

Switching Compensation Guaranteed Standards Phase 2 Work Group – Session 4

From: James Hardy

Date: 15 April 2019

Location: Ofgem Offices, 10
South Colonnade, Canary
Wharf

Time: 12:15 – 17:15

1. Introduction and Attendance

James Crump, Ofgem (Chair)

James Hardy, Ofgem

Gregory Mackenzie, Centrica

Samuel Arnold, Green Network Energy

Andy Baugh, Npower

Clare Cattle-Jones, SSE

Iona Penman, Energy UK

No rollcall was taken of group members joining by 'phone. However, the group included representatives of 10-15 organisations of varying types in person and on the 'phone. In the text below, we *have* not differentiated between contributions from members attending in person and remotely.

James Crump (JC), as Chair welcomed attendees to the fifth session of the work group. JC thanked the number of suppliers who had sent in feedback and responses to the questions raised in the previous Webex review session. JC noted that Ofgem appreciates these responses present a considerable demand on members' time.

Agreement of Minutes from Session 3 and the Webex Review

James Hardy (JH) acknowledged that some comments had been received for minutes from previous session. JH confirmed that the minutes will be amended to reflect these requested changes. The group was asked if they had any further comments on the minutes. No comments were offered and the minutes were agreed on the condition that the changes received from group members before the session were made.

The amended minutes for Session 3 and the Webex review will be circulated by email, and published on the new Switching Compensation Guaranteed Standards microsite in due course.

Phase 1 Guidance Note and Phase 2 Queries

JC made group members aware that a Phase 1 Policy Intention (Guidance) note, which was requested by group members, was issued last week. JC encouraged group members, if they have not yet done so, to read the guidance. JC asked the group to come forward with any views on anything that needs further clarification.

A group member asked for more clarification on the timing of Phase 2 elements of the Guaranteed Standards. JC explained that the current expectation is that the group will finish work to allow Ofgem to draft an SI and consultation by late summer/early autumn. Phase 2 changes should become live in the following winter following an implementation period.

A group member asked how the Guaranteed Standard relating to delayed switches would be drafted, and whether the 21-day period would be aligned with standards for market monitoring reporting or the Energy Switch Guarantee (which is the date that the supplier has 'all relevant information' from the customer). JC noted that GS as consulted upon was the date of first contact with the customer, the text of the Statutory Instrument will reflect the most appropriate solution.

One group member asked for clarification over how late credit repayments should be reported in the reporting template, specifically whether a credit repayment made after 20 days should be reported in both as being returned after 10 days and after 20 days (in effect, in two boxes). JC confirmed that a particular case should only be reported once, so a delay of over 20 days, it should only be reported in the over 20 days' category (and not both 10 and 20 days).

JC confirmed that he had received email asking for clarification from some suppliers and that he will respond to these questions as soon as possible. JC asked that if any group member has any further questions or challenges to the Phase 1 guidance note, then please contact the Switching Compensation team.

2. Actions and Decisions Log

JH provided the group with an updates on the relevant actions.

- A01/A11/A13 – Ofgem have been in discussion about bringing representatives from Gemserv, Electralink, relevant Code Bodies, ECOES and DES to a future meeting. JH confirmed that whilst Ofgem have approached these organisations, until the group makes further process and has a clear path to what a solution would look like, it would not be suitable to bring these representatives to a meeting at this stage. Action moved to On Hold.
- A02 – Ofgem to provide clarity on intention of what the required length of switch is classed as. JH confirmed that under the original consultation, a 'delayed switch' was 21 calendar days from the date the consumer enters into the contract with the gaining supplier. Action now closed.
- A03/A07 – Data Working Group Analysis. Ofgem have spoken to the data working group and can confirm that any analysis they have available is published on Ofgem's website (available at https://www.ofgem.gov.uk/system/files/docs/2016/10/ds_data_improvement_strategy_main_paper_for_edag.pdf). The analysis of data issues that have also been submitted by group members have been circulated, along with the Ofgem analysis, on April 1st. Actions now closed.

- A04 – Ofgem to provide a guidance document explaining the implementation of Phase 1. JC confirmed that this was published, and circulated, on April 10th. Action now closed.
- A05 – Group members are still asked to identify, and invite, suitable representatives from Price Comparison Websites. So far no one has had any success in finding someone who can speak on behalf of PCW. The group may have to rethink their approach on this way forward. Action moved to In Review.
- A09/A12/A14 – The actions on industry work on responsibility for delays, evidencing mechanism and Data Process Risks. JC thank all those who have submitted responses so far. Ofgem are still open to receiving engagement from suppliers on this topic, and those who have not engaged so far are encouraged to. Action remains open.

