

Switching Compensation Phase 2 Working Group

Session 2



- 1. Introductions
 - 1.1. Agreement of Terms of Reference
 - 1.2 Agreement of minutes of Workgroup 1
- 2. High-level review of feedback from Workgroup 1
 - 2.1. Erroneous Transfers
 - 2.2 Delays to final bill issuance
 - 2.3 Delayed Switches
- 3. Next Steps and Next Meeting
- 4. AOB

What we want to achieve

To run through a high-level summary of responses to the data request at Session 1

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

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

- We asked suppliers to:
 - Identify and provide data on causes of detriment;
 - Identify where these causes crop up within process maps; and
 - Deliver this work to Ofgem to consolidate into a package that can be discussed at the next meeting.

Many thanks to all group members for their engagement so far.

- Some respondents repeated concerns that GSOPs/compensation was not the best way to reduce ETs or incentivise rapid delivery of bills.
 - Respondents noted 'no value to supplier in delaying a switch/causing an Erroneous Transfer'.
- The **principal aim** of GSOPs and compensation is to **ensure that customers are recompensed for detriment suffered**, not purely to incentivise good behaviour (which is already required by supplier licences).

- There are likely to be some issues where customers are genuinely at fault (e.g. customer fraud, customers inputting incorrect data and ignoring prompts, failure to pay debit balances on switching).
 - Important that these are weeded out in exemptions
 - Likely to be some supplier judgement in deciding which individual cases should be exempt
- However, the majority of individual failures will be outside the customer's control
 - Delays/ETs caused by weaknesses in industry data, or where responsibility for detriment is unclear (but not clearly attributable to the customer) will not be exempt
 - Part of the work of this group will be to develop a mechanism whereby the supplier community can take ownership of these issues

| Reason for erroneous switch | Root cause |
|---|---|
| Incorrect address selected at sign up, either by customer or gaining supplier (one respondent estimates c. 80%) | Unclear onboarding process Lack of checks/control at signup 'About half' of ETs come through PCWs |
| Incorrect address in customer database | Failure of GT/DNO to manage database Failure of existing supplier to resolve database error Wrong data from meter installers/data providers |
| Late cancellation (after cooling off period) | Customer desire to return – these will be excluded from GS as a valid contract exists |
| Customer Service Returner | Customer desire to return – these will be excluded from GS as a valid contract exists |
| Customer switched without consent | Misleading/fraudulent sales process |
| Forgery – customer driven | Fraudulent activity |

- Most respondents seemed to agree that main reason for ET is incorrect address selection.
- Industry data and fraudulent activity are also concerns.
- **Questions for suppliers:**
 - How robust are supplier processes for ensuring correct address has been selected? Are gaining supplier controls adequate?
 - What can be achieved regarding verification of industry data in the window for switch completion?
 - Who is responsible for verifying industry data? Gaining supplier or losing supplier (who will have billed customer?)

These are ET Reason codes from
Electralink data

Questions for suppliers:

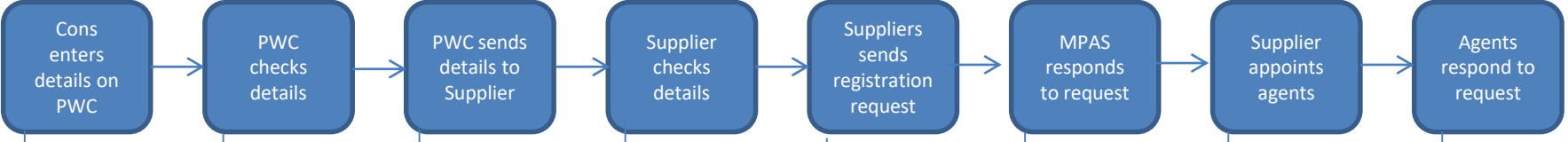
- Are these industry standard/analogous to suppliers' own coding?
Could they be used as a basis for identifying causes of ETs?

