

Rachel Clark
Switching Programme Director
Consumers & Markets
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

31 July 2018

Sent by email to: switchingcompensation@ofgem.gov.uk

Dear Rachel

Supplier Guaranteed Standards of Performance: Consultation on Switching Performance

Thank you for the opportunity to respond to the above consultation. This is Centrica's non-confidential response and may be published on your website.

Executive Summary

- Centrica supports Ofgem taking steps to improve the consumer switching experience in the areas highlighted, and we remain committed to ensuring that we meet consumers' switching expectations.
- However, we believe Ofgem's first step must be to assess whether (i) introducing market wide mandatory reporting for all suppliers, and (ii) publishing performance for all suppliers could deliver better consumer outcomes compared to the proposed compensation regime.
- Centrica believes that consistent reporting across all suppliers in the market will identify poor performance and drive performance improvements. We support Ofgem's proposals to better target poorer performing suppliers in the market, i.e. those suppliers which cause the greatest detriment to customers.
- If compensation is introduced, then we believe it must attribute blame to those parties at fault. We do not think a shared responsibility model is appropriate as it will add significant operating cost in instances where the supplier has no control over the Service Level Agreements ('SLAs') being met. These additional costs will ultimately be borne by all consumers via the price they pay for their energy. Instead, we believe that existing centralised data can be used to ascertain which supplier is responsible for the delay.
- If Ofgem progresses with its current proposals, compensation values must be based upon the actual level of harm that the consumer has experienced. Ofgem's Impact Assessment should therefore aim to ascertain and calculate a realistic level of detriment for the proposed areas.
- The compensation measures must be clearly defined, so that a consistent approach is applied across the market to all suppliers.

Introduction

Centrica is committed to improving the consumer switching experience. Centrica has been a member of the Energy Switch Guarantee ('ESG') since its inception, including committing to meet the Guarantee's more onerous 21 day switching requirements and agreed KPIs, promoting the Energy Switch Guarantee to our customers and committing to working with other signatories to improve overall market performance.

In addition to our commitment through the ESG, we are also committed to improving the resolution of Erroneous Transfers (ETs) by collaborating and creating recommendations through the Erroneous Transfer Working Group ('ETWG'), working closely with Ofgem and the other suppliers on ET performance.

We are supportive of Ofgem's aim to improve the consumer experience across the whole market, by applying the same rules to all market participants rather than a discrete subset. (As highlighted in the consultation document, Ofgem previously asked the ESG members to consider an automated compensation regime to be part of the Energy Switch Guarantee. Our concern with this approach has always been that not all market participants are part of the Guarantee, which means that consumers do not receive a consistent treatment).

We have set out our thoughts on the current proposal areas that Ofgem is consulting on, considering each policy and process area separately below:

21 Day Switching

We believe that 21 day switching performance is not an industry standard that will benefit customers if suppliers are driving to achieve it all of the time, at the expense of the customer experience. We believe that time to switch is important to the customer, but that there are other factors which are more important to ensure that the customers' time with the new supplier (following the switch) is a positive experience.

We believe that from a customer's perspective, ensuring:

- that the switch is reliable,
- the opening read is correct,
- all the customer information is correct, and
- that we can provide the customer with an accurate first bill where possible, are more important factors.

During the switching process, we believe that keeping the customer informed of what is happening, managing expectations and providing the information to the customer when needed, produces a far more consistent and reliable switching performance than suppliers aiming to complete a switch in 21 days (and resolving any issues afterwards). We believe an approach like this, where suppliers ensure the account is set up correctly in the first place, will provide a consistent approach across the market and will improve consumer confidence more than introducing a compensation payment.

We believe the proposal of automatically compensating the customer might actually drive poor behaviour by suppliers. There will simply not be the incentive in place to ensure that the onboarding process is smooth for customers. The primary aim for suppliers will simply be to register the supply within 21 days, and to handle any account issues following the date when they arise, so that they do not incur Guaranteed Standard ('GS') costs.

We believe that if a GS scheme were to be introduced for 21 day switching, then the key principle should be that the supplier at fault for a delay pays any compensation. A scenario should not exist, in any circumstances, where a supplier is having to compensate a customer, and incur significant operational costs due to the poor performance of a competitor. Under the current proposals, a potentially innocent supplier in these scenarios would have to recover their costs from their existing customer base due to a competitor's processes and systems not being sufficiently robust. Sharing responsibility across suppliers, as proposed, removes the incentive to make system changes to be able to achieve a 21 day switch and in parallel, it also doesn't recognise those suppliers that have already made such a system change voluntarily. We would welcome Ofgem hosting a workshop to discuss this point further, so that suppliers can discuss and agree how responsibility and fault can be properly ascertained.

