The following is the Auditel UK Ltd. response to the Call for Evidence regarding Supplier Objections.

The main body of this document is not confidential and we are content for this to be published on your site. However, the appendices which contain emails proving many of the points contained herein also contain client names and thus should not be published

Auditel UK Ltd. is a consultancy that has been operating for 21 years in the business energy sector and now has over 200 consultants advising and outsource managing all aspects of clients’ energy requirements. We operate in the business energy sector and this response refers only to that sector and not to the domestic sector.

Auditel (and others) has over the years submitted large amounts of evidence to Ofgem some of which has been regarding objections and their systematic abuse by certain suppliers (always the ‘Usual Suspects’) to prevent customers switching or delaying this process. Ofgem have consistently failed to respond and the author has no confidence in Ofgem and its ability or willingness to deal effectively and competently with this issue.

Notwithstanding the above it is our duty to formally respond.

The following comments are in response to your paragraph numbers.

3.1 This sets out the justifications and basis for objections but fails to comment on the often unnecessary complexity of those contracts and the obfuscation of issues including objections. The current system is an open invitation for unscrupulous suppliers to use the objection process to prevent their customers switching. If an erroneous objection(s) is raised the transfer process is delayed and it will be of benefit to the incumbent supplier at the expense of their customer. If the customer or his TPI are able to understand the issues and resolve them with compensation for the customer in a large number of cases the problem is restricted to an unnecessary time waste issue. However, in a significant number of cases the process will not be understood by the customer and it will not be resolved. This means that the unscrupulous supplier will gain from a number of these erroneous objections, particularly where a knowledgeable TPI is not involved or excluded and the customer will suffer.

One supplier will not recognise LoAs, will not communicate with knowledgeable TPIs and has claimed to have authorisation from Ofgem to do this. Ofgem need to confirm and justify this this or otherwise.

1.5 Ofgem need to understand that whenever a rule to prevent supplier abuse is introduced some suppliers will immediately start working hard to find ways around this so that they can continue as before. Debt is a typical example; as the transfer is applied for, an invoice is issued for very short or immediate payment, thus there is a debt and an objection is raised.

Objections on the grounds of debt have been raised when a direct debit is in place! I have been told by BGB that an objection was raised because their system failed to take a direct debit, thus there was a debt! This may or may not be the true reason but that is what I was told by this supplier and there was certainly yet another erroneous objection from this supplier in this case.

See appendix for just one of our supporting email trains. This train also demonstrates the enormous amount of unnecessary work that is caused to customers and TPIs by the unprofessional behaviour of some energy companies.

1.7 This most certainly does not happen. Notification of objections invariably comes from the winning supplier who, of course, has an interest in getting it lifted.

1.8 As a result of the move towards 1 day switching the time available to resolve an (erroneous) objection has been reduced. This means that by the time the customer or his TPI have been notified it is virtually impossible to ascertain the reasons, get it lifted and for the winning supplier to re-contact the incumbent. The inter-industry application has to be made again. This causes delay and is an unintended consequence of the change caused by lack of knowledge of the market, lack of guidance and instruction to the industry and poor quality of thinking on Ofgem’s part.

1.9 Where a new site is acquired by a customer as part of his multi-site portfolio, the customer will usually wish to place the supply with his preferred supplier as soon as possible. The incumbent supplier will require a change of tenancy form to be completed to include pertinent dates, meter readings (even when an AMR is used), full new tenant details and/or landlord details. There will almost always be a 1 month lead time on this and we have recently been experiencing a 6 week delay before the email detailing this is read and the process commenced! Again, not all suppliers, just the usual suspects who are well known to Ofgem.

On 23rd April Npower informed one of our consultants that they were dealing with emails to ‘Business Queries’ dated 6th February as of this day. Some of these queries will inevitably concern objections and that is just under an 11 week delay!

Does Ofgem consider that reasonable?

If not what has your organisation done about it as it is a long running issue.

1.13 “The non-domestic objection rate is significantly higher than in the domestic market.” This is not surprising since Ofgem have been far more active on this and all other issues in the domestic sector to the virtual exclusion of effective action in the non-domestic sector. This was particularly true prior to 2010.

