

## Switching Compensation Phase 2 Working Group – Session 1

From: James Hardy

Date: 24 January 2019

Time: 15:15 – 17: 15

Location: Ofgem, 10 South Colonnade, Canary Wharf

### 1. Attendance and Introduction (no roll call was taken for those joining via call and Webex)

James Crump, Ofgem (Chair)  
James Hardy, Ofgem  
Gregory Mackenzie, Centrica  
Sarah-Jane Russell, Centrica  
Joe Clark-McGhee, Octopus Energy

Adam Rolph, First Utility  
Imogen Marriott, First Utility  
Andrew Wooding, Utility Warehouse  
Colin Brooks, Energy UK  
Iona Penman, Energy UK

The session started with James Crump (JC) setting out the aims of the first session. The aims included focusing on what the aims of the working group are, as assess whether these are achievable. To go through the strawman framework for the work, and understand how the work can be divided between the group to achieve delivery. To understand the next steps for delivering the work, understanding where the group can go next, to gain an understanding of what the group needs to do before the next meeting and to understand how members can contribute. The first session should also aim to match members' expertise to the aims of the group and the work that needs doing. The aim was to close the session with a start on delivering the first phase of the work, but this would be time dependent.

### 2. Agreement of Terms of Reference

The Terms of Reference (ToR) were circulated to the group before the meeting. The ToR focused on the structure and the management of the group. A discussion was opened on the ToR to allow anyone to express any concerns or to raise any questions.

The consensus of the group was that participants required more time to review the ToR and come back to Ofgem with their views on them.

It was agreed that the ToR would be carried over. The ToR agreement has now been carried over to either the next meeting of the group, or through further email engagement at a later date.

### 3. Background

For those that could not attend the introductory session of the Phase 2 Working Group, JC provided a brief run through to the background of this work.

A first phase of Guaranteed Standards has had the final decision and the Statutory Instrument (SI) is currently waiting for ministerial sign off. This signature should hopefully be received within the next week or two. The start date for the first phase of standards is set for 1<sup>st</sup> May. However, if there is a delay in receiving ministerial sign off this date may be pushed back.

JC confirmed that the standards to be implemented in Phase 2, in Summer 2019 are:

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

Group members asked what would happen where a payment under the proposed Guaranteed Standard was triggered by an event that was the fault of a third party and neither of the suppliers. JC confirmed that this is something that can be raised during the work of the group. The aim of the group is to work out where can find where the fault lies but it will be the supplier at fault who pays the money to the customer as consultation for the fault.

JC explained that the aim for this working group is to provide a consensus on a better, data-led approach to implementing Guaranteed Standards by working with suppliers to ensure that responsibility is applied fairly to those at fault. The group will need to provide a consensus of how the faults occur, who is at fault, and how these faults can be resolved.

JC reminded the group that it is Ofgem's intention to deliver Guaranteed Standards to address this consumer detriment in Summer. Ofgem is not prepared to wait any longer to deliver remedies. The aim of the group should be to come to a solution that works well and deliver some kind of automatic compensation mechanisms for consumers in this area. This will help restore faith in the retail market. Once faith has been restored in the market, measures put in place by Ofgem can fall away. It is therefore important that the work on Guaranteed Standards are carried out.

JC noted that the final decision and ministerial signature on the SI for the first phase of Guaranteed Standards was imminent at the time of discussion. The timeline shows where the group should be planning to go to next. Ofgem estimates the work will take six months to research and deliver, with the new standards being implemented in Summer 2018. This provides half a year to work on a solution that works to show who is responsible for delays and ETs, and to develop a system which ensures the payments are made to the right people. JC understands that this is a tight time scale with a high level of work, but Ofgem are confident that with the right people in the room it can all be achieved.

## 4. Work plan and Framework for Delivery

JC confirmed that for each of the 3 standards, there are two sections of work for each. The first section is to look at how we can source and identify the data of what is going wrong and who is responsible. 3 questions have been set to help analyse industry data and the existing switching process:

- 1) What are the causes of ETs and delays to the issuance of final bills within the processes (the detriment)?
- 2) At which stage in any individual process each identified cause of detriment has occurred?
- 3) Which party is responsible for the detriment identified?

It was discussed that the parties that are involved in the processes are the gaining supplier, losing supplier or other. The group discussed who may be defined as the 'other' party. This will be looked at further as the work progresses.

