

Supplier Guaranteed Standards of Performance: Consultation on Switching Compensation

Ofgem policy consultation

A Response by Utility Warehouse

This document sets out the views of Utility Warehouse regarding the Ofgem policy consultation ‘*Supplier Guaranteed Standards of Performance: Consultation on Switching Compensation*’ published by Ofgem on 12 June 2018.

Utility Warehouse is the UK’s only fully integrated provider of a wide range of competitively priced utility services spanning both the Communications and Energy markets. Customers benefit from the convenience of a single monthly statement, consistently good value across all their utilities and exceptional levels of customer service. Utility Warehouse does not advertise, relying instead on ‘word of mouth’ recommendation by existing satisfied customers and distributors in order to grow its market share.

We take our responsibilities as an energy provider very seriously and make every effort to ensure we provide such essential services to our customers with the utmost integrity; the customer is at the heart of our business model and the way in which we operate. Customer value is the cornerstone of the success we have had and continue to achieve.

Utility Warehouse welcomes Ofgem’s intent to improve switching performance and make switching more reliable, but does not support some of the proposals set out in this consultation. It is imperative that any changes are carefully balanced so to ensure the desired outcomes are fair for all customers and reflective of issues within the control of suppliers where switches go wrong.

We have concerns that given the complexity of some of the proposals, the switching compensation could never truly be “automatic compensation” as intended, due to the burdensome nature that would be associated with administering payments for some of these standards.

We have set out our response to each of the consultation questions below. We trust Ofgem will find our comments useful and we are happy to discuss with Ofgem if that would be of help.

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

While we understand the policy intent behind the development of the proposed new Guaranteed Standards, we do not believe they are complementary to the Energy Switch Guarantee (ESG). The introduction of new Guaranteed Standards may provide a regulatory and financial incentive to comply with the ESG, but we believe the proposed standards would undermine its value. Research, conducted by QA Research, during the development of the ESG highlighted that the mention of financial compensation is likely to be counterproductive and lead to assumptions that serious problems and hassle are required. This is contrary to the ESG’s work to improve supplier performance in this area, promoting a hassle-free switching experience to increase consumer confidence.

As signatories to the ESG, our views are well articulated in their response to this consultation.

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

We agree that Suppliers should be required to complete a switch within 21 days of the date the consumer enters into the contract, unless there are valid reasons for the delay; we therefore support the new proposed standard.

Question 3: Beyond the licence definition 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 agree that advanced switches and objections should be considered as a valid delay.

The consultation states that delays because of the Debt Assignment Protocol (DAP) would not be considered a valid delay. The first stage of the DAP process is that an objection would be raised. We would therefore appreciate clarity from Ofgem on why DAP would be considered an invalid delay if an objection is considered to be valid.

As there are additional steps that must be taken by suppliers to complete the switch after the objection, we believe that a delay because of DAP should be considered a valid delay.

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

Utility Warehouse does not support the proposed approach for losing suppliers to compensate consumers for a delayed switch. While we appreciate Ofgem’s view that issues with validating industry data may not entirely be the fault of the gaining supplier, it is within the gaining suppliers control to identify and resolve delays to switches because of industry data issues within a reasonable timescale. Industry data quality is a long-standing issue that is already being addressed through the Switching Programme, to support the new switching arrangements. Suppliers are already working together to address issues with industry data quality, at Ofgem’s request, prior to the start of Stage 0.

We also have concerns regarding the potential for misuse of the proposed Guaranteed Standard by consumers. The losing supplier will have no way to validate that a delayed switch has occurred, if it was a valid delay, or how long it took the gaining supplier to resolve this. With Ofgem’s proposal to make this Standard subject to additional payments where it hasn’t been resolved, and no upper cap on the application of payments, this leaves the losing supplier open to unlimited claims with no way of validating the consumers request. There is currently no way for Suppliers to communicate the date the consumer entered into a contract with the gaining supplier. In order to ensure any process would be compliant with GDPR, we would need to have clarity over exactly what data would need to be shared and through what mechanism. We would therefore appreciate Ofgem clarity in this regard.

Given that both the Switching Programme, and Suppliers in support of this, are already working to resolve the issues with industry data, and the potential for abuse if this Standard were to be introduced as proposed, we strongly believe the requirement to compensate customers should not apply to the losing supplier.

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

As the proposals set out in the Outline Business Case indicate that Ofgem intend to introduce the new faster switching requirements into licences, Utility Warehouse agree it would be sensible to align any Guaranteed Standards with these amendments.

