

Guaranteed Standards in Switching Working Group: Summary of Output

This document

In November 2018 Ofgem published its decision to implement new Guaranteed Standards and Automatic Compensation for Switching. In this decision, Ofgem decided to split implementation of the new Guaranteed Standards into two tranches, with one tranche being implemented via the publication of a Statutory Instrument in February 2019. In its decision, Ofgem indicated its intention to convene a working group to determine the most appropriate distribution of compensation payments for the Guaranteed Standards to be implemented in the second tranche. This document is a summary of the discussion and output from the Working Group.

Disclaimer

This document is intended as a summary of the views of stakeholders who attended the Working Groups. It does not necessarily reflect the views of all participants or the totality of the discussion within each session. Where the group expressed conflicting views, we have tried to capture this, although again this may not reflect all views expressed by group members.

Purpose and aims of the group

The group was formed to:

- undertake further work to identify the causes of erroneous switches, delayed switches, and delays to the issuance of final bills, prior to the establishment of new Guaranteed Standards; and
- to advise Ofgem in the development of new Guaranteed Standards addressing erroneous switches, delayed switches, and delays to the issuance of final bills.

The duties of the group were:

- Identification of existing industry data sources and work which may be used to identify the causes of erroneous and delayed switches, and delays to the issuance of final bills.
- Advising Ofgem on how to utilise and interrogate this data to inform policy development; and
- Critical appraisal of Ofgem's proposals for data analysis to drive policy development.

Reasons for detriment

The first work undertaken by the group was to determine common reasons for delays occurring to switches and issuance of final bills, and for erroneous switches, and to identify which party was responsible for detriment in these instances. These reasons are given in Annex 1 and are summarized below.

Delayed switches

The group considered the ways in which either supplier could affect the timing of a switch. A summary of views was below.

- The principal cause of avoidable delays is MPxN misallocation due to poor address data. Address data issues can be caused by input error at contract inception (by customer or supplier), inconsistencies between input data and historic industry data, or errors in industry data.
- Ways in which a losing supplier can influence/cause a delay are limited. The main reasons are vexatious objections and failure to improve historic address data which can cause MPxN misallocation.
- Effective verification by gaining suppliers can mitigate against MPxN misallocation.

Final bills

The group considered the ways in which either supplier could affect the issuance of a final bill. A summary of these views is outlined below:

- gaining suppliers could only influence the issue of final bills by failing to provide the losing supplier with a meter reading in time for them to issue a final bill;
- a losing supplier was able to issue a final bill based on estimated meter reads, and this often happens in any case (particularly in the instance of changes of tenancy).

Erroneous transfers

Finally, the group considered the ways in which either supplier could be responsible for causing an erroneous switch. (The group considered switches where a meter point is switched without a valid contract with the affected customer, so we have excluded instances where the erroneous transfer process is used to return customers during the 14 day 'cooling off' period.)

- As with delayed switches, the majority of erroneous switches are caused by issues with address data. This can be caused by:
 - an input error during customer acquisition (by the customer or the gaining supplier or their agent), or process error initiated by the gaining supplier;
 - errors in industry address data (contained within UK Link or MPAS databases, or ECOES and DES systems) which lead to misidentification of the MPxN.
- Erroneous switches can also be caused by crossed meters (where a meter is apportioned an incorrect meter point number at installation).
- Mis-selling or fraudulent switches, initiated by a supplier or their agent and third parties respectively, can also cause customers to have their supply switched without a valid contract being in place.

Responsibility for detriment

Based on this assessment of the causes of detriment, the group identified which parties were most likely to be responsible for the detriment events covered by the Guaranteed Standards.

- There was widespread agreement amongst group members that the number of ways in which a losing supplier can cause a switch to be delayed are limited. A losing supplier

can only delay a switch by creating a vexatious objection, and could cause a delay by omitting to update data it holds about the customer's meter technical details or address data.