JC stated that once these issues are resolved, and the group has answers to the questions, then industry should know where the problems occur, who is at fault and who should be paying compensation. This should then lead to a data led resolution without much dispute.

The second section of the work focusses on the expected outputs of the working group, and what the group will develop, to tackle the detriment events that are identified in the standards. It is expected that the working group will develop:

- A mechanism for obtaining and applying data quickly, and cheaply to identify who is responsible when things go wrong
- A process to achieve and agreement between parties about who is responsible for errors/detriments and to record any such agreement.
- A process where compensation payments can be distributed efficiently and effectively to customers and subsequently reconcile suppliers.
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JC expressed belief that if there is a mechanism and process which notices the data, then it the system that the group develops should be a relatively simple system.

It was discussed amongst the group about examples of potential systems to ensure payments would be made on time in the case of a dispute between parties involved. One option discussed was that in call cases one party is responsible for the payment, and once the payment has been made then the two parties come to an agreement. JC explained that Ofgem are agnostic in how the process works, but it said it would be good to hear from the group if they had any process similar to this. It was reiterated that the sort of process that is being hoped for is a system which works properly, without too much bureaucracy and without customers falling through the gap.

JC opened questions from the group asking if anyone disagrees with what the group should be looking to solve and develop? Is this work too challenging? Is there anything that has been missed? And is there anything that looks wrong or unachievable?

A member asked whether the group would be responsible for agreeing the level of compensation for each standard, and if there would be different levels of compensation for example for paying for a one-day delay (22-day switch) rather than a switch which is delayed by much longer? JC confirmed that the intention at the moment is that if a standard is missed, then the payment must be paid however long the delay. JC pointed out that this was mentioned in the consultation. A group member agreed that if an ET occurs then the payment should be made no matter what, but they disagree with a 22-day switch where the switch has been missed by a day. It was stated that it is unlikely a customer would ring to complain on day 22. Numerous attendees of the group agreed with this point. JC was asked if there is a way where tolerance could be looked at. JC responded saying that setting a tolerance was not an option because if you set a tolerance period, you effectively set a different standard. Given the volume of delayed switches, Ofgem is aware that this puts people off switching. What the Standards are trying to do is to help remedy perceptions of the market.

The group asked whether during the duration of the group will there be the opportunity to discuss valid exclusion from payments? Will we look at cases where standards are breached but not applicable? JC confirmed that there would be opportunities to look at when a switch goes wrong, and it genuinely is the fault of neither supplier. JC said that we would want to make sure the valid exclusions are only valid when it is genuinely neither supplier who has caused something to go wrong. This was welcomed by the group. It was agreed that the group should develop a full list of valid and non-valid reasons for a delayed switch.

In terms of progress it was asked where there will be an opportunity to comment on a formal proposal when the ideas for the processes and developments are brought together? Will there be an opportunity to express agreement and disagreement and why? Can this be done in the form of a consultation? JC answered saying he believes we will have to allow for such an opportunity as we will have to engage with stakeholders on the way forward. However, JC does not want to promise a full consultation which opens up the idea of Guaranteed Standards. The decision has already been made to use guaranteed standards. It was confirmed that there will be an SI consultation, and Ofgem will look at the opportunity to consult on proposals at the same time, but Ofgem do understand that we will need to engage more widely with stakeholders. There might be a creative style of consultation.

A question was asked about whether it has been defined specifically when the start of the 21 days is. JC confirmed that the view is that the start of the 21 days in the case of an ET or delayed switch is from the initial notification from the customer wanting to switch. In case of an ET this is the notification from the customer than an ET occurred. It was confirmed that these time frames will be clearly set out, and will be captured in the SI going forward.

A concern was raised about the role of third party switching sites, and the group believes that this is going to be an issue going forward. Especially as these sites are not regulated by Ofgem, and for Ofgem to be able to regulate them this would require primary legislation. This legislation would be very difficult to change at this time, and therefore we cannot require them to behave in a particular way – especially when ETs occur through incorrect data with third party websites. JC asked the group that as suppliers how can you impose discipline on price

comparison websites (PCW)? Is this something each party can manage? As a group we will need to explore the boundaries of what we can regulate and will have to look at the commercial relationship between suppliers and third party websites.

