

31st July 2018

Dear Rachel,

We appreciate the opportunity to respond to Ofgem's consultation titled "Supplier Guaranteed Standards of Performance: Consultation on Switching Compensation", published 12 July 2018.

Introduction to Co-op Energy

One of the biggest differences between Co-op Energy and other energy suppliers is that we're a co-operative, which means we're owned and run by our members. Most big energy suppliers are owned by shareholders, so any profit they make goes back to their shareholders, rather than customers. When we make a profit it's our members, and our community who see the benefits.

Established in 2010, Co-op Energy has over 300,000 domestic customers and is committed to sustainability. We stopped buying electricity from coal in 2016. All our electricity tariffs are now sourced from 100% renewably generated electricity as standard.

We launched our Community Energy Strategy in March 2017 and we are helping to expand community energy in Great Britain and to be recognised as the GB's leading supporter of locally-generated low-carbon energy. Via Power Purchase Agreements (PPAs) we are enabling a fair market access for community energy, with projects including wind, solar-PV and hydroelectric technologies. The number of PPAs with community energy groups now stands at 55 more than sextupling the nine we had at the end of 2014.

We secured Fair Tax Accreditation for the 3rd consecutive year and won the Queens Award for Enterprise 2015 in recognition of our ongoing commitment to social responsibility.

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Working together to create a better, fairer world*



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Co-operative Energy Limited
Registered in England under company no. 6993470
Registered office: Co-operative House, Warwick Technology Park, Warwick CV34 6DA
Part of The Midlands Co-operative Limited

Our comments on the consultation

We fully support and recognise the need to ensure that consumers experience fast and hassle-free switching and that negative outcomes are avoided where possible.

1. Any GSOP that is introduced to enhance consumer experience should bring a meaningful impact to this process and incentivise behaviour to address the root cause that lead to poor switching outcomes.
2. Any new Standards should be precise and incentive suppliers to fix shortcomings that are within their control, rather than resulting in GSOP becoming an enduring, uncontrollable cost. If the proposals are implemented as currently drafted - and even if suppliers take all steps within their powers - they will result in compensation payments for behaviours outside an individual supplier's control. Such GSOP payments will become a residual, uncontrollable supplier cost and create an upward pressure on customer bills.
3. The financial impact of introducing additional and uncapped GSOP has the potential to have a very material impact and so we would encourage a phased approach to mitigate this risk and provide suppliers with enough time to implement the proposals and undertake root cause analysis. Implementation of some of the consultation proposed Standards by the end of 2018 (B, D, F) and consideration of the other proposed Standards to follow after a period of further analysis.
4. Reference is made in the consultation document to poor industry data being a cause of problems with switching and erroneous transfers (Proposed standards A, C). We wish to echo this link and have a view that further important examination of Price Comparison Website (PCW) data is required to ensure that measures are targeted at appropriate parties. While there are contractual levers between suppliers and PCWs that could address PCW data quality, there is a power imbalance between PCW and supplier, and suppliers need to choose between accepting PCW terms or being denied a vital route to market.
5. The impact on supplier GSOP payments from the increasing role of automated switching sites needs to be considered. They are a source of poor quality switching data. The proportion of such switches is currently low compared to total switches, but will likely increase over time. Since the commercial relationship is between automated switching service provider and customer, the supplier lacks any commercial levers to address poor data quality.

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6. Proportionality of the payment amounts should be fully considered prior to implementation and whether payments are appropriate for the level of distress or inconvenience caused by a poor switching experience. If a customer encounters issues with all of the Standards relating to switching, which is a possibility, they could receive over £100.00 in total from the losing and gaining supplier, prior to any rollover payment. In relation to the extant GSOP, the inconvenience of experiencing a missed home appointment is arguably greater than, for example, a day delay in a switch, final bill or refund. We would propose a cap of compensation received per customer per switch, to ensure that perspective is maintained.
7. In exceptional or extreme circumstances we consider that the financial materiality associated with the proposed arrangements, may have existential consequences for suppliers, which may create a SOLR situation. We do not think this is Ofgem's policy intent. If a supplier had an isolated process/system failing concerning a billing or refund process which affects a volume of customers, the associated total compensation payment in these circumstances may be unaffordable. A capped threshold for an incident which affects for example over 20% of the metric would offer protection to the supplier, regulator and consumer against such an outcome.
8. We would welcome a published review of the effectiveness of any new GSOP on switching performance, 12 months after implementation, to ensure that the correct outcomes are being achieved and that suppliers are incentivised to make the relevant improvements to their processes.
9. Standard E – further investigation would be helpful to understand the root causes. It is possible action (or inaction) of the gaining supplier could cause a delay in the issuance of final bill.

Yours sincerely

Duncan Carter
Senior Regulatory Manager, Co-op Energy

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