We believe any compensation payment value must be proportionate to the detriment experienced by the customer. We believe that the proposed value of £45 for missing a 21 day switch, does not represent the level of harm that a customer has experienced due to a delayed switch. The customer will remain on supply in this situation, they simply may not benefit from the assumed cheaper tariff that they have moved to as early as they would have expected, which potentially may just be a single day. There is clearly a vast difference to other GSOPs payments, where a customer may have taken a whole day off work and been significantly inconvenienced by a failed appointment, to a switching delay of a matter of a few days.

Finally, we suggest that Ofgem provides specific guidance on what it sees as a 'valid exception' to 21 day switching. Today, there are a number of exceptions granted under SLC 14A.3 which are open to interpretation by suppliers. Any compensation scheme must be operated in a consistent way by all suppliers, so we believe it is important that Ofgem further defines these exceptions, as well as including further exceptions so that suppliers do not pay compensation when factors outside of their control occur.

We believe an alternative to automatically compensating customers would be for Ofgem to:

- Change SLC 14A to mandate 21 day switching from the point that the supplier receives the application. This is consistent with the ESG parameter and would meet the standard that Ofgem wants to deliver.
- Introduce mandatory reporting for all suppliers in the market. We believe that Ofgem receives similar reporting through its Retail Market Monitoring Reporting, but this is not provided by the whole market.
- Use this performance data to understand poor performing suppliers and drive performance through managing those performing poorly. This would mean that those suppliers performing to the appropriate standard would not incur a cost for the poor performance of others.

Erroneous Transfers

We understand that Erroneous Transfers can result in prolonged frustration for customers, often resulting in poor outcomes. Suppliers should continue to commit to improving Erroneous Transfer performance. This is why Centrica has supported, via the ETWG, that ET Customer Charter payments should be made mandatory for all market participants, not simply via a voluntary commitment. Centrica is a signatory to the Erroneous Transfer Customer Charter and we believe that it is appropriate to extend this standard across the market, making it mandatory for all suppliers to compensate customers for ETs if communication SLAs with the customer are not adhered to.

We believe that there are different initiatives Ofgem could support in the Erroneous Transfer area that will drive performance (as well as driving improved customer outcomes), rather than introducing compensation. For example, we believe a key initiative that could help deliver this is the ET Performance Assurance Board ('PAB'). The ET PAB could introduce a forum looking at supplier performance, sharing best practice, as well as holding suppliers accountable to each other, ensuring that performance is to a required level.

However, if compensation were to be introduced for the occurrence of an ET, then we believe that a key principle, as noted above, is that the 'polluter pays'. We do not believe that an innocent party should pay compensation, especially if, for example, the reason for the ET was due to a forgery or mis-selling, as there is little influence the losing supplier can have in these scenarios. We believe that existing Data Transfer Network ('DTN') information can be used to determine the party at fault.

We also believe that it is important that any payment made to the customer is proportionate to the level of detriment experienced. There is currently no proven assessment of the level of detriment for any of the proposals being made by Ofgem. We believe that any level of detriment should be assessed by Ofgem through the use of a full Impact Assessment, clearly demonstrating how that / any value was reached.

Final Bills / Credit Refunds

We also understand that late final bills and late credit refunds can cause both frustration for the consumer and also reduce confidence in switching. We believe that a more effective way to improve consumer confidence in these areas would be to identify, and address, the root causes of what is causing the transfer delays. An area that is often cited, is to speed up the SLAs for a gaining supplier's agents to provide the opening / closing meter reading to the losing supplier. The current industry SLAs for this allow up to 35 working days, making the licence condition difficult to meet if the full amount of time is taken. We believe this simple change could be made through existing industry codes, benefitting customers by introducing faster and more accurate bills when they switch. We believe supporting a change like this will be a more efficient use of resource and time and drive better consumer outcomes than simply giving compensation.

We believe if compensation were to be introduced, then it must be proportionate to the level of harm that the customer has experienced. Compensation should only be payable when the supplier is proven to be at fault and the information was available for them to act upon. A shared responsibility model is not appropriate, or fair, in a market where some parties will be achieving the required standards. Any payment should also be proportionate to the level of harm experienced by the customer.

It is also important to consider how beneficial this proposal will actually be to customers in the market. Introducing an estimated level of cost to suppliers of c.£64.6m will mean that suppliers must invest in systems to implement the GS, as well as potentially having to recoup their costs across their whole customer base to cover the compensation payments made. We believe this proposal will benefit those customers who engage in the switching process, whilst potentially having a negative impact on customers who do not (who Ofgem suggest are traditionally / potentially vulnerable). We believe that alternative steps, i.e. through addressing root cause issues, would be a more beneficial approach to addressing switching concerns in the market, and a more efficient use of resource to deliver the best outcomes for customers.

Please find below in Appendix 1 our responses to the individual consultation questions.

We would be very happy to discuss any part of our response with Ofgem in more detail. Should you have any questions, please contact my colleague Gregory Mackenzie, at gregory.mackenzie@centrica.com.