It was asked that whether it is a fair principle to say that supplier A or B will play unless it is the responsibility of the customer or something genuinely outside of the supplier, customer and/or third party agents? JC confirmed that this is the case unless there is something that is controlled outside of the UK energy market that has caused the detriment. JC noted, however, that if a third party website such as a PCW, who is acting as an agent for the supplier, has not done their job properly, then this was unlikely to be a suitable reason. The group expressed that it will need to be made clear what is customer caused and what is supplier cause. It was agreed that this is something that will need to be looked at in the process, especially as part of the process will be looking at how we build evidence.

JC noted that it is difficult for Ofgem to regulate against independent broken and third parties but Ofgem do recognise that PCWs are becoming an issue as these sites grow. Ofgem are unlikely to bring PCWs under direct regulation where they can be brought into a scheme similar to the guaranteed standards, but if we could, then Ofgem would. Following on from this, it was discussed whether it would be worth inviting third parties to the GSOP workshops and discuss directly with them? JC says he has not had a chance to speak to the third parties but asks the group that if they have any contacts with third party agents please feel free to invite them to the meetings and bring them along.

In the slides a draft table of framework was provided. This showed the three different areas to which the standards are being applied to and the questions which need to be answered in order to find a solution. Vertically it looks at the 3 standards individually, horizontally it looks at the questions needing to be answered but through covering all of the standards. JC suggested that the group can approach the table in either a horizontal way, or wondered whether it may be easier to look at the table vertically? Everyone who answered suggested that the framework table should be approached vertically. JC suggested that that the first stage of the work will be looked at vertically, but it might have worth looking at the table across afterwards.

The group was asked whether they agree that this framework was useful, and whether the framework was clear and were asked to provide any views on how the framework should be divided up to build the required workstreams to get the answers. The group agreed that the table was useful, but still provided some suggestions to how the work can be divided up best.

The group was asked:

- Should the delayed switches and final bills workstreams should be completed together, or should there be one workstream for each? The group agreed that there should be separate workstreams for each of the standards, so 3 workstreams in total. The group agreed on this as they believe that there are different reasons why switches are delayed, and why final bills are delayed. The group also agreed that these workstreams may have different solutions and require different expertise.

- Should Gas and Electricity be considered in separate workstreams? The group agreed that they will not need separate workstreams but it may be useful having sub-groups to look at gas and electricity separately for each standard and each question.

The group agreed to hold an individual workgroup for each of the standards. A question was raised asking whether these workshops would be running at the same time, or whether it would be one workshop with a focus on one area, and then another workshop with a focus on another? JC confirmed that this is an area he wanted to discuss later in the meeting when discussing the management of the group.

## **5. Plan for Completion and Management of the Group**

Four questions needed to be looked at to arrange a plan for completion and to decide the management of the group. How frequently should the group meet? What will be the composition of the group? What will be the role of group members? What will Ofgem's role be?

The group agreed that face-to-face meetings would be monthly, rather than fortnightly. The group is open to all, but we will attempt to match resources to member's expertise where required. Ofgem do not want the group to be limited access. Group participants were also reminded to feel free to invite anyone they believe will add benefit to the group. The role of the members will be to suggest ways forward to reach standards, to assist Ofgem in acquiring data assets, to review material and to collectively reach agreements on the output of the group. Ofgem's role will be to act as the secretariat, drafting of products and to be responsible for policy decisions.

A discussion was held on the management of the group and on how the group should decide how the group divides and who has the expertise to work on different aspects. JC made it clear that he wants to work in a way which minimises the resource impacts the work has on participants due to resource constraints with other market items such as the Switching Programme and the Price Cap.

The group was asked about what is the best way to approach this work, and how much commonality would there need to be between different standards. It was suggested that it may be worth carrying out workshops on delayed switching and finally billing together but a separate one for ETs as this very much has different reasons for failures. The group agreed with this. One participant stated that they were agnostic with regards to how the group divides but they do ask that if the group does split could Ofgem consider the dates and times of the workshops. For example, could one meeting take place in the morning and then another one in the afternoon. This would avoid participants having to travel to attend on numerous days. Other members of the group agreed and wished for options where one person could participate in all the workstreams.

It was said that the more work we do on one day would be better, and that it may be best not to be across the phone. It was expressed that it would be more beneficial to have a full day organised well in advance where the group can meet face to face. The mood of the room was that the group are against using Webex where possible, but we do need to be sensitive about

those who cannot travel and will need to listen in. JC concluded that the group needs regularly scheduled, day long workshops to resolve issues. Agreed that the approach should be that participants work in-between these workshops to convene data whilst Ofgem will work to produce packs well in advance of any meeting so everyone can digest and bring back views to the workshops.