- Similarly, there was widespread agreement that the only means that a gaining supplier could influence the issuance of a final bill was limited to failure to communicate an opening meter read to the losing supplier. In this instance the losing supplier is still able to issue a final bill based on estimated data within a six week period. However, there were differing opinions within the group about the risk that this presented for consumers.
- There was less widespread agreement about the extent to which erroneous switches could be caused by a gaining supplier. Group members broadly agreed that the majority of individual causes of ETs would be the responsibility of the gaining supplier. However, some group members noted that a significant number of erroneous switches were caused by errors in historic data, which were either the responsibility of the losing supplier (who are required by the supplier licence to update owners of industry data with any data that they hold) and third parties who maintain these databases.

Implementation approaches

Based on the distribution of responsibility for detriment as set out above (and in the annex to this document), the group considered how a model for distributing compensation could be developed to reflect which party was most responsible for the detriment caused.

The group considered whether a model could be developed to ensure that compensation was borne by the party that was identified as being responsible for the detriment.

Responsibility for delay to switches, issuance of final bills, or erroneous switches could be determined by following a process map and using flow data or other data to identify where the process had broken down, and which supplier's actions had caused this breakdown. Suppliers would reach a bilateral agreement regarding which party was responsible based on this assessment and on data provided during this assessment. Compensation would be distributed either by the responsible party on a case-by-case basis or by one party and then reconciled afterwards. An arbitration and dispute resolution process would be required to settle disputes between providers (although group members were of the opinion that this service could be provided by an established dispute resolution service).

The view of the group was that production and maintenance of process maps and a distribution mechanism would come at a cost and would be complex to produce and to maintain. Implementing such a system would require co-ordination with industry codes to ensure that the process maps were produced and maintained and reflected the reality of the underlying processes. Group members were agreed that whilst feasible, to build a mechanism in order to distribute compensation on a case by case basis in a timely fashion would incur a significant resource cost. After some discussion, the group was unable to identify a clearly preferable route to distributing compensation on a case-by-case basis.

For this reason, it was agreed that the preferred approach of the group was that compensation should be borne by the most appropriate party (or parties) for each of the Guaranteed Standards.

Proposed distribution

All group members in attendance were in agreement that in the case of Guaranteed Standard A (delayed switches), this most appropriate party was the gaining supplier, and in the case of Guaranteed Standard E (delays to issuance of final bills), the most appropriate party was the losing supplier.

In the case of Guaranteed Standard C (responsibility for erroneous switches), the majority of respondents expressed the view that the most appropriate party to bear responsibility for compensation payments was the gaining supplier. However, a minority of respondents expressed the view that the incidence of erroneous switches which were caused by misidentified MPxNs resulting from errors in historic data was sufficiently significant that this could not be stated with confidence.

Other issues

In addition to the main work of the group, another of other issues were raised by group members with regard to Guaranteed Standards A, C and E. Some of these points are summarized below.

Group members called for clarity regarding the timeframe under which compensation payments would be due under those Guaranteed Standards which required consumer outcomes to be delivered within a certain timespan. In particular, some or all group members argued that:

- Timeframes should be consistent with measures set out in licence conditions. At present different target lengths for completing a switch exist in the supplier licence, for market monitoring purposes and for the Energy Switch Guarantee. Clarity and consistency in this area are important in preventing delayed switches and achieving good outcomes for the customer.
- Numerous existing measures allow for different standards when considering what is a 'delayed' switch.
- Some group members noted that the starting point for any such Guaranteed Standard should be where the supplier was in receipt of all information from the customer.
- Losing suppliers can influence switch length through the objections process; this needs to be considered when drafting a Statutory Instrument.
- Guaranteed Standards were drafted in such a manner to allow time for effective validation of customer data by the gaining supplier after the initiation of a switch by a customer.
- Suppliers can misuse the objections process to prevent individual customers from switching and also from switching en masse. Where this occurs it should be treated as a compliance issue.