Yours sincerely



Nigel Howard
Director, Consumer Policy
Centrica Legal & Regulatory Affairs (UK & Ireland)

Appendix 1: Consultation Question Responses

Question 1: Do you agree that the aims of the Guaranteed Standards of aligned with and complementary to the industry-led operation of the Energy Switch Guarantee? We would be interested to see proposals that you think would better support a continued combination of voluntary industry action and regulatory incentives to deliver better switching outcomes to consumers.

We are supportive of Ofgem's approach to extend any proposals across the whole market, rather than relying on the signatories of the Energy Switch Guarantee to implement a compensation regime. There should be a level playing field across all suppliers, not least to ensure that all consumers irrespective of their losing or gaining supplier, can expect and benefit from the same customer journey and outcome.

However, it is difficult to see how the Energy Switch Guarantee can continue if these automatic compensation rules were to be implemented as new Standards, except for Erroneous Transfers, which form part of one of the key KPIs. The ESG's members have already agreed to follow a KPI regime, making sure they meet targets in the relevant areas. Introducing the proposed Standards would surpass the KPI requirements set in the ESG, changing the key incentive from ensuring compliance with the ESG to ensuring that costs are kept as low as possible through a compensation regime. This could have unintended consequences for consumers.

ESG's signatories have already been reviewing how suppliers can improve switching performance, specifically looking to understand how market issues can be addressed. If the compensation measures were to be introduced as proposed, then we believe the ESG could turn into a forum which simply seeks to understand how performance could be improved to reduce costs. This would take away / detract from the current customer focus / centrality of the group, which looks to promote confidence in switching as well as raising switching awareness.

Question 2: Do you agree with our proposed new performance standard for delayed switches?

We believe the focus for switching performance should be reliability rather than the speed at which a switch can be complete. We find that consumers value the speed of their switch, but are more concerned with their switch being simple and accurate. YouGov completed research in March 2017 to understand consumer views to faster switching and attitudes to switching in general. This research showed that only 3% of the consumers surveyed will not switch because *'The process of my supply actually being switched, after I had agreed a contract takes too long'*. The 21 day switch Standard, as proposed, could promote bad supplier behaviours across the market, leading to poor consumer outcomes. Poor consumer outcomes will arise when suppliers take all possible steps to complete the acquisition within 21 days, to avoid having to make payments to the customer. We believe behaviours like this could result in inaccurate first bills, delays in receiving the first bill, direct debits not being set up correctly and further administrative inaccuracies. We believe that consumers would rather have their account switched accurately, their account and direct debit set up correctly, an accurate opening read obtained and an accurate first bill issued, leading to a better customer experience with the supplier, rather than simple speed of the switch. This is something suppliers can do through effectively managing consumer expectations when acquiring a customer.

If the 21 day Standard were to be implemented, then we believe it is important that the exceptions set out by Ofgem, clearly allow suppliers to take longer than 21 days (when more information is needed) so that the customer can go through a thorough and accurate acquisition process.

We believe the proposed value of £45 is disproportionate to the value of the detriment experienced by the customer. Any value to be compensated to the customer should be proportionate to the detriment experienced during the delayed switch. The customer will remain on supply during the switching process, even if delayed, so the detriment experienced will be the delay in realising any saving between the

customer's old tariff, and the new tariff. We believe this would be minimal (and in some cases, a single day). Ofgem must assess the average switch time and evaluate (via a Regulatory Impact Assessment) the level of harm caused due to the (potential) missed savings opportunity, before any compensation were to be introduced.

The value of £45 per delayed switch (i.e. £30 for gain and £15 for loss) will introduce a large amount of cost into the market, estimated at £37.5m by Ofgem from evidence available in 2017. We believe that introducing a cost of this scale is an inefficient method of improving performance and is not guaranteed to drive the desired outcomes that Ofgem wants to deliver. We believe that this will only benefit those customers actively participating in switching and will negatively impact those disengaged customers who do not switch, due to the likelihood that suppliers may have to increase their prices across their customer base to facilitate the automated compensation proposal. This would result in a further negative view of the market from disengaged customers.

We believe a more effective and efficient approach would be to take a similar approach to that in the Current Account Switch Service, which would ensure that the customer does not miss out on any savings if there was a delay.

Alongside this, we believe Ofgem should:

- Update Supply Licence Condition 14A so that the relevant date is reflective of the definition in the Energy Switch Guarantee (i.e. the date a completed customer contract is received)
- Mandate all suppliers to provide monthly or quarterly performance reports to Ofgem. We believe that Ofgem receives a view from some suppliers today through Retail Market Monitoring, but not from all of those participating in the market
- Publish this performance on the Ofgem website to further incentivise performance in the market
- Monitor which suppliers are performing poorly and manage performance as it sees fit, taking into consideration any real financial detriment to consumers

This approach will mean that a fair approach is applied to all participants in the market. And, it will also mean that suppliers are not paying compensation in instances where a competitor's performance is not at the required level of performance.