3. Causes of and Responsibility for Detriment - Follow up on Webex Review Session Feedback from Group Members

JC explained that the discussion today will be based around the feedback from previous meetings. JC acknowledged that the feedback was useful and Ofgem appreciates the levels of engagement and the amount of work.

JC observed that whilst group members had been willing to provide views about the direction of the work and the suitability of Guaranteed Standards to resolve issues of consumer detriment, the stated purpose of the group was to produce a methodology for ensuring that compensation paid for the three outstanding Guaranteed Standards is borne by the supplier responsible for causing detriment. JC noted that the responses that had been received so far, whilst useful, did not point to a resolution of this problem.

JC reminded the group that Guaranteed Standards and compensation for delays, ETs and final bills would be implemented in the summer using the best system that we have available at the end of the timetable as stated in our consultation. The purpose of this group is to identify what this best solution is, and to produce a resolution proposal in time for the summer/autumn SI.

JC reminded the group that that the lack of a clear path to a solution may indicate that the distribution of compensation from Ofgem's original consultation may be the best available. Whilst without an effective resolution mechanism, compensation will necessarily be based on some form of blanket distribution of responsibility, this may be the best outcome if complex resolution mechanism makes achieving compensation payments particularly unwieldy.

The group now has a couple of months to develop a solution, and decide on a clear plan on where we expect these changes to happen. JC acknowledged that, whilst this reflects where we are currently, Ofgem still are happy for suppliers to share their views with us.

Resolution Mechanism

JC reminded the group of the questions set in the previous session. JC asked the group whether a mechanism could be built to identify responsibility of compensation payments and

distribute these payments, either on a case-by-basis or by reconciling already-made compensation payments.

JC ran through the feedback and comments received, noting that the feedback received may not always reflect the view of the totality of the group. JC explained that the feedback received was generally negative to the success of a resolution model. It was noted that some members have highlighted the cost of such a mechanism, noted that the mechanism would require a dispute resolution and/or an arbitration mechanism, and would require complex governance framework. It is important that over the next couple of sessions the group will need to agree on how to create a resolution mechanism if a blanket distribution was to be avoided.

JC presented the group with a table outlining the possible models for a resolution mechanism. These included an apportionment of responsibility to one party (as consulted on (Option A), a requirement for parties to resolve responsibility on a bilateral basis (Option B), a mechanism for reporting and resolving responsibility on a case-by case basis at contemporaneously with payment of compensation (Option C), or upfront payment followed by periodic reconciliation (Option D). A discussion was held amongst the group about these possible options.

JC explained that under Option A the same party or parties would pay in all cases for a delayed switch or final bill, or erroneous transfer.

JC noted that under Option B and suppliers would be expected to reach a bilateral resolution and have one party pay compensation using current interfaces between themselves. This would rely on the goodwill of suppliers to make it work, and would require a fallback to ensure that compensation would be paid on a timely basis in the event of disputes. Some members noted that this would require everyone to follow the process and to sign up to it, which may be 'easier said than done'.

Option C would require a reporting and governance mechanism to be created, probably using existing industry codes. A concern was raised regarding how Option C would operate within GDPR. A member stated that it would result in a large amount of customer data going back and forth between suppliers, creating a potential issue. Group members noted that GDPR is something that would have to be considered if Option C was moved forward.

A discussion was held on how already complex communications could be made even more complex with a new resolution mechanism. It was noted that there will be a need for process maps to allow suppliers to identify where responsibility lies. Members stated that they cannot build a mechanism based on those process maps then they are redundant with they are unable to send compensation to the customers based on who is at fault. JC noted that the group had already completed work to identify responsibility for detriment events and where these occurred within the switch or billing cycle which could be used to build process maps, but these would be superfluous if it was not possible to develop a resolution mechanism which could ensure that compensation could be paid by the supplier responsible for the detriment as identified by the process map.

Further discussion was held over the possibility of a bilateral resolution mechanism. One member noted that their preference would be that compensation payments should not be made by one supplier on behalf of another.

Another group member noted that the customer should not be exposed to disputes between suppliers. Simplicity of resolution for the customer was important.

JC summarised the discussion, noting that there are conflicting views within the group on how a resolution mechanism should work. JC noted that it was still imperative for the group to produce workable ideas for how to distribute compensation to customers if a scheme relying on the consulted-upon bilateral resolution was to be avoided.

JC outlined the next steps for this work. Ofgem will circulate the options discussed and invited group members to consider which, if any, of the proposed options are suitable for further development. Group members were made aware that development of any resolution mechanism will need to be sponsored through the code governance process, and that realistically Ofgem cannot create a governance process through statute. Once the group has a clear idea of what sort of mechanism the group want, we can then engage with the code governance process to develop a preferred solution.

