

Switching Compensation Phase 2 Working Group – Introductory Session

From: James Crump

Date: 11 January 2019

Time: 13:15 – 16:15

Location: Ofgem, 10 South Colonnade, Canary Wharf

1. Present (no dial-in roll call was taken)

James Crump, Ofgem (Chair)

Rachel Clark, Ofgem

James Hardy, Ofgem

Mark Anderson, SSE

Martyn Edwards, SSE

Samuel Arnold, Green Network Energy

James Evans, Hudson Energy

Paul Fuller, ESB Energy

Duncan Carter, COOP

Lee Wilkes, COOP

Adam Rolph, First Utility

Imogen Marriott, First Utility

Helen Rafferty, EON

Sam Woodhouse, EON

Steve Brennan, EON

Gregory Mackenzie, British Gas

Sarah Jane Russell, British Gas

Roxanne Inskip-Kaye, Social Energy

Andy Baugh, Npower

Gavin Anderson, EDF

2. Aims of the Session

The main aim of the introductory session was to agree the terms and the scope of the working groups which will succeed this session. The scope should be understood and an aim set of knowing when the work should be tackled and delivered, how often the group should meet and who is going to part of the working group.

Aims:

- To agree the scope of the Phase 2 working group
- To agree a timeline for the delivery of work, frequency of meetings and how much work needs to be done.
- To agree the composition and resourcing of the working group, and understand a process for nominating individuals
- To gain a clear view of the next steps for delivery, and the first session on 24th January.

3. Background to the Work

Three guaranteed standards are to be implemented in summer 2019. These are A, C and E of which all were consulted on. James Crump (JC) confirmed that there will not be another consultation on whether guaranteed standards are the right way forward as this decision has

already been made. JC emphasised throughout the meeting that Ofgem believes guaranteed standards are the right approach, and that this decision will not change. The working group has been set up to help complete the work required to implement the guaranteed standards.

JC confirmed that there will be a second statutory instrument (SI) and consultation in the summer. When asked what opportunities there would be for stakeholders to comment on decisions that arise from the working group, JC explained that the SI and consultation in the summer will allow stakeholders to provide their input on decisions made in the working group. Rachel Clark (RC) made clear that going forward the views of the working group would be taken into hand in order to get the right answers for the guaranteed standards.

The proposal in June stated that all suppliers were active and looking to take on domestic customers, so the standards would be for both the winning and losing supplier. The responses, and discussion, around this provided the view that this is the wrong approach as it is normally one supplier or the other at fault. It was agreed that this point would be taken into consideration with the implementation work carried out by the working group.

A point regarding the reporting of the guaranteed standards was raised, asking will there be reporting of those who have paid the guaranteed standards, those who have not paid, reasons why and in general, would it be okay to keep records of this? JC reiterated that the reporting will be a very important aspect of this work and that going forwards ways of being able to collect this data, how the reporting may be built into systems, and reducing liable guaranteed standard's payment will be looked into.

4. Proposed Second Tranche of GSOP

The aim of the working group is to provide a consensus on the approach to implementing guaranteed standards. The working groups will flow from the introductory session with the idea of the group being to use data and industry expertise to gain greater understanding of why detriment occurs in the areas of these standards. It is expected that it will take 6 months to research and deliver the new standards with the best available data. The issue of the new standards should take place in summer 2019. There is a consensus that it is best to deliver a solution as soon as possible.

Work around erroneous transfers will continue in the ET working group, but the guaranteed standards working group will still need to understand how to work on reducing the number of ET incidents, or how we incentivise those to reduce and work on ETs and delayed switches.

“If the working group concludes guaranteed standard are not appropriate to solve delayed switches and ETs, would another way be used?”

JC reiterated that guaranteed standards are still seen as the best outcome, and that Ofgem are not sure what alternative would arise from the working group session that would achieve the

same aims of the guaranteed standards. The working group is about how to make the guaranteed standards work best, not whether they are the right option.