Question 3: Beyond the licence condition of “valid switches”, do you believe any additional exemptions are necessary to cover scenarios whereby a switch cannot be completed within 21 calendar days?

We are supportive of Ofgem only looking at measures of performance for switches that go beyond 21 calendar days for invalid reasons.

We believe an important step is to further define the existing exceptions in SLC 14A.3, as we believe there is room for interpretation in Clauses (C)¹ and (E)². Any exceptions allowed against the measured performance must be unambiguous, so that consumers can know what to expect and suppliers can apply the same interpretation of the exception, not their own interpretation of exceptions.

We believe there are further exceptions that should be considered to protect suppliers when a switch is delayed beyond 21 days:

¹ Supplier Licence Condition 14A.3 (C): the licensee does not have all information it requires in order to complete the Supplier Transfer, despite having taken all reasonable steps to obtain the missing information from the customer, and cannot readily obtain that information from other sources

² Supplier Licence Condition 14A.3(E): the licensee is prevented from completing the Supplier Transfer due to any other circumstance which is outside the control of the licensee and which it has taken all reasonable steps to resolve.

- Market changes or market failures outside of the supplier's control. This exception would be to protect suppliers from being measured against market events, such as a drop in performance following the Nexus implementation.
- In the case of Bank Holidays. For example, a switch could technically be delayed due to Bank Holidays which fall on consecutive days.

Question 4: Do you agree with our approach for losing suppliers compensating consumers?

No.

We believe that a GS framework should only impose a compensation measure on suppliers that are at fault for a Standard not being met. A party should not be held responsible, or expected to pay compensation, when they have followed what is required of them in the market and allowed the other party to complete their actions.

We believe imposing a GS payment on parties which are not at fault imposes extra cost on innocent parties in an unfair manner. Suppliers who have made the required system change to be able to deliver 21 day switching are likely to have to make compensatory payments to the customer. This removes the incentive on suppliers to drive their own performance, as the performance is likely to be outside of its control. Further to this, we believe that it is unreasonable for an innocent supplier to have to make continuous payments until the acquisition has been complete.

We believe attributing the charge to both suppliers is an inefficient and ineffective way to drive performance. However, if compensation payments were to be made, then we believe DTN data must be used, and a set of principles created to ascertain when a supplier is at fault. We would like to work with Ofgem and other market participants to understand how this can be achieved, if a GS is to be introduced. Alternatively, we believe an even more efficient method is through our proposed route in response to Question 2, i.e. by tracking and driving performance by updating SLC14A and mandating suppliers to provide reporting to Ofgem. This will ensure that suppliers not meeting the required standards are identified and performance improvements are therefore better targeted to improve performance in the market.

The route proposed by Ofgem for the losing supplier to compensate the customer will lead to very poor consumer outcomes. The proposal places the burden on the customer to contact the losing supplier, following advice from the gaining supplier, when a 21 day switch has not been complete. The losing supplier will not have the relevant information at this stage and must itself validate with the gaining supplier. This is to ensure that the claim is legitimate. We believe the unintended consequence of this will be frustrating for consumers and create a more negative view of switching in the market than there is today.

Question 5: Do you agree with our proposal to revise this performance standard to align to new faster switching requirements in the future?

We believe that if GSs are to be extended to faster switching requirements, then the 'polluter pays' principle must be applied to ensure that only the party at fault is paying compensation to the customer. Suppliers meeting the requirements should not be held responsible for compensating the customer.

It is also important that any compensation is proportionate to the value of detriment experienced by the customer.

Question 6: Do you agree with our proposed new performance standard for failure to agree whether a switch is erroneous or not?

We believe that an ET should be agreed within 20 WDs which is consistent with our voluntary commitment as part of the Erroneous Transfer Customer Charter. The Erroneous Transfer Working Group recommended that the ET customer charter should be extended to cover all market participants.

From our experience, we believe that Standard (B) to agree within 20 WDs whether a switch is erroneous or not, and Standard (D) to issues a letter within 20 WDs - is the same piece of work. Suppliers must agree before the letter can be sent to inform the customer of next steps. Because of this, we believe that there should only be one Standard here for suppliers to agree and issue a letter in 20 WDs.

We believe that all Erroneous Transfer Standards should only seek to impose a compensation clause on the party at fault. We believe this Standard should also attribute fault to the supplier that has caused the 20 WD timescale to be missed. The requirement should be for suppliers to ensure they meet the required timescales documented in the MRA and SPAA Schedules³. The supplier failing to meet the required SLAs should be required to compensate, not the supplier which has followed the market requirements to address the ET. We believe suppliers can monitor this performance over the DTN, as parties are now required to use this network.

