplan and Framework for Delivery

For each of the proposed Guaranteed Standards, this working group will analyse industry data sources and existing switching processes to identify:

Causes of erroneous and delayed switches and delays to the issuance of final bills within the switching and billing processes ('the detriment') (or other processes).

At which stage in any individual process each identified cause of detriment has occurred.

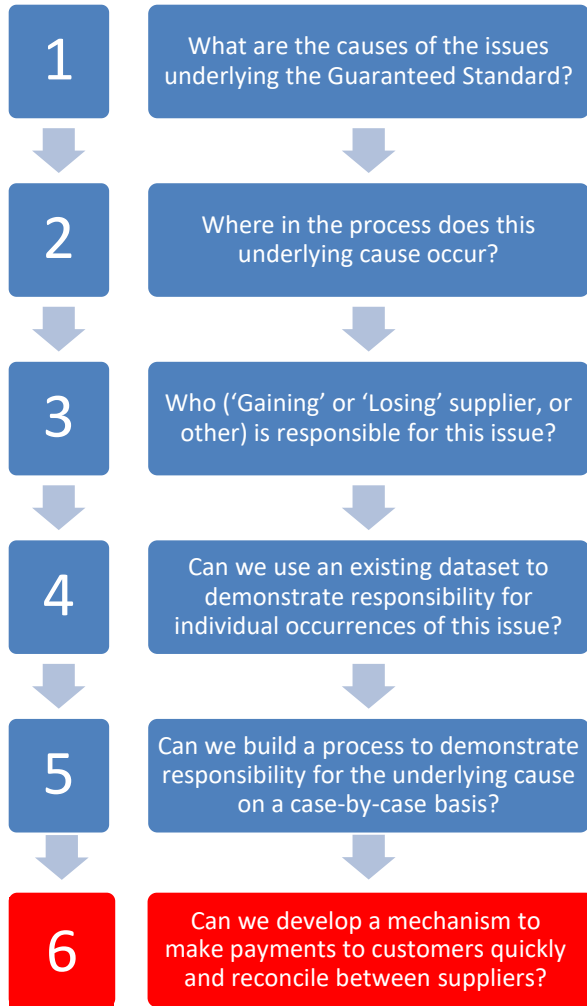
Which party (gaining supplier, losing supplier, or 'other') is responsible for each of the detriment events identified.

For the detriment events identified above, the working group will develop:

A mechanism for obtaining and applying that data quickly and cheaply to identify who is responsible for an individual breach.

A process to achieve agreement between suppliers regarding who is responsible for breaches, and to record that agreement.

A process to effectively and efficiently distribute compensation payments to customers and subsequently reconcile between suppliers.



| A: Delayed switches | C: Erroneous Switches | E: Delays to final bills |
|--|---|---|
| Industry data? Role of PCWs? Failure of either supplier to return flows? | Industry data? Insufficient due diligence at time of switch? | Provision of final meter readings? Bill dispute with customer? |
| Failure to identify correct MPAN/MPRN at start of switch? | | |
| | | Gaining supplier responsible for final meter readings. |
| | Electralink ET cause data? | |
| | | |
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Plan for completion of the Framework

The Group will address items on the Framework either individually or collectively (i.e. 1A, 1B, 1C, or 2A and 2B), or by dividing the work into separate workstreams.

Group members

Decisions about which items within the Framework or workstreams will be addressed at individual meetings will be taken at the preceding meeting.

Group members will be encouraged to share work on the Framework between meetings.

Wherever possible, meetings will be used to reach agreement on substantive issues and to agree next steps.

Issues to resolve (or at least understand) today:

How much work is there here? How frequently do we need to meet to complete this work by late Summer?

What existing resources can we use (e.g. existing datasets; Switching Programme process maps) to complete items on this framework?

Are there other issues that we will need to capture to make the Guaranteed Standards work?

Can we within this Group realise the aims of this work or do we need to bring in expertise from outside?

