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**Ofgem Consultation: Supplier Guaranteed Standards of Performance: Consultation on Switching Compensation
- Response by ENGIE Power Limited.**

Dear Rachel,

Thank you for the opportunity to respond to the consultation on switching compensation, please find our response below.

About ENGIE

ENGIE is a leading energy and services company focused on three key activities: production and supply of energy, facilities management and regeneration. Our 17,000 employees combine these capabilities for the benefit of individuals, businesses and communities throughout the UK & Ireland.

We enable customers to embrace a lower carbon, more efficient and increasingly digital world. Our customers benefit from our energy efficient and smart building solutions, the provision of effective and innovative services, the transformation of neighbourhoods through regeneration projects, and the supply of reliable, flexible and renewable energy.

ENGIE improves lives through better living and working environments. We help to balance performance with responsibility, enabling progress in a harmonious way.

Globally, the ENGIE Group employs 150,000 people worldwide and achieved revenues of €65 billion in 2017.

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Summary points

We do not agree that introducing new supplier licence conditions for automatic compensation in the event of failed switches is the best way forward. Whilst there may be merit in having a baseline compensation package for consumers where the switch does not go smoothly, this would be better achieved via an industry code of practice, for example the Energy Switch Guarantee. This alternative approach would better exhibit industry engagement and would help to restore customer trust than a blanket regulatory driven obligation. Additionally, this alternative approach would allow suppliers to be able to differentiate and use discretion to respond better to customer's individual circumstances.

Ofgem's proposals appear to be at odds with its own aim to move to a principle based regulatory approach. Adding additional prescriptive obligations to the supply licence conditions at this time does not sit well with this and is counter to much of the positive progress we have seen recently to simplify the licence.

It is possible that the proposals may also, albeit inadvertently, affect competition in supply. This is because smaller growing suppliers, by definition, have most of the switches and hence are disproportionately affected by the proposals. In many cases the failed switch may be no fault of the inheriting supplier but may be due to poor data quality or a delayed co-operation from the incumbent supplier. Ultimately any additional costs will add to both the cost of acquisition and the cost to serve and could inhibit the growth of smaller suppliers.

Planned improvements in the industry processes and central systems, such as the faster and more reliable switching programme itself should result in fewer delays and an improved customer experience in the medium to long term. As a result it is likely that any cost/benefit case for automatic compensation is short-lived as in the longer term the costs of administering the process are likely to outweigh the benefits.

Detailed response

Whilst we do not agree that automatic compensation should be introduced directly into the supplier license as outlined above we have the following detailed points in respect of Ofgem's consultation questions.

1. Switching Timescales

In principal, we agree that it is reasonable to set the standard for reliable switching at 98%.

Should this standard be introduced it is essential that Ofgem provide clear guidance needs to be provided in relation to what constitutes a valid delay, similar to the guidance issued for Guaranteed Standards of Service. Events such as multiple Bank holidays within a short scale, upgrades to external systems out of the suppliers control and delays in receiving contracts from PCW's need to be considered.

The apportioning of compensation ultimately with the gaining supplier taking the lead, could effectively target the incorrect supplier. The current supplier holds the responsibility for maintaining the correct data, which can constitute many of the delays within the process. As the losing suppliers only required to pay compensation upon request, this appears to favor the losing supplier over the gaining where the fault hasn't been determined.

Clarification question: As the standards relate to dual fuel switches, where one fuel is delayed over the 21 days, is the intention that compensation will be paid in full?

2. Erroneous Transfers

ENGIE accept that the Erroneous Transfer process needs to be enhanced across the Industry and support the proposed principle, while having several concerns including the evidence of poor data within the Industry, which your analysis has shown to cause 75% of the overall amount of Erroneous Transfers. With the introduction of the Meter Point Address Update flow in February this year, this should highlight where the liability sits within the process. However, we expect that there will be operational difficulties between losing and gaining suppliers to establish how errors have occurred and where liability is attributed.

Concerns have been raised relating to the 20-day requirement for agreement between suppliers, where complex issues have arisen. The focus of Erroneous Transfers differs across suppliers resulting in the current time scales varying drastically from a matter of days to our worst-case scenario of 6 months. To ensure the changes are made consistently across the Industry, a realistic time frame needs to be adopted from the final consultation document to implement this change of process to not penalise companies who are already actively managing their portfolio in line with the ET Charter. Where both suppliers are penalised to the same value, there appears to be no incentive for the poorer acting suppliers to improve their performance.

ENGIE's current performance relating to Erroneous Transfers has been provided under separate cover. All efforts should be made by suppliers to ensure an Erroneous Transfer doesn't occur, identified and rectified quickly where one materialises, utilising their systems to ensure correct MPAN's against addresses are obtained and used. This is more difficult to manage where a customer utilises a PCW to perform the transfer.

Communicating with the customer is fundamental, wherever there has been a drop-in service standard. ENGIE agree that the 20-day letter is appropriate, again the proposed compensation appears to be disproportionate to the detriment potentially suffered.

The management of Erroneous Transfers changes within the time scales potentially allotted from the final decision causes most concern. Especially, considering the consultation highlighting that failures to meet any of the proposals within this principal result in the payments escalating every 10 days with no cap placed on the payments.

3. Final bills and Credit

ENGIE support the requirement for sending bills within the 6-week time scale or sooner as currently set out in License along with returning the customer's credit within the two-week time scale. Due to potential time delays in sending final meter readings by the gaining supplier, we believe that any liability should be apportioned equally between both the losing and gaining supplier.

There is no incentive for the gaining supplier to send the meter reading to ensure an accurate final bill is created by the losing supplier, where all the compensation is paid by the losing supplier. The onus here should be on the gaining supplier.

Additional Questions

Q13 - Dual Fuel only

ENGIE are in support of dual fuel switches being classified for this purpose as one transaction, due to most transfers being completed in this way.

Q19 / 21 – Escalation of costs

Where escalation of failures happen, we believe the time scale should be in direct comparison to the time scale missed as opposed to the current proposed 10-day failure timescale.

Q22 – Introduction of the Standards of Performance only to Domestic customers

Should these proposals be implemented we agree that the standards should be restricted to domestic supply due to the complexity of the contract switching and billing processes for micro businesses.

Q24 - 27 - Supplier performance against the Guaranteed Standards Performance

It is our view that by publishing the Supplier performance data quarterly, this will provide more clarity of performance, will drive through change and improvements and we support this. Clarity of how this information will be published should be provided. Where data is provided, this should be available to audit when required and requested in a timely manner.

Q30 – Implementation period

ENGIE believe through analysis of our own data it is possible to implement the delayed switching and final bills / credit refunds within the 2-month period, due to these practices being adhered to currently. Erroneous transfers is a larger piece of system work and will require additional time to implement effectively to stop any detriment to the customer.

End of response.

Contact Details

I trust you will find this response helpful and if you have any questions please get in touch via email at Nicola.macdonald@engie.com or call me on 0113 306 1052.

Yours Sincerely,

Nicola Macdonald
Compliance Officer
ENGIE Homes and Enterprise