Question 7: Do you agree with our proposed new performance standard to ensure a consumer is not erroneously switched?

We agree that suppliers should be taking steps to ensure that a customer is not erroneously switched. It can be frustrating and time consuming for the customer, especially if they are passed between suppliers when trying to resolve the ET.

The Erroneous Transfer Working Group provided recommendations to the market on how ET performance could be improved. One recommendation was to create the ET PAB. We believe an initiative like this will deliver greater customer outcomes and is a more efficient use of suppliers' resources to introduce. The scope of the PAB could be to monitor performance across the market and monitor trends in supplier performance. If a supplier has a high proportion of ETs, then the PAB will be in a position to interrogate the data and request performance plans from the poorer performing suppliers to ensure all suppliers are performing to the same level. Ofgem would be involved in the PAB and if there are any areas of serious concern, we believe Ofgem could intervene at any point.

We maintain the principle that the party at fault should pay compensation and believe that the existing Erroneous Transfer Codes, that are agreed between suppliers, can be used to allocate responsibility for compensating the customer.

Table 1 demonstrates the reason codes and definition as per MAP 10, and our recommended approach to compensating the customer.

³Electricity requirements are detailed in MAP 10 and Gas requirements detailed in SPAA Schedule 10.

Table 1:

| ET Reason Recorded | Definition | Supplier Responsible |
|--|--|---|
| Forgery – PROVEN | Where an ET is proven to be a result of fraudulent marketing practices by the gaining Supplier or its salesman/agents. | Gaining |
| Incorrect MPAN/MPRN Selected | Where an ET is recorded in circumstances where the customer being transferred has been incorrectly identified. | Gaining. The supplier should validate data before completing acquisition. Losing Supplier if MPXN is provided, and market data is incorrect. |
| Cancelled Contract not action | Where an ET is recorded because the gaining supplier had failed to act upon the cancellation of the contract by the Supplier | Gaining |
| Misleading Information/suspected Fraudulent Marketing Practice and/or Training Issues. | Where an ET is recorded due to the provision of misleading information by the gaining Supplier or its salesmen/agents | Gaining |
| Technical Issues | Where the ET process is used by Suppliers to correct a technical problem whilst at the same time enhancing customer service | N/A – ET is to improve customer service. |
| Customer Service Returns | 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. Old Supplier should look to re-register the customer | N/A – ET is to improve customer service. |

As per Table 1 and the definitions provided in MAP 10⁴, our view is that the gaining supplier is responsible for most ETs. We believe that the losing supplier in principle can only be held responsible when the customer provides the MPXN and address data to the gaining supplier and the address data does not match. If this industry data does not match, then the losing supplier has either not maintained the address data correctly, or the customer provided incorrect information. We find this is the most common ET reason with c.65% of our ETs occurring because of the incorrect MPXN. We believe a simple way to reduce this number is for the customer to provide the MPXN number to the gaining supplier when completing the switch so that address data can be validated.

It is our understanding that Ofgem does not receive full reporting from all suppliers in respect to the number of ETs they experience. We believe that another alternative to the PAB and market led approach could be for Ofgem to mandate what reporting is provided to Ofgem. Performance can be published on the Ofgem website, including poor performance. Ofgem can translate this data and make it meaningful to customers (i.e. a supplier's data accuracy is poor, acquisition accuracy can be poor and the resolution timescale on

⁴ MAP 10 Annex 2: Recorded Reasons for Erroneous Transfers.

ETs is poor.) This publication will again incentivise suppliers and provide the required reporting to Ofgem so it can understand the reasons for those suppliers performing poorly in the area of ETs.

We believe there are four exceptions that need to be introduced as part of any element of an ET compensation regime:

- Technical Issues: The ET is used as a tool to fix a customer service issue.
- Customer Service Return: The ET is used to return the customer to their old supplier as part of a goodwill gesture.
- Incorrect information provided by the customer: It is important that customers cannot gain compensation by purposefully 'gaming' the system. We believe this could become more common if they could potentially gain £45 from an ET as proposed.
- Market Issue outside of the supplier's control: This is to cover the eventuality of collective ET issues caused by an industry led change, outside of the control of the supplier. We believe it is unlikely, but important to include.

Question 8: Do you agree with our proposed new performance standard for sending the “20 working day letter”, as currently required by the ET Customer Charter?

We believe that the 20 WD letter requirement should be mandatory for the whole market so that ET resolution times are improved and engagement between suppliers is also improved. As highlighted in our response to Question 6, we believe that standards (B) and (D) appear to introduce the same requirement. We believe that only one Clause should exist so that suppliers agree within 20 WDs and issue the letter.

The MRA and SPAA ET process SLAs should be followed by suppliers following an ET concern being raised by a customer. We believe that a supplier should be responsible for compensating a customer in this circumstance if they did not follow the agreed industry SLAs. This can be tracked through the DTN (that all suppliers are required to use).