| Recorded Reason for ET | Definition |
|---|--|
| Forgery – PROVEN | Where an ET is proven to be a result of the fraudulent marketing practices, by the gaining Supplier or its salesmen / agents. |
| Incorrect MPAN/MPRN Selected | Where an ET is recorded in circumstances where the customer being transferred has been incorrectly identified. |
| Cancelled contract not actioned | Where an ET is recorded because the gaining supplier failed to act upon the cancellation of the contract by the customer. |
| Misleading Information / Suspected Fraudulent Marketing Practice and / or Training Issues | Where an ET is recorded due the provision of misleading information by the gaining supplier or its salesmen/agents. |
| Technical Issues | Where the ET process is used by Suppliers to correct a technical problem whilst at the same time enhancing customer service. |
| Customer Service Returners | <p>Where the ET process is used on a goodwill basis at the discretion of the New Supplier in order to avoid a customer complaint, despite the New Supplier holding a valid contract.</p> <p>An ET with a reason of Customer Service Returners should only ever be initiated by the New Supplier.</p> <p>Where a Customer Service Returners ET is initiated by a New Supplier, the Old Supplier should endeavour to accept the request and reregister the Customer.</p> |

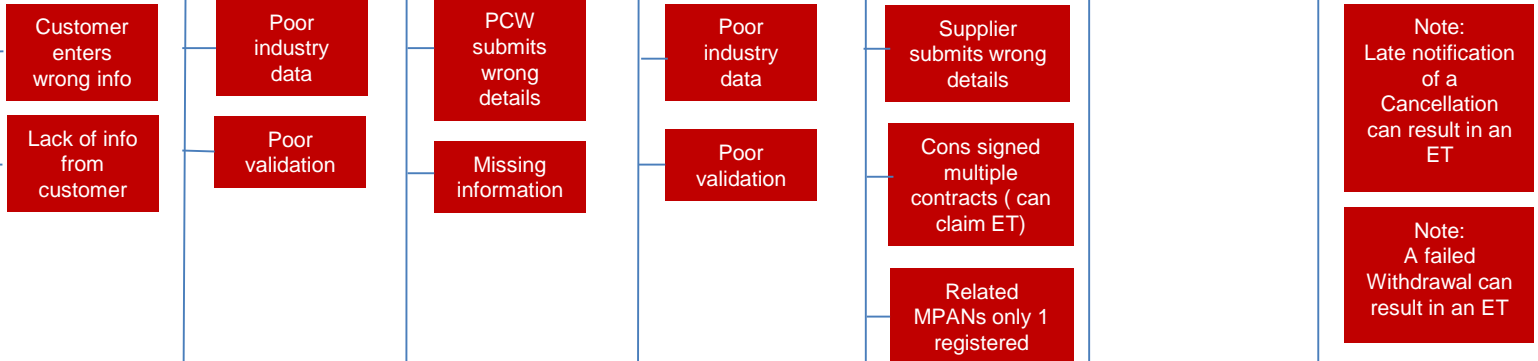
| Reason for delay in issuance | Root cause |
|---|--|
| Missing meter reads (Opening reads from gaining supplier, Closing reads (D86) from losing supplier) | Quality of reads from MOPs and data from DCs |
| Missing, invalid data or industry rejection | Unclear – uncorrected errors in industry data? |
| Inability by old supplier to initiate missing reads process until 30 WD after new start date | Industry processes – old supplier is locked until 30 WD(?) |
| (Failure by old supplier to initiate missing reads process?) | Old supplier error |
| Failure by new supplier to respond following initiation of missing reads process; inability of old supplier to contact new supplier | New supplier error |
| Dispute between agreed reads, insufficient time to work between agreed reads process | Quality of reads from MOPs and data from DCs |

- Majority of issues related to meter read issues, including reliance on third parties and data quality.
- Issues may be caused by data quality (where either supplier or their agents may be responsible) or omission by either supplier (failure to send/respond to a particular flow).
- **Questions for suppliers:**
 - Can we break down the processes identified here into component parts and identify supplier responsibility at each stage?
 - Can we identify at which stage the process has broken down and who is responsible?
 - How can we quickly get compensation to consumers?