Management of the Working Group

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| How frequently should the group meet? | Our current proposal is to meet (roughly) once every two weeks. The group may (or may not) decide to split into individual sub-groups to address individual issues if this is necessary. |
| What will be the composition of the Group? | Group membership will be open to all – but we will attempt to match resources to member’s expertise on subjects where they are able to contribute most. The aim will be to ensure that resources are best targeted rather than to limit access. |
| What will be the role of group members? | Group members will: Suggest a way forward for each of the areas identified in the framework, either at meetings or by written procedure; Assist Ofgem in acquiring datasets where possible; Review and comment upon materials produced by the group; Collectively reach agreement on the output of the group. |
| What will be Ofgem’s role? | Ofgem will: Be responsible for secretariat functions (including circulating agenda and minutes); Lead on drafting of products; Be responsible for policy decisions. |

Questions 1A, 1B, 1C: Identifying causes of consumer detriment

- Do we hold data (quantitative or qualitative) which will allow us to identify causes of detriment?
- Can we use existing process maps, matched with data, to identify what are the causes of delays?
- Should we adopt a different approach between GS A and C and GS E?

What are the causes of the issues underlying the Guaranteed Standard?



Where in the process does this underlying cause occur?

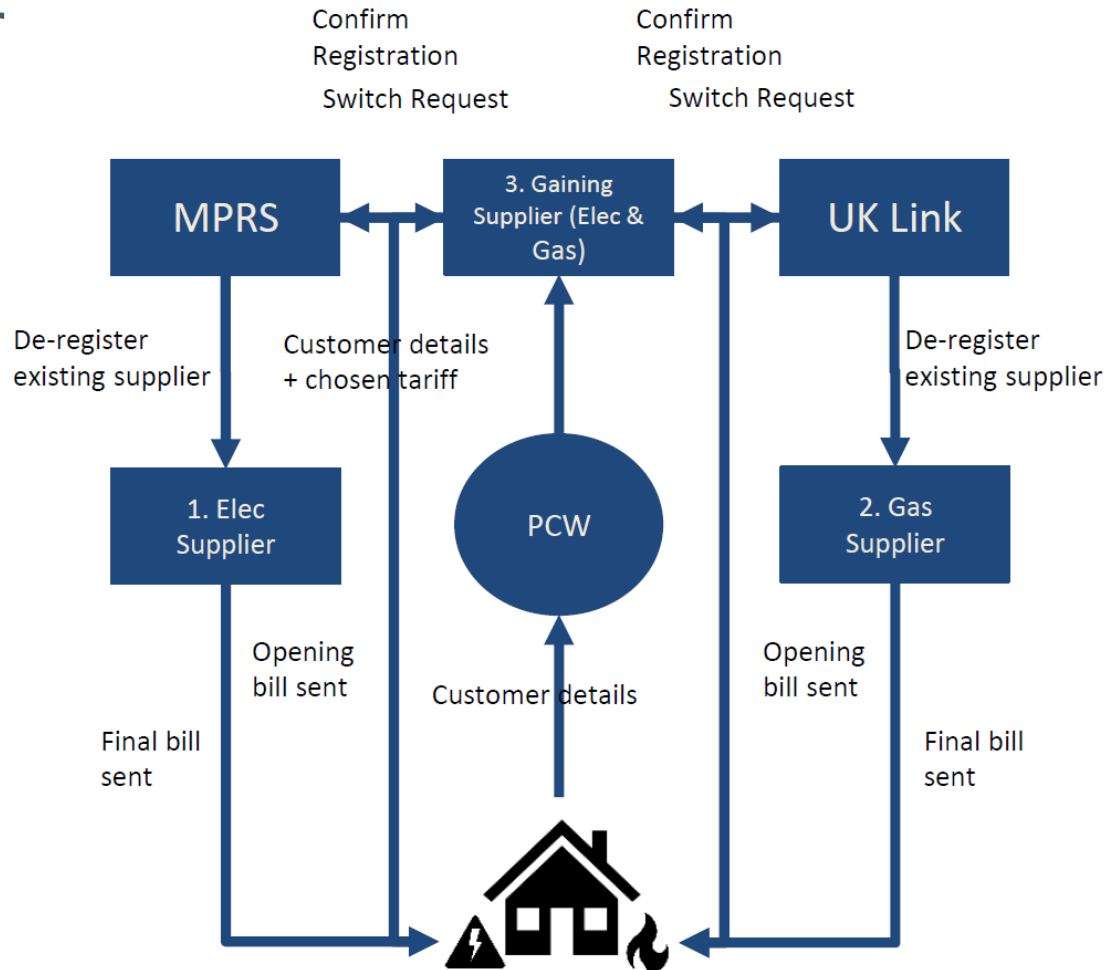
| A: Delayed switches | C: Erroneous Switches | E: Delays to final bills |
|---------------------|-----------------------|--------------------------|
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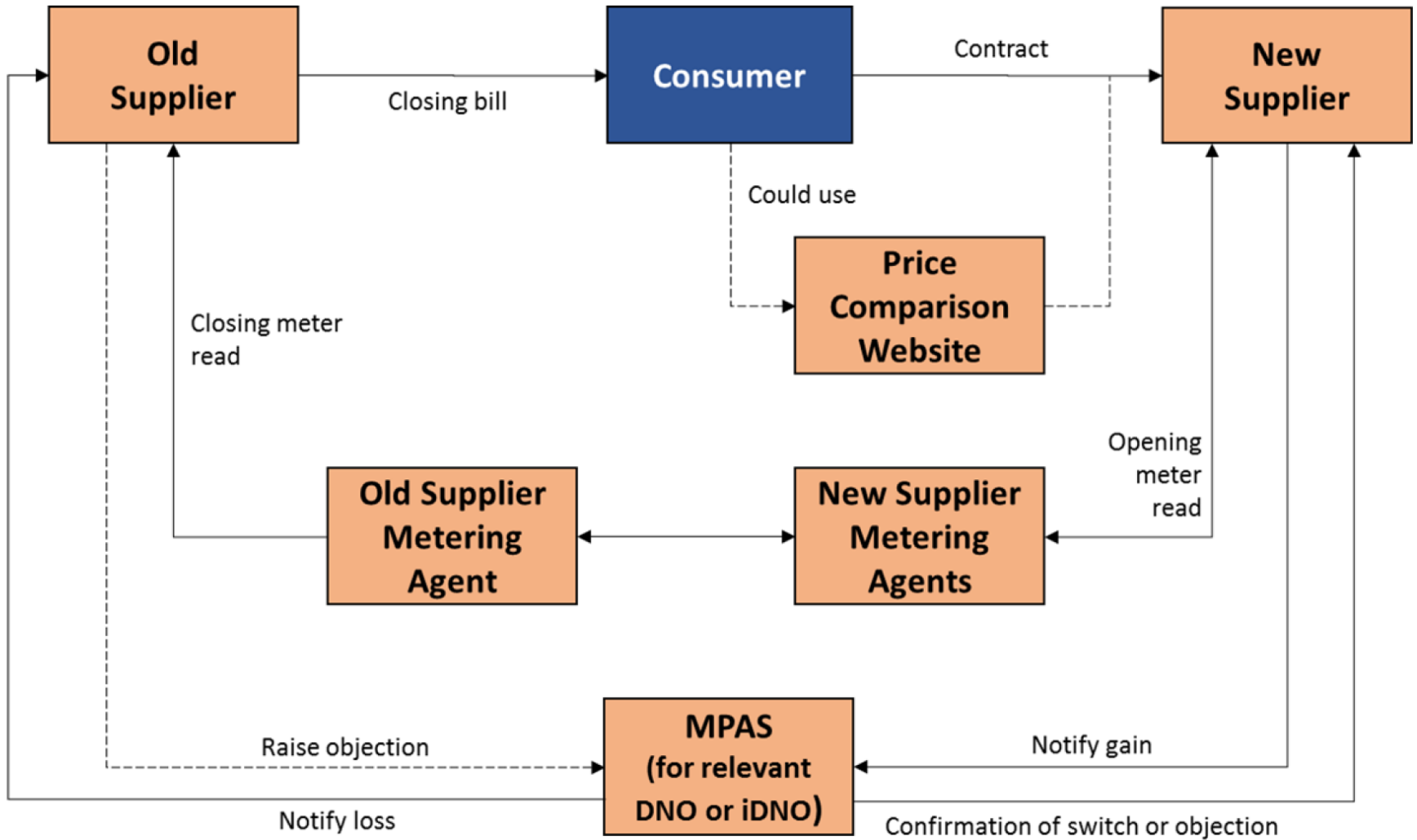
Average switching
time: 15-16 calendar
days