Some group members noted that any requirement to issue final bills based on estimated data had the potential to undermine the operation of industry processes, including balancing and settlement aspects of existing codes (such as BSC).

The established disputed and missing reads process in electricity are designed to reduce issues arising from where bills are drawn up using estimated reads and requires 56 calendar days (eight weeks) before a bill is issued based on estimated data. Some group members expressed concern that a requirement to pay compensation if all final bills (in gas and

electricity) were not issued within six weeks could result in a sub-optimal outcomes due to bills being based upon inaccurate estimates. Some group members also expressed concern that the creation of Guaranteed Standards would effectively mean that Ofgem is mandating change to these processes. However, there was less agreement amongst group members regarding whether these established processes yield good outcomes for customers. Some group members noted that in effect suppliers are likely to issue a final bill for both fuels within six weeks of a switch request in any case. The group was not unanimous that preserving the integrity of industry processes would present a sufficient negative impact to prevent the implementation of compensation.

Some group members argued that collaborative measures such as a requirement for customers to input an MPxN at the point of switching would reduce ETs. Ofgem's response was that this measure was not something that Ofgem was likely to seek to introduce as part of the GSOP development process. Based on existing customer behavioural research, this would be likely to have the effect of reducing overall levels of switching.

Some group members asked whether the Guaranteed Standards put in place as part of Phase 1 of this work represented enough compensation for a customer after an erroneous switch. In response, Ofgem noted that they strongly felt that an erroneous switch that was resolved in good time still represented an amount of detriment for customer and that this warranted a compensation payment. The consumer detriment that arises from an erroneous switch is felt by a customer who is not party to the switch request, and it is reasonable for customers who were affected by adverse impacts in these circumstances to be compensated.

Next steps

Ofgem will now produce a policy consultation and draft Statutory Instrument for the second phase of Guaranteed Standards. Ofgem will decide upon the most appropriate drafting of the SI based on the information provided from the group and elsewhere.

Annex: Root causes and responsibility for switching problems as identified by the group

This annex summarises the possible reasons for delays to switching and issuance of final bills as provided by attendees to the Guaranteed Standards Phase 2 workgroup. It is not necessarily exhaustive and does not provide an indication of the likelihood of each event occurring, either in absolute terms or relative to other events listed.

Guaranteed Standard A: Reasons for delays to switching

	Reason for delay	Root cause	Responsible supplier
Data mismatch	Lockout	Customer signs up with multiple suppliers.	Valid delay – to be covered by exemption from GSOP
	Pending Withdrawal	Customer activity.	Valid delay – to be covered by exemption from GSOP
	Pending Pre-Move (customer gives advance warning of them moving home)	Customer activity.	Valid delay – to be 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.	Gaining supplier where controls are insufficient (e.g. customer not contacted or prompted to confirm data).
	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 objection is unresolved due to customer activity.
	Failure to move flow after an objection is resolved.	Failure of losing supplier to reinstate flow.	Losing supplier.

Guaranteed Standard E: Reason for delay in issuance of final bills

	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

Guaranteed Standard C: Reason for erroneous switches

	Reason for erroneous switch	Root cause	Responsible party
(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 UK Link/MPAS database. Failure of existing supplier to resolve identified database error. Inaccurate data provided by meter installers/data providers.	'Losing' supplier
	Incorrect submission by supplier	Submission of incorrect details by supplier.	'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 of switch in time.	'Gaining' supplier
	'Technical issues'	Via 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)	ET process is used to return a customer to original supplier.	Excluded from GSOPs as valid contract exists between suppliers.
	Customer Service Returner (during cooling off process).	ET process is used to return a customer to original supplier within 14 day period required by Consumer Rights Directive.	Excluded from GSOPs as valid contract exists between suppliers.
	Forgery – customer driven	Fraudulent activity	Excluded from GSOPs.