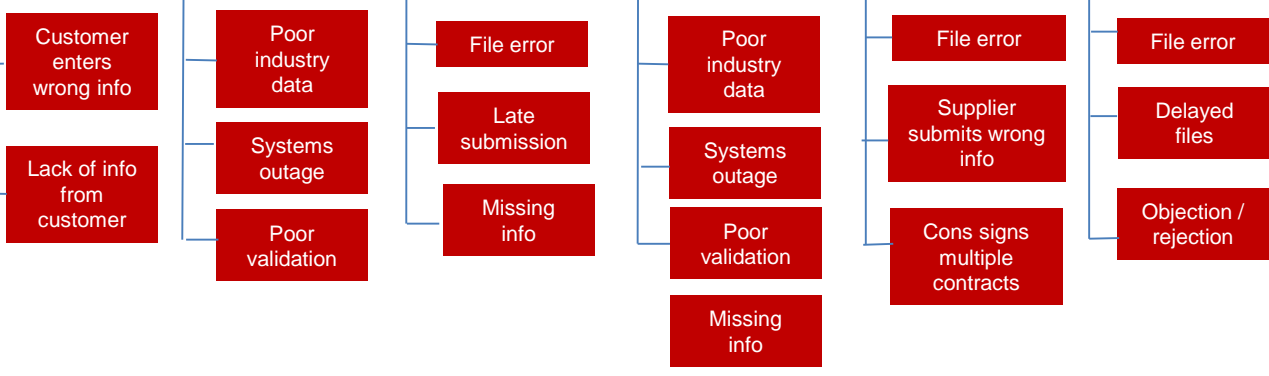
Process steps



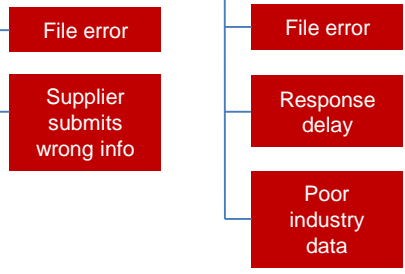
Can cause ET



Can cause switching delay



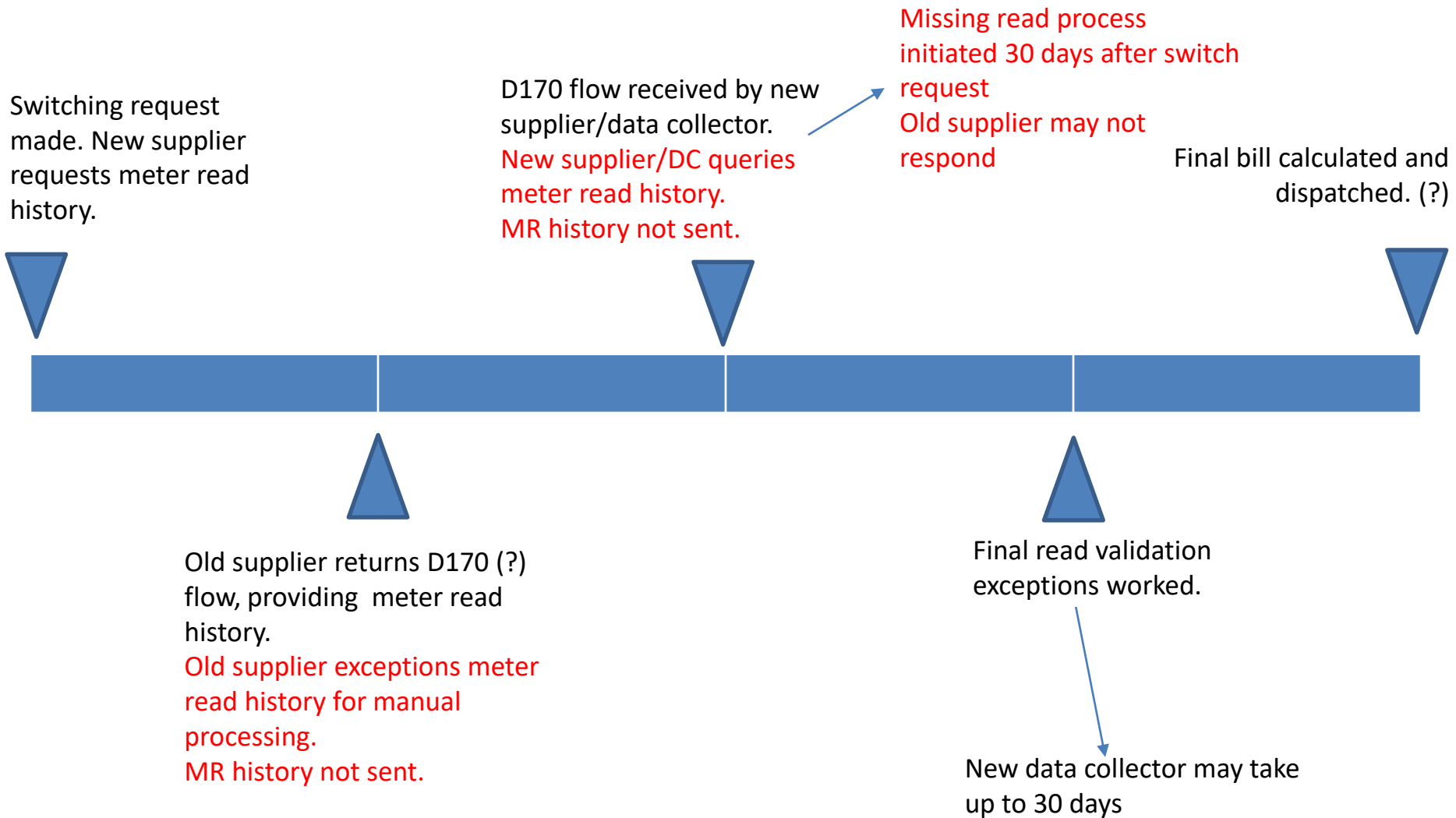
Can cause account setup / closure delays