Question 9: Do you agree with our proposed new performance standard for sending final bills?

We agree with this Standard and believe it is appropriate that it is aligned with the existing Supplier Licence Condition 27.17, so that the bill is produced within 6 weeks of the supplier end date or the termination of the contract.

We believe that in most circumstances, the responsibility sits with the losing supplier for not issuing the final bill within 6 weeks of the Supply End Date. As Ofgem has stated in the consultation document, we believe there are instances where the supplier has genuinely not been able to issue the final bill due to factors outside of its control. We believe it would be appropriate to have exceptions to the 6 week rule where the supplier has taken reasonable steps to issue the final bill as below in Question 10.

We believe that if this were to be introduced as a GS, then the value must be reflective of the detriment experienced by the customer. Ofgem highlights a concern that late final bills received by the customer results in poor consumer outcomes, due to sometimes receiving two bills at once (one with their new supplier and one with their existing supplier). We believe a more efficient way to improve performance is to understand key root causes across the market as to why bills are not issued within 6 weeks. One issue that has been investigated through the Energy Switch Guarantee is the speed in which the gaining supplier's agent issues the closing meter reading to the losing supplier. This process⁵ will be quicker with smart metering, but we believe there could be immediate change driven through code change to drive the speed in which the gaining supplier issues the D0086 to the losing supplier. This will ensure the customer's final / opening bill is accurate as well as timely. This will be a more efficient use of market resource than suppliers independently issuing compensation.

⁵ [BSCP504](#) 3.2.6 'Change of Supplier for an existing SVA Metering System'

We believe that a GS payment must be reflective of the harm incurred by an individual consumer when the final bill has not been received within 6 weeks.

Question 10: Do you believe any explicit exemptions are necessary for scenarios whereby suppliers are unable to issue a final bill within six weeks?

We would recommend three exemptions, based on our experience, when we cannot meet the final bill within 6 weeks:

- When the customer requests not to be final billed. We experience this with some customers, (e.g. building developers) who do not wish to receive a final bill for each of their accounts, as they will be receiving multiple bills. We believe if we have this agreement with the customer, then there should not be an obligation to send to the customer a final bill, when appropriate.
- Accounts where the supplier has not been able to produce the final bill despite taking reasonable steps. We can sometimes struggle to produce a final bill for the customer, as we are awaiting the final read from the new supplier. We can estimate a read to produce the final bill, but the accuracy of this estimate is dependent on the meter read history we have for the customer. We believe this exception should count so that suppliers are not forced to issue inaccurate bills. The parameters of this would have to be clearly defined so that suppliers are applying the same exceptions.
- A final exception, which we believe should be applicable to all suppliers, is the event of delays due to an issue which has impacted the whole market. In this scenario, it would be for Ofgem to stipulate when such an event has occurred. Such an event might occur through *force majeure*.

Question 11: Do you agree with our proposed new performance standard for refund of credit balances? Views would be welcome on whether it is reasonable to consider that a customer deciding to switch supplier should be considered to have requested any outstanding credit balance from their losing supplier, and that refunding that credit balance within two weeks of a final bill would be timely.

We believe the new Standard is in line with the ESG and an appropriate measure for the whole market. As with the standards (A) and (E), we believe there should be valid exceptions for instances, so suppliers do not have to pay compensation where the supplier is unable to complete credit despite taking all reasonable steps.

We experience issues in processing final credit refunds when:

- The name on the account is 'The Occupier' and we do not have account details for the customer to be able to process the refund to.
- Further checks have been completed on the account to ensure that there is not any fraudulent activity taking place. This would happen if we receive a payment following the final bill being issued.

The value attributed to this Standard should be carefully considered to ensure that is representative of the detriment experienced by the customer. There will be instances where the customer is owed a small refund, e.g. £2. We do not believe that it is appropriate for a customer waiting for a refund of this size is compensated £30 for a delay in receiving credit. We believe that any compensation level must be commensurate with the size of the refund owed to the customer.

An alternative method to drive supplier performance in this area could be for Ofgem to mandate and publish supplier performance statistics on the timeliness of refunds. This could be used as another tool for customers to understand their supplier's performance.

Question 12: Do you believe we should add any other new performance standards?

No, we do not believe there are any other performance Standards that should be introduced.

Question 13: Do you agree with our approach to dual fuel switches?

We agree with the approach of applying GSOPs on an account basis, so that on a dual fuel switch, the customer is eligible for one compensation per Standard.

We believe that if any GS payments were to be made to the customer, then they must be reflective of the level of detriment the customer has experienced.

Question 14: Do you agree that where both gaining and losing suppliers are involved in the process covered by a Guaranteed Standard then both should pay compensation where the standard is breached?