“Autumn seems ambitious to be able to turn IT systems around to get these (the standards) into place”. Discussion followed on timing of implementation. JC confirmed that there is an aim to have the standards up and running as soon as possible, there is no need for them to drag on. An autumn deadline allows a 2/3-month window to implement the standards, but if there is a strong feeling that this is not a long enough period of time, then Ofgem are happy to discuss time frames with the working group. RC stated that a technical solution for this would most likely be agreed upon by the working group.

Questions were asked about the criteria when it came to issuing the guaranteed standards, for example, if there is a delay in the issuing of a bill by one month do we pay the same as if it is delayed by six months? They called for the working group to be given clear criteria, and clear framework, for decision making. JC acknowledged that there needs to be a clear set of questions that we ask the group to work through. The view is that the first working group meeting will establish the framework of getting answers, and that this framework will be settled down before the group meets or shortly after.

Discussion regarding exceptions to the guaranteed standards, seeking to identify if there are incidents where neither supplier is responsible as companies shouldn't be expected to apply to the guaranteed standards when it genuinely is not their fault. It was confirmed that these exceptions would be captured by the working group going forward and will be captured in the SI. The principle of exceptions will also be added in terms of reference for the group.

“You want this done as quickly as possible...does this prevent looking for an agreed framework...are you looking for a quick solution or the right solution?”

JC explains Ofgem's preference is that the aim is to get the right solution, but quickly through a balance approach. Ofgem do not want to implement something that creates distortions in the market and create the wrong incentives which will leave us in a worse position than we are now.

5. Timeline for Delivery

A high level timeline for delivery has been set featuring 7 items. Items 1 and 2 have already been passed. The next item will be the final decision on SI. Following this the two-month supplier implementation period for guaranteed standards A1, B, D and F begins. A ministerial signature for the SI is expected week commencing 14th January, once the signature is signed the SI will sit in joint committee for parliamentary scrutiny on 21st January. The first set of standards should then come into effect on May 1st.

Timeline for the second tranche of standards which the working group will be working towards has an expectation for the SI to be published in Summer 2019. Implementation will happen after the ministerial signature has been received. The further implementation period will allow suppliers to implement the measures. The length of this implementation period will depend on

the complexity of the process. If it drives system changes then the 2-month period may become longer.

JC again reiterated the desire for this process not to be dragged on. Initial target was for the measures to be implemented by the end of 2018. Any further delays are a big source of problem in the industry, and impacts customer's perception of the industry. It is in everyone's interest to get the retail market working and Ofgem think this one step forward on the forward.

There is a possibility for a 3rd tranche of standards after the current time frame, but nothing is planned at the moment. The current timeline is going to be stuck to as Ofgem do not want to change this timeline for delivery.

"Is it part of the scope to define and get the data to start the analysis for the timeline or is that already available? If it is not available when then the work will eat into that timeline."

It was said that if there are a lot of data sources available for us (e.g Electralink data) in a raw form then we may be able to use that. Ofgem are already looking at sources of data to help with this work but realistically there will not be the ability to commission new data for this work so the group will have to resort to using currently existing industry data. RC stated that the working group should identify all the data groups to find the right data needed for the work.

6. Issues to be Resolved

- The high level of work to be completed
- The frequency of meeting to complete the work by late summer
- Does data exist to allow us to identify where processes are going wrong?
- How to achieve the group's way of working
- Who is best placed within industry to help us realise this work
- How to assure none of the work is missed
- Do we have a common understanding of the switching process, the ET process, and the billing process that is commonly defined across industry?

To support the work, it was asked that suppliers go away and think about who is best suited in their organisation to help the group with the work required. The group needs to know who is best placed in industry, both inside and outside of their individual organisation. The questions need to be asked of are you confident that you will be able to find the people in your organisation to understand the data and build the work itself? Are you going to be able to get the people required around the table? And will the right expertise be in the room at the right frequency to be able to complete the work by the summer? It is import than you find the right expertise in your organisations to support us as we are less likely to get the answers to the work by ourselves.