ACTION: Ofgem to reassess resolution mechanism and present them to the group. Group Members to review the current possible models and feedback their views to Ofgem.

Verification of Address Data

JC thank the group for the number of responses that have been sent in answering the questions set regarding the responsibility for address data. JC noted that Ofgem are still open to responses.

A discussion was held around data verification and how this can be reflected in Switching Compensation. The feedback received before the session explained that the current standard methodology for data verification tends to be cross-check across customer provided data, industry data and third party applications. It was noted that verification from PCWs may be carried out on batch uploads.

A group member asked what happens, and who is in the wrong, when someone else is ET'd because of a mistake by a customer and how this could be prevented by suppliers. JC noted that effective controls and data validation could help minimise mistakes by suppliers. A discussion was held about how industry can spot good and bad data verification.

JC acknowledged that data verification process and what parties do are consistent across industry. JC asked if there are any other reasons why there would be some differentials in the number of address data errors experienced by suppliers other than how data verification techniques were applied.

One group member noted that a 21 calendar day switch does not provide much time to engage with the customer to check and validate data, and raised the possibility of moving towards 21 working days. JC explained that this is a fair point and it would be worth investigating the impact of setting the requirements in line with other similar measures (such as Ofgem's market monitoring reporting requirements or the Energy Switch Guarantee). It does add complexity to suppliers but JC notes that this was worthy of consideration.

A group member noted that the current reporting codes for Incorrect MPxN selected does not show whether the error comes from existing data or from the inputted data. The group agreed that if there was a way to show this, it would help improve data verification but also help point to who is a fault for an ET occurring, whether it is the supplier's fault or the customer's fault. However, it was not obvious how this could be identified.

Final Bills

JC observed that in previous sessions the group was asked about what changes they would need to make to their systems to issue a final bill to a customer switching away based on estimated data from you within a six-week period, where no opening read was forthcoming from the gaining suppliers. JC highlighted that not much feedback had been received to this question, and again reminded the group that Ofgem are still open to receiving responses. JC noted that the feedback received displayed conflicting approaches in this area. Some respondents suggested that supplier practice was already to issue a final bill based on an estimate within six weeks of a customer request to switch away, if no opening meter reading was forthcoming. Other respondents indicated that this would require considerable system change and would present some risk of inaccurate bills being produced.

JC noted that there was no reason why a losing supplier could not contact a customer to ensure that they receive a closing reading. One group member suggested that a solution could be based on calibrating the Guaranteed Standard to require the issue a final bill where the losing supplier has all the required information from the customer.

JC explained that it would be useful to understand, currently, what final bills are issued based on actual supplied meter reads compared to the number of final bills which are issued based on estimates. JC asked for the group to share any information they may have on this in order to advance the discussion.

ACTION: Group members to provide data to Ofgem on how many final bills are issued using estimated meter readings, and how many of these lead to complaints.

4. Further Questions on the Phase 1 Policy Intention Document

JC asked the group if they had any more questions or comments they had on the Phase 1 guidance note that they would like to go through before the end of the session.

A group member raised a concern about the inclusion of change of tenancy (COT) in credit refunds measures. They were concerned that COT was not included or reference in the Impact

Assessment or Request for Information where the cost has been analysed. The member was concerned that if COT is part of the policy change, then the cost analysis would not reflect several million transactions. The member stated that it would be wrong to use COT in change of supply if the process itself has not been reference. The group member believed that the consultation was on change of supply, not change of tenancy.

JC noted that it was unfortunate that there appeared to have been some confusion in this area, but observed that the drafting of the final bill was clear that the regulation relates to the issuance of the final bill to a customer (i.e. a person), rather than being tied to a switch event. Therefore, the regulation would apply wherever a final bill was issued, whether at change of tenancy or change of supply. JC noted that this had been communicated to parties when this was asked, and that the message in the clarificatory note was consistent with that which had been given to individual stakeholders when asked. JC noted that he would look at the wording of the Requets for Information, but he did not believe that this had been drafted in such a way as to exclude change of tenancy events. JC said that we had tried to be as clear as possible, and that it was not Ofgem's intention to exclude COT from the start.

5. Any other business

No any other business raised.

6. Date of next meeting

Npower have kindly offered to host the next meeting at their offices in Solihull. They have a room booked for 10th May. Details of this location would be circulated to group members in due course.

Actions will be issued to group members via email, and through an updated Actions Log on the Switching Compensation website. Minutes from today's session will be issued by 23rd April.

END