MIS?
Address Validation (PAF)

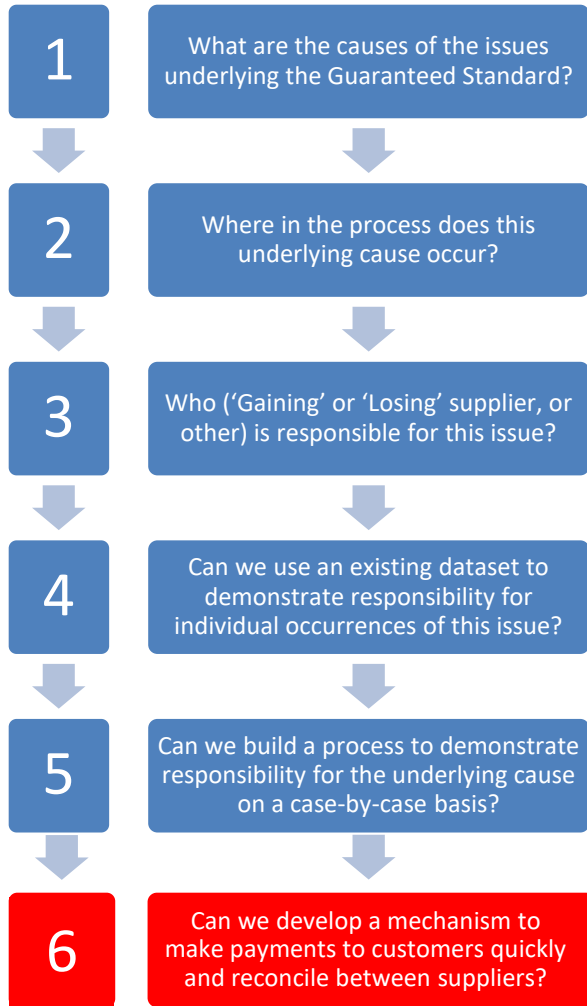
ECOES / MIS
Address Validation (PAF)

Straw man step-by-step process walkthrough for final bills (electricity)