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

We agree with the proposed standard and believe this will provide an incentive for both the gaining and losing suppliers to resolve ET's in a timely manner.

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

There is already a supply licence condition that obliges Suppliers to prevent an Erroneous Transfer (ET) from occurring; this is supported via regulatory reporting to Ofgem through the monthly Market Monitoring data. We therefore do not believe an additional regulatory incentive should be required to comply with an existing licence condition.

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?

Utility Warehouse do not support the introduction of a Guaranteed Standard to send the "20 working day letter" as it is already required in the ET Customer Charter. The consultation has already highlighted that this is a duplication of failing to agree the ET within 20 working days.

The detriment to the consumer is caused by the ET occurring (proposed standard C) and any delays in the resolution of that ET (proposed standard B). We therefore do not agree that additional compensation should be due for the letter not being sent on time, where this is due to a delay that the consumer would have already been compensated for. Suppliers already have an obligation under the MRA and SPAA as part of the ET Customer Charter to send the letter, and report on doing so through existing monthly Market Monitoring data reporting to Ofgem.

We remain unclear on what specific issues Ofgem is seeking to resolve through the introduction of this proposed standard in addition to the other proposals contained within the consultation.

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

There is already a supply licence condition that requires Suppliers to take all reasonable steps to send a final bill within 6 weeks of the transfer of, or termination of, the Domestic Supply Contract. We do not believe an additional regulatory incentive should be required to comply with an existing licence condition. In any event, the proposed Guaranteed Standard is seeking to go further than the standard licence condition as it does not consider the "all reasonable steps" element and simply seeks to provide for compensation where the 6 weeks is not met.

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

As we have set out in our response to question 9, we do not agree with the proposed new standard.

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.

Utility Warehouse do not agree with the proposed new performance Standard. While we recognise this is currently part of the ESG, and refunding within two weeks of a final bill should be an aspirational target, it is not always possible for suppliers to do this as a standard based on their current billing systems, which may require significant system change to achieve this.

We do not currently request payment from our customers within 14 days of issuing the final bill, and on average provide 21 days' notice from issuing the bill before payment is due. We don't accept that refunding a credit balance at the time we would normally collect payment for a debit balance would cause any consumer detriment or distress to require compensation to be paid.

No evidence base has been provided in the consultation to suggest that not refunding credit balances within two weeks causes consumer detriment. Given the costs associated with setting up systems and processes to pay compensation for a Guaranteed Standard that exceeds the licence condition in this area, there must be a clear justification for doing so.

We recognise that the timely refund of credit balances is of greater importance to prepayment customers, which has already been recognised through the introduction of the Smart Prepayment Change of Supplier Principles, which Utility Warehouse has signed up to. We do not believe applying a performance Standard for all credit refunds is proportionate to the issue highlighted by Ofgem.

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

Utility Warehouse do not believe any other new Standards are required.

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

We agree with the approach set out in this consultation regarding dual fuel switches.

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? Please provide views, with any evidence you may have, on the appropriate split of responsibility between the gaining and losing supplier for each of proposed Guaranteed Standards A, B and C.

As we have set out in our response to Question 4, Utility Warehouse does not agree that the losing supplier should be responsible for compensation payments under Guaranteed Standard A.

While we agree with the rationale for the losing supplier paying compensation under Guaranteed Standards B and C, we do not believe this will always be possible where the losing supplier doesn't have a billing relationship with the consumer. While Ofgem have recognised this as an issue in the consultation, we don't believe the difficulty of making a time-sensitive payment to a customer where we may have no name, bank details, billing address or contact details has been appropriately considered. The gaining supplier will not always share the information required to provide the customer with a refund during the ET process.

We believe that, while the losing supplier should be responsible for paying compensation to the consumer; the payment itself should be provided by the gaining supplier and recovered

from the losing supplier. We have existing industry mechanisms for recovering funds from parties, such as DAP and Failure to Supply Gas payments. This would remove any complexities and delays with providing compensation to the customer.

This would allow for the payment “automatic compensation”, in line with Ofgem’s policy intent.

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 agree that any changes to the Guaranteed Standards should be considered carefully to prevent these from being abused. For example, we have raised concerns in our response to Question 4 regarding the potential for abuse with Guaranteed Standard A.

Ofgem’s proposal for additional payments for failure to resolve the issue, with no upper cap, provides the potential for abuse where information or engagement is required from the consumer to resolve an issue. Any additional costs incurred from the abuse of the proposed compensation system will ultimately be paid by all consumers. Therefore, Ofgem should consider carefully any potential unintended consequences of their policy decision.

