

# Switching Compensation Phase 2 Working Group

Session 4



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25/03/19

- **Introductions**
  - Minutes from Workgroup 3
  - Decision and Action Log
  
- **Identifying causes of and responsibility for detriment – follow up from Session 3**
  - Causes of delays to switches
  - Causes of delays to final bills
  - Causes of erroneous transfers
  
- **Feedback from group members**
  
- **Next meeting**
  - Timing and agenda for next meeting
  - Request for material ahead of next meeting
  
- **Any other business**

# Causes of and responsibility for detriment – discussion

**Meeting 3 output  
summary**

Principal causes of avoidable delays are address data related. Address data issues can be caused by input error at contract inception (by customer or supplier), inconsistencies between input data and industry data, or errors in industry data.

**Subsequent  
feedback**

Industry should push for early adoption of REL database, and if this is not possible, should strive for single source of truth on address data.

Delays arising from objections will either occur because of losing supplier behaviour (inaction/indiscriminate objection) or (more likely) customer omission.

Mixed views on responsibility for data errors; some argue that gaining suppliers cannot be responsible for industry data; others that verification can go some way to reducing risk from address data errors.

**Possible ways  
forward**

It is unlikely that the REL database will be in place significantly before 2021, and in any case it will not be in place before introduction of Phase 2 of GSOPs.

Unanswered questions from the meeting – what does effective verification look like and is it consistent across industry? What is the process for incumbent suppliers to improve industry data and how often is it applied?

### Meeting 3 output summary

Delays to issuance of final bills stem from process omissions from the losing supplier, with the exception of a lack of opening meter reads from the gaining supplier.

However, in the absence of an opening read, suppliers can issue a final bill based on estimated data and reconcile later.

If Ofgem were to communicate that this was a sub-optimal but acceptable outcome rather than an extended delay for billing, losing suppliers would be more willing to issue bills based on estimated data rather than delay issuance.

This removes the need for a nuanced system of compensation and creates the opportunity for a simple compensation regime focussed on losing suppliers.

### Subsequent feedback

Billing based on losing supplier estimates risks introducing error into the billing and settlement processes. Focus should be on fixing agreed read processes.

### Possible ways forward

Unanswered questions from the meeting – how often does the losing supplier not receive a reconcilable opening meter reading?  
What routes exist to get a reliable reading (from the customer?) if no opening reading is forthcoming?  
Can a system be built to ensure no customer loss? Who is responsible for losses in that event?

**Meeting 3 output  
summary**

As with delays, vast majority of ETs are caused by address data input error, mismatching address data, or incorrect industry data.  
Other (less common) causes are gaining supplier process error.

**Subsequent  
feedback**

Using corroborating data items such as MPxN would resolve this problem, as would a higher quality of address data (for example from the REL).

**Possible ways  
forward**

As with delayed switches, it is unlikely that the REL database will be in place significantly before 2021, and in any case it will not be in place before introduction of Phase 2 of GSOPs.

Similarly, use of MPxN data – whilst potentially desirable – would require significant industry and customer behaviour change, which would run outside the timetable for GSOP delivery.

Unanswered questions from the meeting:

What does effective verification look like and is it consistent across industry?

What is the process for incumbent suppliers to improve industry data and how often is it applied?

- Ofgem's preference is to focus on making compensation work and as equitable as possible.
  - Long-term system change may be a desirable and may be workable in future, but there is a large gap to possible delivery.
- Resolving how compensation should be paid from delays and ETs arising from address data issues is the key problem to solve.
- To achieve this we need to understand:
  - What good verification practice looks like;
  - Good practice for identifying, resolving and communicating data issues whilst the incumbent supplier;
  - How quickly and easily issues can be identified and resolved when problems occur during a switch.

- We are still some distance away from arriving at a mechanism for allocating compensation on a case-by-case basis.
  - Provide evidence to identify the cause of detriment on a case-by-case basis for each issues;
  - Communicate this evidence to the party responsible;
  - Resolve disputes quickly; and
  - Enable the identified party to pay compensation to the consumer.
- It is important that we identify a way of achieving this to make compensation mechanism work.



