

Switching Compensation Phase 2 Working Group

Introductory session



James Crump
9/01/19

What we want to achieve

To agree the scope of the Phase 2 Working Group (and Terms of Reference)

To understand and agree a timeline for delivery of work, the frequency of meetings, and how much work needs to be done

To agree the composition and resourcing of the Working Group, and at least a process for nominating individuals

To end the session with a clear view of the next steps for delivery (including the session on January 24th)

Not for this session

To discuss whether Guaranteed Standards should be used to remedy episodes of consumer detriment

To re-open aspects of the policy decision for Phase 1 work

To discuss at length the causes and delays of delays, erroneous switches etc.

To discuss which parties are typically responsible for delays, erroneous switches etc.

We initially consulted on six proposed guaranteed standards. We consulted on four new Guaranteed Standards in our recent Way Forward document.

Numerous respondents to our initial consultation noted that responsibility for wrongdoing in the cases of delayed switches, erroneous switches and delays to final bills was not always clear-cut.

Some respondents felt that the proposed mechanism for attributing responsibility and applying payments for the standards was inequitable and had the potential to distort the market.

Guaranteed Standard to be implemented in summer 2019

A	To ensure a switch is completed within 21 calendar days from the date the consumer enters into contract with gaining supplier, unless there are valid reasons for delay to switch
C	To ensure a consumer is not erroneously transferred
E	To issue final bills within six weeks of a switch

In our Way Forward paper, We stated that “we propose to undertake further analysis of industry flow data to ensure that some Guaranteed Standards are targeted at those suppliers who are at fault for customer detriment.”

Our aim for this Working Group is to provide consensus on a better, data-led approach to implementing Guaranteed Standards, working with suppliers to ensure that responsibility is applied fairly to those at fault for detriment.

We continue to believe that Guaranteed Standards in these areas are necessary and are the right way to compensate consumers for detriment suffered and to incentivise suppliers to avoid delays and erroneous switches.

We estimate that this work will take at least six months to research and deliver, and we will issue new standards with the best data available in summer 2019.

We want to work with all suppliers (large and small) to make sure that these Guaranteed Standards are as well targeted at detriment as possible.

Guaranteed Standard to be implemented in summer 2019

To ensure a switch is completed within 21 calendar days from the date the consumer enters into contract with gaining supplier, unless there are valid reasons for delay to switch

Consultation feedback

Some respondents observed that many switching delays were caused by poor industry data, or by third parties other than the gaining and losing suppliers (such as price comparison websites).

Need for clarity around what constitutes a 'valid' delay, which would result in a payment not being made under a Guaranteed Standard.

Unlikely that losing suppliers would be responsible for delays, and therefore should be excluded from a requirement to make compensation payments.

Guaranteed Standard to be implemented in summer 2019

To ensure a consumer is not erroneously transferred.

Consultation feedback

Difficult to argue against the proposal that a customer should not be erroneously switched.

Culpability for erroneous switches was harder to identify and apply, and therefore to apportion responsibility to all parties was likely to penalise parties who are not responsible for the erroneous switch.

Some of these respondents argued that in most instances it is likely to be the gaining supplier who is responsible for the erroneous switch.

Erroneous Transfer performance assurance measures could be introduced as an alternative.

Guaranteed Standard to be implemented in summer 2019

To issue final bills within six weeks of a switch

Consultation feedback

Failure to issue a final bill is almost always due to failure by the gaining supplier to secure an accurate closing reading from the customer, provided by the gaining supplier, or where there is a dispute regarding meter readings, and therefore was likely to fall outside the control of the control of the losing supplier.

Other possible exemptions given were around a dispute with the final bill from a customer, or if the customer was unavailable to be contacted.

1	Publish Decision and Statutory Instrument creating Guaranteed Standards B, D and F relating to Erroneous Transfers (and credit refunds) immediately, Guaranteed Standard A1 requiring return of erroneously switched customers within 21 days.	COMPLETED ON 23 November 2018
2	Consultation on Initial Statutory Instrument.	COMPLETED ON 21 December 2018
3	Final decision on Statutory Instrument/ SI is made. Two-month supplier implementation period for Guaranteed Standards A1, B, D and F begins.	January 2019. Completion late March/early April 2019
4	Undertake further analysis of industry flow data to ensure that Guaranteed Standards are targeted at those suppliers who are at fault for customer detriment.	Starts January 2019, until mid-2019
5	Guaranteed Standards A1, B, D and F come into effect. Compensation payments where suppliers are in breach of these standards.	April 2019
6	Publication of further Statutory Instrument implementing better targeted Guaranteed Standards covering delayed switches, final bills and responsibility for Erroneous Switches.	Summer 2019
7	Expected implementation of second tranche of Guaranteed Standards, after Statutory Consultation	Autumn 2019

For each of the proposed Guaranteed Standards, the working group will analyse industry data sources and existing switching processes to identify:

Different stages of the switching and billing processes (or other processes) where erroneous and delayed switches and delays to the issuance of final bills are caused, where the responsibility is clear between gaining and losing supplier.

Data sources that would be able to identify at which stage in any individual process an erroneous or delayed switches or delay to the issuance of final bills has occurred and therefore who is responsible for the compensation.

A mechanism for obtaining and applying that data quickly and cheaply in respect of identifying an individual breach.

Advising on the feasibility of a process to achieve agreement between suppliers regarding responsibility for breaches, and development of a process.

Advising on the feasibility of a process to make payments to customers and subsequently reconcile between suppliers.

Issues to resolve (or at least understand) today:

How much work is there here? How frequently do we need to meet to complete this work by late Summer?

Does data exist for that would allow us to identify where these processes are going wrong?

Are there other issues that we will need to capture to make the Guaranteed Standards work?

Who is best placed within industry to help us realise this work?

Issues to resolve for each proposed Guaranteed Standard	A: Delayed switches	C: Erroneous Switches	E: Delays to final bills
What are the causes of the issue?			
Can we identify where in the switching/billing process this cause occurs? (Is there a trigger – e.g. a flow being sent, etc)?			
For each of these causes, does responsibility accrue to one or both parties?			
Can we capture each of these causes cheaply and quickly using existing data?			

Issues to resolve for each proposed Guaranteed Standard
Can a process be developed where suppliers can quickly agree who is responsible for breaches (and therefore liable for payments?)
Can a straightforward and cheap process be developed to make payments to customers quickly and subsequently reconcile payments made between suppliers?

Ofgem's proposed route for nomination of attendees for the Group

Attendees should be nominated in time for the first meeting of the Working Group on January 24th.

An invitation will be sent to all suppliers and the group will be open to all. However, the group will need to be kept to a manageable size to encourage reasonable debate.

A focus will be placed on technical understanding of data issues and processes when inviting and selecting nominees.

At this stage we do not expect that individual group members will be tasked with large deliverables (Ofgem will lead on producing material). However, we will expect group members to read and understand materials and to bring ideas to group meetings (especially relating to the provision of data sources to evidence decisions made by the group).

Ofgem will perform the secretariat function for the group.

Issues to resolve today

What is the right size and composition of a group to assist with this work? How frequently should the group meet?

How can we ensure that the group properly represents all stakeholder views?

Which parties are willing to contribute to a group? (Ofgem will assume secretariat role/ drafting of Guaranteed Standards)?

1. Nominated attendees should confirm their willingness to attend to Ofgem at **SwitchingCompensation@ofgem.gov.uk**
2. The first session of the working group will be on **24 January 2019**
3. Ofgem will circulate a proposed agenda in time for the first meeting.

Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.