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.

Utility Warehouse does not agree that the losing supplier should be responsible for payments under Guaranteed Standard A.

We agree with the split proposed for Guaranteed Standards B and C.

The 2/3 to 1/3 split for Guaranteed Standard C reflects the shared responsibility for the occurrence of the ET, while recognising that the gaining supplier is directly responsible for the erroneous switch. For Guaranteed Standard B, it is difficult to argue that one supplier is more responsible than the other for the failure to agree the validity of an ET. Therefore, we agree with the proposal of an equal share between gaining and losing suppliers.

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?

As previously mentioned Utility Warehouse does not agree with the losing supplier paying compensation for Guaranteed Standard A, but agree with the level of compensation proposed for the other aspects of A, and those proposed in B and C.

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 agree with the proposed compensation payments for Guaranteed Standards D and E.

As in our response to Question 11, we don’t agree with the proposal for Guaranteed Standard F. We believe Ofgem need to consider the proportionality of the proposed compensation payments. For example, under the current proposals, if a customer is owed a credit refund of £1.00 and this is refunded 21 days after sending the final bill, the consumer would be owed £30 compensation. If in this instance the consumer cancelled their direct debit instruction ahead of the money being refunded, and it took a further week for the supplier to identify this

and then issue a cheque, £60 compensation would now be owed. We do not consider this to be proportionate.

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

As this is a requirement for existing Guaranteed Standards, we accept that this would likely apply to any additional standards that are introduced.

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

As this is a requirement for existing Guaranteed Standards, we accept that this would likely apply to any additional standards that are introduced.

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

Utility Warehouse does not agree with the current proposal to apply these to all Guaranteed Standards (except for C), with no upper cap. We believe that additional payments would be effective for Guaranteed Standards A (Gaining Supplier only), B (Both Gaining and Losing Supplier) and E.

We do not agree that additional payments should be required from:

- Guaranteed Standard A (Losing Supplier) – While the losing supplier may have some shared responsibility for the quality of industry data, they would not be responsible for the gaining supplier's failure to resolve the issue.
- Guaranteed Standard D – While we understand the rationale for additional payments being relevant to the failure to agree an ET, the payment associated with Guaranteed Standard D is already a duplication of the failure. We don't believe that additional payments for a failure to resolve this performance standard is proportionate, given that this would already be addressed through additional payments for Guaranteed Standard B.
- Guaranteed Standard F – As previously mentioned, we do not believe the current proposals for this standard are proportionate. While additional payments may be appropriate in some cases, at the very least we would expect an upper cap to be associated with these payments given the difficulties involved in refunding credit balances.

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

We agree that the new Guaranteed Standards should be introduced for domestic customers only.

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

We agree that no changes are needed to the requirements regarding the provision of information to consumers.

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

We do not believe there needs to be an express requirement to keep accurate records of Guaranteed Standards performance, as we will need to keep accurate records to establish, operate and monitor this function in any case.

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

Utility Warehouse understand that Ofgem has existing powers to request an audit of individual supplier's Guaranteed Standards performance. Therefore, we do not understand why Ofgem believe this would need to be addressed as part of this consultation.

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

As this is a requirement for existing Guaranteed Standards, we accept that this would likely apply to any additional standards that are introduced.

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

As this is a requirement for existing Guaranteed Standards, we accept that this would likely apply to any additional standards that are introduced. However, any information published should be relevant and in the public interest. We believe Ofgem should consider carefully what information is of interest to them internally against what information would be of interest to the end consumer.

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

We agree with the proposal to retain the existing dispute resolution procedure within the Regulations.

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?

We believe it is too early to know if this would be a reasonable measure, as the CSS hasn't yet been procured and the detailed design and interface to support the new switching arrangements isn't known. Given the issues that can arise in the early days of industry transformation projects, this could be a disproportionate measure, as issues may be identified in the live environment that aren't identified in User Integration Testing (UIT). Early adopters of industry processes are key to identifying issues and defects that may arise during the transition period for faster switching, and this may act as a disincentive for suppliers to do so.

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 after we publish our decision?

Given the extent to which system changes will be required in order to put in place the relevant governance, controls, processes, reporting and provision of compensation payments, Utility Warehouse does not agree that a two-month implementation period will allow anywhere near sufficient time to deliver the required change. Based on the current proposals and our initial analysis, we estimate that we would need a minimum of 6 months, possibly longer in order to be able to fully implement the changes effectively.

