

Switching Compensation Phase 2 Working Group – Session 3

From: James Hardy

Date: 11 March 2019

Time: 10:00 – 16:00

Location: Ofgem, 10 South
Colonnade, Canary Wharf

In-person attendees:

- James Crump, Ofgem (Chair)
- James Hardy, Ofgem
- Adam Rolph, First Utility
- Andrew Wooding, Utility Warehouse
- Andy Baugh Npower
- Gregory Mackenzie, Centrica
- Imogen Marriott, First Utility
- Iona Penman, Energy UK
- James Evans, Just Energy
- Jane Holdaway, EDF Energy
- Joe Clark-McGhee, Octopus
- Katy Ellis, EDF Energy
- Kudan Singh, Npower
- Martyn Edwards, SSE
- Sam Pearson, OVO Energy
- Sam Woodhouse, EON
- Samuel Arnold, Green Network Energy
- Sarah-Jane Russell, Centrica
- Miles Rosenblatt, Bulb
- Chris Welby, Bristol Energy
- Craig Smith, SSE
- Gary Wallace, SSE
- Connor Adams, Scottish Power

1. Introductions

James Crump (JC), as chair, welcomed all attendees to the first all day long workgroup. JC provided a brief overview of what the aims of this session were. These aims were to identify the causes and responsibilities for the detriments of delays to switching, delays to issuing the final bill, and erroneous transfers (ETs) occurring. The session was also provided to allow group members to discuss what sort of mechanism can be put in place to alert suppliers of their responsibility for detriment, and what mechanism can be put in place so that consumers correctly receive their compensation from the supplier on a case by case basis.

2. Agreement of Minutes from Workgroup 2

The session began with the agenda item of agreeing the minutes from the previous workgroup session. No comments, or feedback was received. JC asked the group whether it was agreed that the discussion was captured in a fair and honest way. One typo was mentioned. This will

be looked at and changed. JC also mentioned that the updated, amended minutes from the first workgroup session have now been circulated.

3. Actions and Decision Log

JC confirmed that an actions and decision log for the workgroup has been created. This document has been circulated to group members. JC provided a brief run through of how the actions and decision log works.

JC confirmed we are going to log and record the decisions and actions that will be taken throughout the work we are doing. All group members should have received this. Group members will continue to receive this document when it is updated following each session. This log will allow members, and members of the wider industry and the public, to witness the progress being made and the decisions being taken. The log will also allow us to have a governance system throughout the group.

If anyone has any suggestions for the log, or anything we may have missed, they are asked to contact the Switching Compensation team.

JC noted that Ofgem is working to identify a suitable candidate to represent Price Comparison Websites (PCWs) at the meeting. However, it is difficult to find someone empowered to speak for the whole PCW community. Any contact details provided by attendees would be gratefully received.

ACTION: Group members to consider if they are able to identify suitable representatives from Price Comparison Websites who might wish to attend the group.

At the last meeting, JC promised to provide the group with a Phase 1 Guidance sheet within days. With apologies, JC confirms that this will now been sent out in the next few days, or the week commencing 18th March. JC is currently working with the Ofgem data team about how we will manage the reporting of the data and the actual content of the reporting itself. We want to ensure that content is correct before going live with the guidance. Ofgem understand the urgency around this guidance and we will ensure this document is sent out to you as soon as possible.

JC answered a question on when this guidance would be received by stating that if a signed off guidance package cannot be gained, then he will provide as much information around the reporting as possibly can be and this will be issued as soon as possible. In advance further communication will be given if required.

It was raised by a group member, that in the previous meeting the minutes stated that the reporting guidance would be issued sooner rather than later. The member asked again that the template is indeed received sooner rather than later as it is critical to have this in order to be able to build the requirements. JC confirmed that there is a draft reporting template, and it is unlikely that this document will be changed much.

JC responded that the delay in the issue of this guidance is not around the material that we will be reporting on, but it is a delay in looking at how to record this information that is gained from the reporting. Ofgem are hoping to use a centralised resource to store this information. A group member noted that the group will need the template sooner rather than later in order to build the requirements.

4. Identifying Causes of and Responsibility for Detriment: Causes of Delays to Switches

JC thanked group members for their engagement with the work so far, and thanked those group members who had responded to the request for information.

JC noted that for each of the proposed new Regulations, he proposed to ask four questions:

- **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 responsibility in each area?**
- **How should we deal with responsibility for detriment which is not covered by any of these categories?**

JC noted that he had taken responses to the request for feedback and grouped them into two key groups by cause, which were data mismatches, and objections. He asked the group if there were any other reasons for delays to switching.

One group member asked when the 'clock started ticking' on a switch delay. There was some discussion on this matter, with a range of possible options, from the initial request by the customer, the 'relevant date' as per the supplier licence, and 21 days from the date that the supplier has all necessary material from the customer (the ESG requirement).

JC noted that a 35-day switch did not represent a good outcome for the customer. One group member observed that the group needs a clear definition of the start date, noting that even in the room there are many different views.