## **Causes of detriment**

- Do you agree with the root causes of detriment identified in this and the previous sessions?
- Have we omitted any causes of detriment?
- Do you agree with the allocation of responsible parties for each Guaranteed Standard?
- How should we deal with responsibility for detriment which is not covered by any of these categories?

## **Resolution mechanism**

- What does a mechanism that would allocate responsibility (and compensation payments) on a case-by-case basis look like?
- How can we build it?
- What existing industry resources might help us to achieve this?
- Do any alternative solutions exist?

# Next Steps and Next Meeting

1. The next planned session of the working group will be on **8 April 2019 from 10am**
2. Ofgem will circulate minutes for today's meeting by **Friday 29 March.**
3. Group members should submit analysis, data and suggestions to Ofgem by **29 March 2019**

**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.**

	Reason for delay	Root cause	Responsible party
Data mismatch	Lockout	Customer signs up with multiple suppliers	Valid delay – covered by exemption from GSOP
	Pending Withdrawal	Customer activity	Valid delay – covered by exemption from GSOP
	Pending Pre-Move (customer gives advance warning of them moving home) – one respondent indicates this is 75% of cases	Customer activity	Valid delay – covered by exemption from GSOP
	(Multiple) Exception(s) raised from point of sale, e.g. missing/invalid data, industry rejection.	More information and validation required with the customer. Losing or gaining supplier fails to validate data in time.	Missing data – gaining supplier? Invalid data – losing supplier?
	Customer provided data and industry mismatch.	Further information is required from the customer to validate.	Exempt if customer data is demonstrably incorrect and appropriate controls exist. If controls inappropriate – gaining supplier.
	Incorrect Industry data rejection - Combination of Disconnected MPANs, Extinct rejections etc	(Failure to verify) industry data?	Losing supplier
	Other - Pending Security Deposit/Secure Terms/MPxN etc.	Waiting on further information/customer contact to progress the sale.	Gaining supplier, unless information has been requested and not provided
Objection	Objection	Customer is in debt with a previous supplier	Valid delay if exemption is unresolved.
	Failure to move flow after an objection is resolved	Failure of losing supplier to reinstate flow	Losing supplier

	Reason for delay in issuance	Root cause	Responsible party
Missing reads/data	Missing opening meter reads	Quality of reads from MOPs and data from DCs	Gaining supplier
	Missing Closing meter reads (D86)	Quality of reads from MOPs and data from DCs	Losing supplier
	Dispute between agreed reads, insufficient time to work between agreed reads process	Quality of reads from MOPs and data from DCs	Both suppliers
	Missing, invalid data or industry rejection	Uncorrected errors in industry data?	Losing supplier
Process error	Inability/omission by old supplier to validate reads	Old supplier error	Losing supplier
	Inability by old supplier to initiate missing reads process until 30 WD after new start date	Industry processes – old supplier is locked until 30 WD(?)	Losing supplier
	Failure by old supplier to initiate missing reads process	Old supplier error	Losing supplier
	Failure by new supplier to respond following initiation of missing reads process; inability of old supplier to contact new supplier	New supplier error	Gaining supplier

	Reason for erroneous switch	Root cause	
(Address) data issues	Incorrect address selected at sign up, either by customer or gaining supplier	Unclear onboarding process Lack of checks/control at signup	'Gaining' supplier
	Incorrect address in customer database	Failure of GT/DNO to manage database Failure of existing supplier to resolve database error Wrong data from meter installers/data providers	'Losing' supplier
	Incorrect submission by supplier	Submission of incorrect details	'Gaining' supplier
Supplier fraud	Customer switched without consent	Misleading/fraudulent sales process	'Gaining' supplier
Process error	Failed withdrawal	Withdrawal process incorrectly applied	'Gaining' supplier
	Late notification of cancellation	Supplier fails to notify cancellation in time	'Gaining' supplier
	'Technical issues'	Electralink: "Where the ET process is used by Suppliers to correct a technical problem whilst at the same time enhancing customer service."	Either/both suppliers
Customer caused	Late cancellation (after cooling off period)	Customer desire to return – these will be excluded from GS as a valid contract exists	To be covered by an exclusion
	Customer Service Returner	Customer desire to return – these will be excluded from GS as a valid contract exists	To be covered by an exclusion
	Forgery – customer driven	Fraudulent activity	To be covered by an exclusion