Each request is
independent

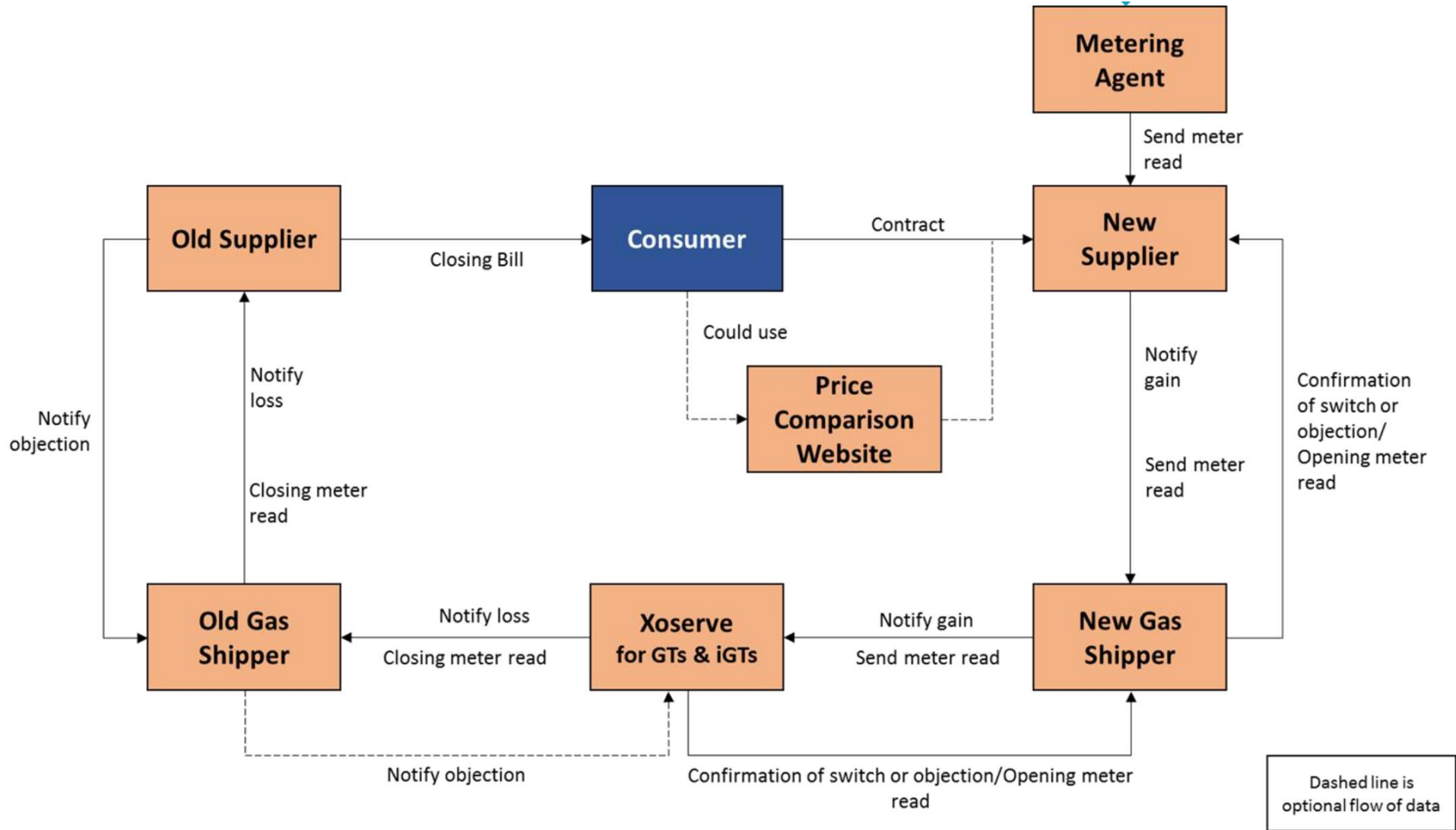
No dependency
between requests

Losing supplier has
approx. 1 week to
register objection





Dashed line is optional flow of data



- Before the next meeting, are we able to:
 - Identify and provide data on causes of detriment?
 - Identify where these causes crop up within process maps?
 - Deliver this work to Ofgem to consolidate into a package that can be discussed at the next meeting?

Does this work sit naturally as a single work package?

Next Steps and Next Meeting

1. The next session of the working group will be on **28 February 2019 from 3:15 – 5:15pm**
 1. This is a long way away – should we arrange a Webex-only meeting before then?
2. Ofgem will circulate minutes for today's meeting by **Friday 1 February.**
3. Group members should submit analysis, data and suggestions to Ofgem by **14 February 2019** (assuming next meeting is on 28 February)

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

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.