No, we believe a core principle to any GS compensation model should be that the party responsible for any delays should be responsible for paying compensation. We have highlighted this in our responses to the above, and believe it is key to ensuring that suppliers do not incur extra cost due to the poor performance of competitors.

In 21 day switching, we believe that if a compensation model was to be taken forward, then centralised data must be used to understand who is at fault for an acquisition not being completed within 21 days. Suppliers should not be held accountable for compensation payments when they have fulfilled all of their obligations, and no further action from them will speed up the switch.

For Standard (B), the requirement to agree an ET within 20 WDs, we have highlighted that the greatest risk to not being able to meet the 20 WDs requirement as defined in the ET Customer Charter, MRA and SPAA is other suppliers not keeping to the required SLAs to agree and resolve the ET.

In reviewing our own 2017 erroneous transfer data, we found that c.20% of the ETs we raised as the initiating supplier, experienced response delays of 15 or more days. We also found that c.9% of the ETs raised to us had already passed the 20 WD requirement. In these instances, we are unable to act and would have to compensate the customer. We do not believe it is fair to share the blame in instances when suppliers have not acted within industry prescribed timelines, and it should be for those suppliers to identify when they have breached the SLAs and compensate the customer, not the innocent party to also have to compensate the customer. All suppliers are required to utilise the Data Transfer Network to transfer this information. Through the DTN, suppliers can keep track of performance vs SLAs and keep an audit trail of the payments made to the customer.

Standard (C): responsibility for an ET occurring should not be a 'shared blame' in all circumstances. There are clear instances where the losing supplier has no control over the ET and it is only clear once the ET has occurred that it was in fact an ET. Suppliers are required to agree the ET reason and we believe the reasons, as defined by MRA and SPAA, can be used to allocate who is to blame for the ET occurring.

Sharing the blame amongst suppliers will increase the cost to participate in the market for all parties. Therefore, a compensation model should be aimed at those parties at fault to incentivise performance improvements. We believe the current shared model will not deliver this and will remove any incentives on suppliers to improve process, as there will be elements outside of a supplier's control. A shared model will drive extra cost into the market, which will ultimately have to be borne by all consumers.

We do not believe that a shared compensation model will drive the process improvement that Ofgem would like to see. We believe a better way to do this is through increased market reporting and identifying the common root causes preventing suppliers from meeting the desired SLAs. Market change can then be

focused on addressing those issues. This approach is a more efficient way for suppliers to invest in systems to improve customer outcomes.

Question 15: Do you believe additional safeguards are needed to ensure suppliers are not liable for payments if consumers have acted in bad faith?

We believe it is important to ensure that a customer cannot benefit from acting in bad faith. The proposed Standards mean that there is potential to 'game the system'. The current GSOP protection that a supplier does not have to pay compensation if they reasonably consider the matter to be frivolous or vexatious, goes some way to offering protection.

We believe further protection and specific exceptions for each Standard should be provided to ensure that there is protection from the potential to game the system.

Question 16: Do you agree with the proposed two-thirds to one-third ratio of compensation payments between gaining and losing supplier in the cases of Guaranteed Standards A and C, and an equal share in the case of Guaranteed Standard B? Please provide any evidence you have to support your views.

We do not believe that responsibility should be split. The two-thirds to one-third ratio demonstrates that there is an acceptance that the greatest responsibility should sit with the gaining supplier in most instances. As we have stated throughout our response, we believe that a compensation scheme needs to focus on those parties at fault paying the compensation and believe there is a way to do this through existing data without the need for forensic investigation.

We believe an approach where both parties accept blame and pay compensation will not deliver the process improvements that Ofgem is looking to deliver.

Question 17: Do you agree that compensation payments where both suppliers are involved should be £30 or £15 in the cases of Guaranteed Standards A and C, and £30 for both suppliers in the case of Guaranteed Standard B?

We believe the amount paid for a breach needs to be fully considered and Impact Assessed. The current GS payments made to customers by suppliers are in the following areas:

- Making and keeping appointments
- Fixing faulty credit meters
- Fixing faulty Prepayment meters
- Reconnection after disconnection of unpaid charges.

We believe a £30 payment in these fields is proportionate, as the customer has taken time to schedule the appointment and ensured that someone is present at the time of the appointment (this could be through using annual leave for example). This level of inconvenience and detriment is greater than that encountered through proposed Standard (A): 21 day switching.

During the switch, the customer will remain on supply and does not have to take any further action, unless the supplier needs further information, to progress the switch. We do not believe the proposed £45 payment is reflective of the detriment the customer has received. The detriment to the customer will be the difference between their old and agreed tariff. As the GS proposal is currently written, the customer will be eligible for a further payment every 10 days until the issue is resolved. We believe these payments are excessive and not proportionate. We also believe the customer will have experienced more detriment through the existing GS and had a more difficult consumer journey, but the suggested payments would not suggest this.