ACTION: Ofgem to provide certainty on how the timing of a switch should be recorded in order to define a delayed switch under the Guaranteed Standards of Performance.

One group member noted that an amount of research already existed on the causes of delays to switches and ETs – this work had been undertaken by PWC at the outset of the Switching Programme. JC agreed to review this work and to see if it had any application to this work.

ACTION: Ofgem to review analysis of data issues and assess applicability to this working group.

One group member noted that GTs and DNOs were not obliged to process improvements to industry data submitted by suppliers. JC asked how often this mechanism is used and how often the process breaks down, and what is the communication process for making updates?

The group discussed whether customers could provide MPxN details, as this would remove the single largest cause of delayed switches and ETs. Group members noted that pressure from Ofgem to mandate this in the switching process would yield improved outcomes. JC noted that an amount of research exists indicating that adding extra stages and requiring customers to provide unfamiliar data would be likely to have the effect of depressing switch levels. He asked whether suppliers had sought to engage with PCWs either individually or collectively in this area. JC asked whether other colleagues from suppliers could shed more light on how commercial relationships with suppliers can be enforced. One group member asked whether the PCW Confidence Code could be amended to include protocols on recording data.

JC noted that whilst there was a clear message from the room that improving consumers' awareness of MPxNs would improve the switching process, it was not clear what was achievable as part of the process for developing GSOPs. Driving changes in customer behaviour is extremely difficult and imprecise, and whilst prevention of detriment is preferable to cure, the purpose of this group is to develop means of providing restitution for detriment.

One group member noted that a 21 calendar day turnaround was tight when resolving issues through the exceptions process. The member asked whether there was any appetite to amend this to 21 working days.

One group member noted that creating a 21 day target for completing a switch increased the risk of ETs. Action to prevent ETs (such as contacting the customer) could take more than the 21 day limit required by GSOPs. The group member noted that the likely detriment from an ET would exceed that from a delayed switch. Another group member noted that the detriment from a switch being completed 22 or 23 days after initiation, as opposed to 21 days, was likely to be limited when compared with the downside risk of failing that a switch was completed.

Group members discussed where responsibility should lie for delayed switches which were caused by incorrect data in industry databases (rather than data that was input incorrectly). JC observed that incumbent suppliers were obligated under their licence conditions to maintain accurate data relating to their customers. Some group members noted that the owners of the databases (principally GTs and DNOs) were under no obligation to reflect these updates in industry data. JC noted that it was not currently clear whether verification of industry data was consistently applied across suppliers, or what these processes were, with regard either to how input data was verified or existing industry data was checked. It was agreed that further discussion was required to identify responsibility within the context of a compensation scheme.

JC asked group members to consider the other reasons for delays which had been identified and whether they agreed with the root causes given and responsibility for the delays. JC noted that the key causes of delays had been identified as mismatches between input data and data held by suppliers and in industry data, and errors in the industry data itself. These problems created detriment and an associated cost which was currently borne by consumers. The purpose of the compensation programme was to make suppliers compensate consumers for this detriment, and the aim of the group was to achieve the most equitable means of achieving this. In addition, it was necessary to create a mechanism for identifying where the data error was manifested and therefore which party was responsible.

ACTION: Ofgem to consult with colleagues in the Switching Programme to identify whether the Retail Energy Location database can be brought forward.

ACTION: Group members to look at the causes of delays, to identify errors and omissions in the reasons given and to identify which party was responsible for the delay in each case.

5. Identifying Causes of and Responsibility for Detriment: Causes of Delays to Final Bills

JC noted that most causes of delays to final bills arose from meter reads or process errors. The majority of reasons for delays were the responsibility of losing suppliers, but there is relatively little information available about the relative magnitude of these problems.

JC asked how we would resolve problems where there was a disagreement between suppliers about responsibility. Was there a need for some sort of arbitration mechanism? Could this be made to work efficiently on a case by case basis within the timescale required to deliver compensation?

JC observed that Ofgem was in receipt of data on erroneous transfers from Electralink. He suggested that Ofgem should invite a representative of Electralink to discuss possible avenues

for using their data to assist in identifying responsibility for breakdowns in processes, and to understand whether there would be a cost associated with this mechanism and whether any associated process would be economical to operate.

ACTION: Ofgem to invite an Electralink representative to the April meeting.

JC asked the group about the feasibility of creating a mechanism to apportion responsibility for final bills.

The group noted that in most cases, responsibility for sending final bills fell upon the losing supplier, and therefore the reasons for delays to final bills were likely to be caused by the losing supplier. A significant exception was if the losing supplier was awaiting an opening balance from the gaining supplier. However, in these circumstances it would be possible for the losing supplier to issue a final bill based on the most accurate data that they hold.

JC noted that, whilst there was a risk that issuing a final bill not based on a closing reading would require reconciliation later on, this may not present a worse outcome than an extended delay. JC noted that if issuance of a final bill was within the control of the losing supplier, this may negate the need for a complex system attributing responsibility for delays to final bills, producing a less costly and smoother compensation process. A group member noted that suppliers would need direction from Ofgem that issuing a final bill based on estimated information would be acceptable in these circumstances. A group member asked if there would be merit in investigating the cost issues further.