“Most objections are for contractual reasons….” Is that bone-fide objections? What are the figures for genuine and bogus objections?

1.14 A technique used by one of the usual suspects is to inform the customer that his ‘smart meter’ (actually AMR) will be removed and imply that this will cause much disruption to his business. It is true that due to incompetent specification of AMRs and the data collection requirements there is often a problem with the data if a supplier is changed and this fear is used and built up by the unscrupulous suppliers to retain customers.

“It would be useful to receive more detailed information about the extent of these practices” You have many times but always failed to do anything!

1.15 It is difficult not to attribute this paragraph to anything more than self-indulgent wishful thinking!

2.5 We assume this is primarily in regard to the domestic sector. Where it does refer to the non-domestic sector we reinforce the points made in 1.14 above; it is a prerequisite that all suppliers will be able to read them in real time. Not currently the case.

2.6 The ability to read them is, as above, the prerequisite.

4.1 The options identified by Ofgem are listed by number with our comments

1 Widespread abuse by a number of suppliers will continue.

2 A better solution would be for Ofgem to tighten up on the rules and enforcement on false debt. This would discourage this practice whilst still allowing justifiable recovery of genuine debt.

3 Possibly.

4 This is probably the only area in the objection arena which provides any protection or comfort to the customer. Ofgem knows very well, as much evidence has been presented to it over the years, the majority of the problems are caused by a very few suppliers (and arguably their agents). If action had been taken this would be an insignificant issue.

5 With fully working AMRs this issue could be resolved.

6 No strong views on this. Not a significant issue.

7 Debt management is a fundamental business requirement. DAP in this sector is just another costly bureaucratic nonsense.

We do not see how the second point offers anything beyond the current process of refusal following a credit check.

New rules around security deposits are required. Particularly in relation to the time it can take to get a deposit returned and the chasing that is often required. If new supplier requires one and the incumbent delays the return of an existing deposit this is likely to cause a cash flow issue for a company that can least afford to have one. The customer will be discouraged from moving and it is thus an impediment to competition.

4.2 A further option that Ofgem needs to consider is to impose a requirement for suppliers to expeditiously compensate the customer for erroneous objections. Ideally a sufficiently large level of compensation that will discourage suppliers from raising them as a matter of dishonest policy, in the expectation that a few of them will work for them, or through administrative incompetence or both.

4.3 All of these points have some validity but all are prone to over emphasis and overstate the impact of the removal of objections.

4.4 Whilst we are not against objections in principle this paragraph unjustifiably supports objections by elevating the issues to a level beyond their potential impact. All of the issues with the exception of PPMs are common and need to be addressed by customers in many other business areas, including off-grid energy.

The reduced competition in those parts of the market perceived as high debt risk has been with us for many years in the public house area. Several suppliers will not take business from this sector because of high turnover of landlords/mangers and the propensity for them to leave debt behind them. Other suppliers are content to service this market and there is competition albeit it less than in some other areas.

5.1 &5.2 Applying any new rules only to new contracts would seem to be the most sensible and least expensive way forward. However, Ofgem needs to be careful and learn from history. Changes to the rules for new contracts in the micro-business arena were delayed by some suppliers claiming that they could not be applied to roll-overs even when they had rolled over several times. Clearly not what had been intended and clearly the result of poor quality of thinking.

5.3 In summary what is needed and what will be effective is to;

Robustly and expeditiously enforce existing procedures for dealing with erroneous objections

Take action against those suppliers who use the objection process in a cavalier fashion to;

1. Raise an erroneous objection(s) in the hope and expectation that some of them will prevent a customer from leaving.
2. Fail to put effective training or systems in place to prevent erroneous objections. Without effective sanctions the usual suspects will not put resource into this area in the sure and certain knowledge that it makes good business sense for those devoid of integrity, to risk any fine. It is very likely to be less than the cost of complying and behaving honestly.
3. Address those suppliers who have a less than honest culture and an attitude of ‘When in any doubt, screw the punter’. We would stress that this does not apply all suppliers and Ofgem needs to better identify those (minority) who take this approach and deal with them.

Auditel UK Ltd

24th April 2015