As previously stated, we believe that the compensation payments should only be paid by one party, and believe that blame can be ascertained from existing information. We believe any GS value must consider the level of detriment encountered by the customer, with the payment being proportionate.

Question 18: Do you agree with our proposals that all other proposed Guaranteed Standards (D), (E) and (F) should be subject to compensation payments of £30, in line with existing guaranteed standards?

We believe that any payments made to customers should be proportionate to the level of detriment experienced. Ofgem has not produced the evidence required to justify why £30 would be proportionate in these circumstances. We believe that Ofgem must demonstrate how it has arrived at its GS payment values for the Standards, i.e. to demonstrate that the values are proportionate to the detriment experienced by the customer.

Question 19: Do you agree suppliers should be required to make all payments in 10 working days?

Yes, we agree that the existing GS timescales should be used, with the payment to be made in 10 WDs from when the supplier is aware of the breach.

Question 20: Do you agree with our proposals to require additional payments to be made for failure to compensate consumers promptly?

We agree that further payments should be made for late payments.

Question 21: Do you agree with our proposals to require additional payments to be made by suppliers if they fail to resolve problem?

We do not believe additional payments should be made at the current values proposed, as they go well beyond the level of detriment experienced by the consumer.

The currently proposed shared design will mean that suppliers could be subject to ongoing payments, due to the inefficiency of competitors. Suppliers should not be exposed to ongoing costs / payments when they are unable to influence performance and are reliant on others completing their actions.

Question 22: Do you agree that the new Guaranteed Standards should be introduced for domestic suppliers only?

Yes, we believe the GS should be introduced in the domestic area only.

Question 23: Do you agree that no changes are needed to requirements regarding the provision of information to consumers?

We agree that the existing communications requirements are suitable for the proposed standards.

Question 24: Do you agree that we should expressly require suppliers to keep accurate records of their Guaranteed Standards performance?

We believe it would be sensible to require suppliers to keep an accurate record of their GS performance. We believe this is a step that suppliers should complete to understand their own performance against any standards taken forward.

Question 25: Do you agree that Ofgem should have the power to request an audit of individual suppliers' Guaranteed Standards performance?

We believe Ofgem should follow its existing enforcement guidelines and framework if it has reason to believe that a supplier is in breach of any Standard or Licence Condition.

Question 26: Do you agree that we should mandate quarterly Guaranteed Standards performance reporting from all suppliers?

We believe that Ofgem should mandate performance reporting in these fields as a first step to understanding which suppliers are not reaching the required performance standards. This reporting can be published on the Ofgem website and made available to the public. If GS is used to address performance issues, then we believe quarterly performance reporting is required.

Question 27: Do you agree with our plans to publish individual supplier Guaranteed Standard performance?

As we have stated throughout our response, we believe a more efficient way to improve performance, and target poor performing parties, is for Ofgem to request regular reporting from all suppliers. To further incentivise suppliers, the performance should be published in an open way so that it is clear which suppliers are not meeting the required standards, thereby causing delays and detriment to consumers.

Question 28: Do you agree with our proposal to retain the existing dispute resolution procedure within the Regulations?

Yes, we believe the existing arrangements will be suitable.

Question 29: Do you support the option of higher compensation payments for switches that go wrong where the supplier has attempted to switch the customer faster than five working days during the Switching Programme transitional phase?

No, we believe if compensation were to be introduced, that any payment made to the customer is proportionate to the level of detriment experienced. We believe the level of detriment to customers from a delayed switch is very low, and think the proposed £30 payment to be paid by the gaining supplier is already above the level of detriment which the customer experiences.

We believe during this transitional phase there could be 'teething problems' in the process that were unforeseen during testing. We do not think those suppliers that are attempting to be proactive in achieving faster switching should be punished for not being able to achieve it immediately.

Question 30: Do you agree with our proposal to allow suppliers and other bodies a two – month implementation period to make necessary adjustments to comply with the new guaranteed standards of performance.

We believe that a two month implementation timescale is insufficient time to implement a change of this size. Centrica is currently completing the associated RFI to feed into Ofgem's impact assessment. We have identified that the level of change required to meet this change is greater than what Ofgem has stated.

A timescale for implementing the change will obviously be dependent on the final proposal, i.e. will need a project to implement the change. We will detail the cost associated to implementing these proposed changes as part of the RFI, but the IT change required is estimated to be 'significant'.

To highlight some of the changes required:

- A new suite of MI reporting will be required for the new GS to monitor performance, ensure payments are made to customers in a timely way and ensure further payments are made if needed
- A new process to send GS payments to customers along with communications materials to send to the customer
- New resource and training to support the running of the new standards
- We believe a lead time is needed for those suppliers that are not meeting the prescribed standards if the responsibility is to be split amongst suppliers. If this is not allowed, then losing suppliers will be compensating customers due to competitors' systems not designed for or compliant with 21 day switching.