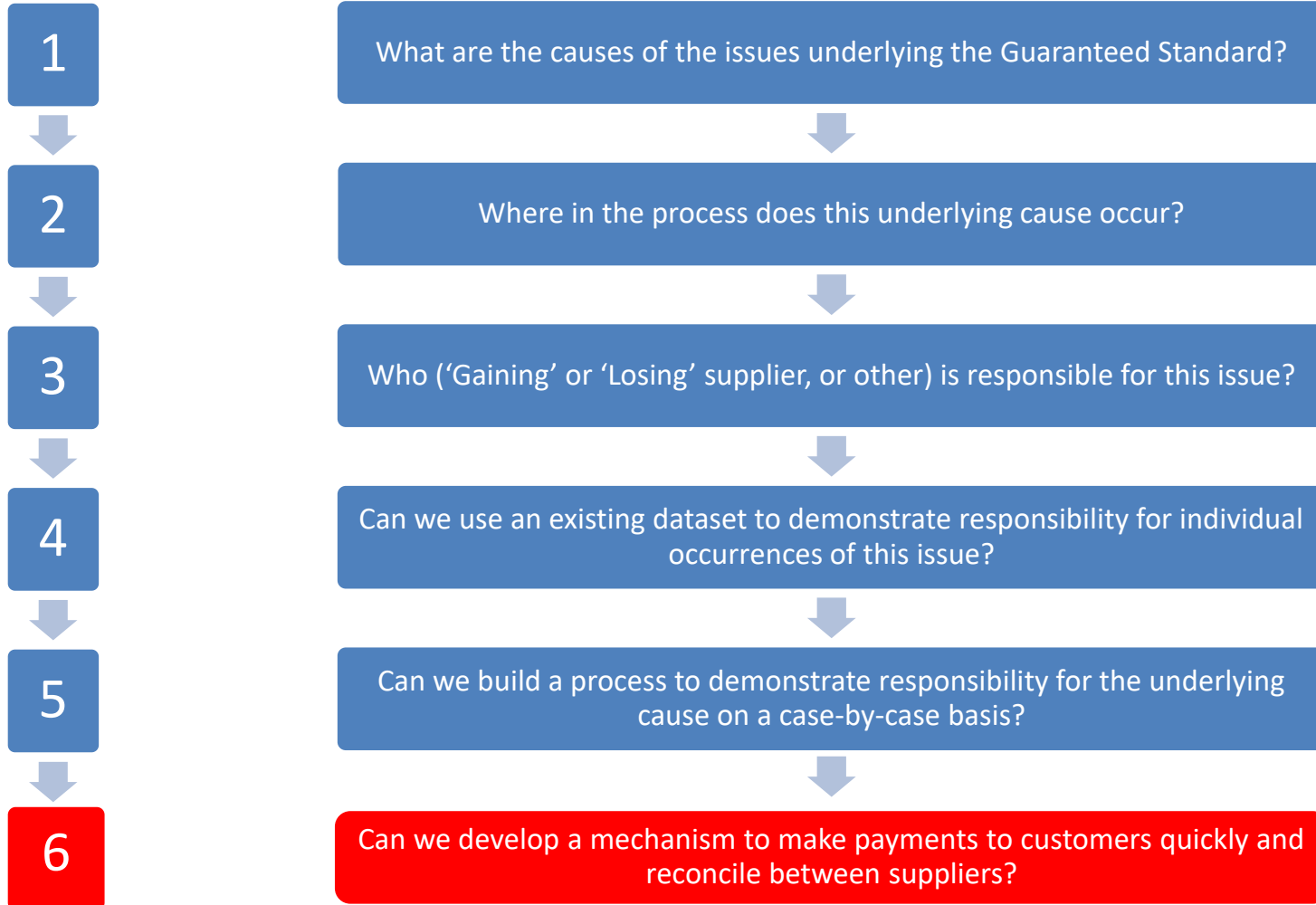


| Reason for delay | Root cause |
|---|---|
| (Multiple) Exception(s) raised from point of sale, e.g. missing/invalid data, industry rejection. | More information and validation required with the customer. Losing or gaining supplier fails to validate data in time. |
| Objection | Customer is in debt with a previous supplier |
| Failure to move flow after an objection is resolved | Failure of losing supplier to reinstate flow |
| Customer provided data and industry mismatch. | Further information is required from the customer to validate. |
| Pending Withdrawal | Customer activity |
| Pending Pre-Move (customer gives advance warning of them moving home) – one respondent indicates this is 75% of cases | Customer activity |
| Incorrect Industry data rejection - Combination of Disconnected MPANs, Extinct rejections etc | (Failure to verify) industry data? |
| Lockout | Customer signs up with multiple suppliers |
| Other - Pending Security Deposit/Secure Terms/MPxN etc. | Waiting on further information/customer contact to progress the sale. |

- Mixture of customer-led (withdrawal, CSR) and industry-data led causes (exceptions)
- Also some supplier-led causes (failure to respond to a flow e.g. post-objection on a timely basis)
- **Questions for suppliers:**
 - Who is responsible for resolving objections to switches and how quickly can they be resolved?
 - Who is responsible for verifying industry data? Is it always one party (gaining/losing)?
 - What processes exist for incumbent suppliers to verify industry data?
 - As previously – can we break down and map all processes and turn this into something that can be used on a case-by-case basis to attribute responsibility?
 - What about resolving disputes?



| A: Delayed switches | C: Erroneous Switches | E: Delays to final bills |
|---------------------|-----------------------|--------------------------|
| Session 1 | Session 1 | Session 1 |
| Session 2/3 | Session 2/3 | Session 2/3 |
| Session 2/3 | Session 2/3 | Session 2/3 |
| | | |
| | | |
| | | |



Next Steps and Next Meeting

1. The next planned session of the working group will be on **11 March 2019 from 10am**
 1. This is relatively close – do we need more time to move the work forward?
 2. Subsequent meeting – **25 March at 10am**
2. Ofgem will circulate minutes for today's meeting by **Friday 7 March.**
3. Group members should submit analysis, data and suggestions to Ofgem by **7 March 2019** (assuming next meeting is on 11 March)

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.

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

Average switching
time: 15-16 calendar
days

Each request is
independent

No dependency
between requests

Losing supplier has
approx. 1 week to
register objection