A group member noted that MRA procedures would need to be changed in order for their timelines to reflect the guidelines required by the Guaranteed Standard. Discussions should be had with MRA, SPAA and possibly BSC.

ACTION: Ofgem to lead the group in developing an action plan with relevant code bodies with regard to the timing of final bills.

6. Identifying Causes of and Responsibility for Detriment: Causes of Erroneous Transfers

JC noted typical causes of erroneous switches. He observed (following on from the previous discussion) that poor quality address data, or mismatches between address data, was the leading cause of ETs. The group broadly agreed that address data issues were the leading cause of erroneous transfers. He asked if the root causes had been captured in an accurate way, and whether responsibility for detriment in each case had also been captured in a way that reflected the views of the group. JC noted that supplier responsibility in particular may be open for discussion.

The group discussed control mechanisms sued by suppliers to ensure that the correct address had been inputted by the customer. The group agreed that there was relatively little consistency in the manner in which these were applied. One group member noted that certain meter points were more likely to be the source of ETs.

JC asked what mechanisms were typically in place to prevent ETs at customer acquisition. It was important to understand what best practice for validation of address data was and what control mechanisms prevented ETs.

JC observed that the following problems needed to be resolved to develop an effective compensation mechanism for address data and ETs:

- **Is it possible to identify ETs arising from incorrect data inputs and those arising from issues with existing industry data?**
- **Is it possible to attribute responsibility for these ETs to a particular supplier?**
- **Can this be completed in time to resolve an ET on a reasonable time basis?**

The group discussed which parties could be held responsible for problems with address data. Group members held conflicting views. Some group members observed that responsibility for improving data should fall upon gaining suppliers, noting that the extent of address verification taken before on boarding new customers was essentially a commercial decision. Other group members noted that there were long-standing issues with industry data and ETs still occurred under suppliers with advanced verification processes.

One group member noted that it would be unfair to make a sweeping judgement to attribute responsibility to the gaining supplier, arguing that this was too broad an attribution and that there were occasions where gaining suppliers could not influence. The group member urged the group to ensure that it considers all routes to producing an effective compensation mechanism.

JC asked the group was meant by 'technical issues' causing ETs, noting that this was a definition that was used in Electralink data. Group members noted that these used to be classified as 'other' reasons in industry data.

JC asked that group members consider the slides from the session and identify other causes of ETs. In addition, it was important to understand how a mechanism to attribute responsibility and make compensation payments might be effected. JC observed that suppliers would need to put in place a messaging service for identifying and communicating to suppliers where they were responsible, and to resolve disputes (for example where it was unclear whether an ET resulted from input data or existing industry data).

JC noted that under some of these regulations, it is possible that ETs or delays may occur where the cause is definitively not a customer cause, but where responsibility was not clear. JC asked whether there is a need for a cost recovery system where compensation could be paid and recovered by suppliers when responsibility had been attributed, or whether a default for responsibility needed to be applied where this might not be clear. This could be achieved through a recovery mechanism or a pot for smearing payments across the industry. However, any form of smearing may be viewed as a dilution of supplier responsibility.

JC summarised that identifying responsibility for issues with address data quality, and ensuring that a payment could be made to the customer by the party responsible was key to resolving that issue. It was essential to make sure that the group could agree on a process to make this work.

7. Alerting Suppliers of their Responsibility for Detriment

JC observed that one of the key responsibilities of the group was to build a mechanism to enable suppliers to identify where they were responsible for paying compensation and to get compensation to consumers.

This mechanism will need to:

- **Identify and provide evidence for the root cause of the problem;**

- **Communicate this evidence and the need to pay compensation to the party responsible (if this is not the initially contacted supplier);**
- **Resolve any disputes between suppliers quickly; and**
- **Enable the identified party to pay compensation to the consumer.**

JC asked whether alternative data sources might assist with some of the above points. JC noted that he has already taken an action to invite Electralink to contribute to future group sessions.

A group member asked whether there would be merit in discussing typical scenarios and how suppliers responded to them. JC agreed that this might be useful.

JC noted that it would assist the group if group members would actively consider these issues, especially the following questions:

- **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?**

ACTION: Group members to consider questions on creating a mechanism for evidencing detriment and to make suggestions to Ofgem.

8. Next Steps

JC observed that the next group session would be on 25th March. He thanked group members who had offered facilities in other locations and said that he hoped to make use of these in the new financial year.

JC asked group members to consider the following issues for the next session:

- Are there any omissions from our listing of causes of detriment;
- DO you agree with our assessment of responsible parties;
- How could a mechanism that would allocate responsibility and compensation payments on a case by case basis be developed (as in the previous session).

JC said that Ofgem would be grateful for written responses to be submitted as soon as possible.

JC thanked the group for a useful discussion and useful session.

CLOSE