"Going forward, is it right to have one big group considering we have three different sections where issues may travel at different speed? Third parties suited to one section won't want to sit in a 6-hour workshop when only a third of it could be related to them."

JC said that there is a possibility for doing the sessions in separate lanes, but we do not want to hold workshops where things are being repeated in each. The group needs to think about the best

way going forward and we will explore how we can work in the most efficient way to resolve this. Within the group we want the best expertise to be advising on the work, but do not want to create work for the sake of work. Creating unnecessary work for suppliers could prevent us from working and communicating efficiently.

The meeting had a wide discussion on data relating to the guaranteed standards and data is an issue that needs to be looked at and discussed going forward.

“What does data mean? Is this problem with underlying data? Or is this a lack of care? How do you identify that?”

JC confirmed that when data is talked about in this context we mean data is information that tells us where things go wrong, not where the underlying data is. It is meta data, data about where the data goes wrong. It is information about the processes.

“Will there be any representation from data collectors and meter operators...perhaps bring one of the price comparison websites in to the room?”

It was agreed that it would be helpful if we can get these third parties into the room so they can advise on the work. If anyone in the group could suggest third parties that you would like us to try and get into the working group, then we will try and do that.

It was confirmed that we need understanding that the data used is protected and used responsibly in an anonymised manner. It is incumbent upon Ofgem as forum providers that we provide a safe environment for data to be used.

It was suggested that to help going forward a high level map will be needed to what is leading to final bills, for example, not being issued. It was said that without a clear map for the group there is the risk of group participants coming in with massively different scenarios before we start. JC agreed that a process map would be useful as it would help identify where the problems occur in the existing process and can create a list of what is consumer cause and what is supplier caused.

7. Strawman Framework for Analysis

An initial framework for analysis was shown, which will quickly be developed to provide the structure of the workgroup sessions to help understand the issues facing the group. When the framework is completed, it will provide a work plan for the group. This strawman framework is something that Ofgem would like to put out ahead of the first session so it can be used to in the session to help consider whether these are the type of questions we should be asking and answering. The strawman framework is included in the slides for the introductory session.

“Is there a need for another box for unforeseen consequences? Do we need to capture these?”

JC confirmed that something should be added for this and does not see a reason why it should not be included as part of the work.

“Is there a way for suppliers to independently decide whether they are at fault?”

JC expressed concern that if supplier were asked to create an independent system without any kind of overarching framework it would not allow for differences and interpretations. There has to be a common understanding of what is going wrong.

“Is what the group is looking at compatible with the future world? We do not want to implement these standards now to find out in two years’ time that they are undeliverable, especially with the new world of switching. The terms of reference need to look at this.”

JC states that any solution will not be obsolete in 18 months’ time. Under the new switching system, the whole process should be much easier with the CSS. The group does need to be aware that changes are coming in the switching world and that we do not produce something that is obsolete in a year or two, but this is more of an issue when/if we start developing new processes rather than looking at the underlying causes.

8. Resourcing the Work Group

The first meeting will be on January 24th. If there are too many applicants for the group, then the group can be split up for expertise needs. However, there is no expectation that the number of applicants will be too high.

It was agreed that having set agenda will ensure that there are not too many applicants, and will help ensure that participants in the group are aware in advance of what will be being discussed so they can think about, plan and prepare whether they shall attend.

The group will attempt to create as many Webex sessions as possible to limit the travel and impact. There will be a focus on sharing offline material and the group notices that the working group provides an opportunity for effective offline working.

9. Date of next meeting

The first session of the Switching Compensation working group will be on Thursday 24th January.

- Nominated attendees should confirm their willingness to attend to Ofgem. This can be done by emailing switchingcompensation@ofgem.gov.uk
- Ofgem will circulate a proposed agenda in time for the first meeting. The aim is to have this agenda circulated by the 18th January.

Webex slides from the introductory session, and future sessions, will be shared with attendees.