To help manage the work of the group it was agreed that a working group email list would be set up so the group can share work and information with each other. Wary about data being sensitive, JC asked the group where everyone is happy for an Ofgem workgroup being set up with participant's emails. No one in the group objected. It was suggested that an Actions and Decision Log should also be circulated amongst the group so participants can stay on top of the work. JC agreed. Ofgem will produce, and circulate, a log in due course.

JC believed that the group wanted less frequent meetings, but more useful meetings. The location of the meetings was discussed and it was asked whether they always have to be in London. JC said the meetings can always be moved, and they do not have to be in London, but the problem is that Ofgem will have to rely on the generosity of other to host these meetings and/or find facilities to host these meetings. Ofgem are fully open to any opportunity to make it easier for participants to contribute face to face. It was suggested that an Ofgem regional office (e.g Glasgow) could be used. JC is happy to consider moving the next scheduled meeting (February 28<sup>th</sup>) if something can be booked at this short notice.

It was asked to the group whether outside groups should attend. Xoserve has already been suggested but the group were asked if there are any other groups that they felt should be included. It was recommended that when talking about bills and maintaining readings, it would be good to bring a data collector into the conversation to understand their views on these situations. Furthermore, it was suggested about bring MRA and SPAA into the meetings as existing codes are going to be considered. However, it may be better to discuss the codes with these groups once it has been defined what we are trying to achieve and once the group has a map of solutions. One participant asked whether it would be worth bringing the Ombudsman in. They would be able to look at previous complaints they have received and faults that they have dealt with. JC confirmed that they did contribute to the consultation but haven't yet been brought into this group, but it might be worth inviting them.

Further discussion was held on the management of the group, including the meetings and information that will be shared. Following the expression that longer, less frequent meetings would be more beneficial it was agreed that the group would meet monthly but for a lengthier meeting. Ofgem agreed to share meeting dates well in advance and where possible these meetings would be spread out across the country.

It was asked how Ofgem would be looking to document the output from every workstream and how they would provide an opportunity for those more distant to put their thoughts forward. JC confirmed that everything that is carried out in the group will be shared via email and that the purpose of these meetings will be to discuss items already shared rather than carry out new work. It was also confirmed that every meeting will have minutes and an

actions and decisions log that will be circulated. It is asked that following each meeting, if participants want to respond to the decisions we would welcome any kind of comment. It was reminded that when it comes to decisions, ultimately nothing should be final until the group agrees that it is final.

It was suggested that there should be monthly face to face meetings but more frequent teleconferences to discuss updates. JC agreed that this may be a suitable approach and that a further Webex before the groups next meeting will be considered. Ofgem will agree to come up with a schedule for meetings and intermediate meetings accordingly.

## **6. Next Steps and AOB**

Due to time restraints the group was unable to start the work on Identifying Causes of Consumer Detriment. The group was still asked to consider the questions on Slide 15:

- Do we hold data (quantitative or qualitative) which will allow us to identify causes of detriment?
- Can we use existing process maps, matched with data, to identify what are the causes of delays?
- Should we adopt a different approach between Standard A and C and Standard E?

The first action, to which everyone was in agreement for, is that these questions are to be answered and submitted to Ofgem through the Switching Compensation mailbox before 14<sup>th</sup> February. This information will then be taken to the next meeting of the group. In further discussion it was agreed that the questions relating to volume metrics may need a bit more time to be answered, but apart from that, the answer to the questions should be able to be answered in the time frame.

The next steps ahead of the next meeting are for the group to consider 3 questions before the next meeting. These questions from Slide 19 are:

- Is the group able to identify and provide data on causes of detriment;
- Identify where these causes crop up within process maps;
- And deliver this work to Ofgem to consolidate into a package that can be discussed at the next meeting?

The next steps for Ofgem is for JC to look at expanding the meeting time, as the meeting proved that two hours is simply not long enough. Ofgem will also circulate the minutes and action and decisions log.

No further AOB was raised.

## **7. Date of next meeting**

- 28 February 2019, 15:15 – 17:15
- Venue: TBC
- As the next meeting is currently scheduled for a few weeks' time, it has been suggested that a Webex-only meeting is to be arranged in between to provide



# Minutes



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members of the group to update others on any progress, issues or questions. If you feel this meeting will be necessary please do email the Switching Compensation mailbox, and please do keep an eye out for any details of this potential Webex.