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Sent by email to: switchingcompensation@ofgem.gov.uk

Dear James

Supplier Guaranteed Standards of Performance (GSOP) for Switching: Consultation on introduction of further Guaranteed Standards and Automatic Compensation

This is Centrica's non-confidential response to the above consultation, which may be published on your website.

Executive Summary

- Centrica is supportive of Ofgem's intention to improve the consumer experience throughout the switching journey.
- Centrica is supportive of the proposed approach to attribute blame to a single supplier at fault. We believe the approach in this consultation is an improvement on the original 'split responsibility model' proposed in the policy consultation of June 2018.
- The Impact Assessment for 21-day switching does not assess the impact of the proposal as it is based on differing information. Therefore, it cannot be used to assess the impact of Standard A. In *table 1 of the updated impact assessment¹*, it shows that the assessment is completed on the requirement '*To ensure a switch is completed within 21 calendar days from the date the consumer enters into a contract with the gaining supplier unless there are valid reasons for delay to switch.*' This is very different to the proposal, as valid reasons² are not an allowable exception under the proposal. We believe Ofgem should complete a further Impact Assessment on the timescale currently used in Standard A if it intends to use this as the performance standard.
- In place of introducing a new performance metric for 21-day switching, we believe the proposal should use an existing market metric, i.e. either (i) the 21-day switching definition from the '*relevant date*', as defined in Supply Licence Condition 14.A, or (ii) the Energy Switch Guarantee (ESG) definition using the Supplier Licence Condition (SLC) exceptions. Both use the SLC definitions of valid delays set out under SLC 14.A.3. Using an existing market metric will keep system and process change to a minimum, reducing cost to implement. The proposal for standard A will require significant change, without delivering on improved outcomes for customers through switching.
- Ofgem will be introducing regulatory uncertainty by introducing a new definition for Standard A; 21-day switching. This will lead to different definitions between the Supplier Licence Conditions and the proposed GSOP regulations. We are extremely concerned that Ofgem has not addressed this

¹ https://www.ofgem.gov.uk/system/files/docs/2019/09/switching_compensation_-_revised_impact_assessment_final_version_for_pub_0.pdf.

² Valid reasons for a delay are set out under SLC 14A.3

in this consultation. We believe Ofgem should remove this uncertainty by either (i) using the existing SLC 14A definition as the standard, or (ii) changing the SLC 14A to reflect the same requirement as under the GSOP regulations.

- We believe Standard A, as proposed or using the requirement under the Energy Switch Guarantee, is more onerous than the SLC requirement today. We believe Ofgem must give consideration and provide detail whether investment in systems to meet the required standard is recoverable under the Default Tariff and Prepayment Price Caps.
- Ofgem has not provided justification for evaluating the detriment at £30 for all of the Standards in the GSOP framework. Rather, it has simply justified £30 to fall in line with the other compensation values. We believe Ofgem should fully justify this £30 value, with a full Impact Assessment, as we do not believe £30 is reflective of the detriment experienced for a delayed switch and believe a lower value of £15, or a daily value of £5 and capped to £30, as seen in the Telecoms market³, should be considered.

Introduction

Centrica recognises that introducing new Guaranteed Standards of Performance for switching related issues has been a key area of focus from Ofgem. We have fed into previous consultations and have attended Ofgem workgroups throughout 2019 to consider and understand the best approach to implement the GSOPs for the Standards which are now being consulted upon.

Centrica is broadly supportive of the work that has been completed by Ofgem and Industry to date and believes the outcome of the workgroups to attribute blame to one party, rather than sharing the blame, is the best way forward and achieves the key principle that compensation should only be paid by those at fault.

However, we do have serious concerns regarding some elements of the proposals, specifically those which Ofgem has not provided consultation questions for.

Specific areas of concern:

Standard A: 21-day Switching

We have several concerns regarding the proposed Standard A. Whilst we agree that the gaining supplier should be responsible for making a payment for this Standard (and ultimately ensuring a switch is completed on time), Ofgem has not properly impact assessed the proposals for Standard A.

The revised Impact Assessment accompanying this consultation is based upon a different measurement for 21-day switching than the proposal. We believe a full impact assessment on the proposed Standard A metric should be completed, if Ofgem intends to progress with it. The revised impact assessment details instances where *a switch is completed within 21 calendar days from the date the consumer enters the into a contract with the gaining supplier unless there are valid reasons for delay to switch.* The proposed Standard does not allow for valid exceptions as defined in SLC 14A.3, in lieu of allowing the Supplier to start the 21-day process from the point that all information is received. This alteration will require significant system and process change to implement so that the switch time can be monitored from either the point that the customer signed the contract, or the point where the customer has provided further information. This is a change that has not been impact assessed. We believe a more efficient way forward would be to use the existing Energy Switch Guarantee (ESG) Standard or the current Supply Licence Condition, rather than introduce a new standard that is not used in the market today.

³ <https://www.ofcom.org.uk/phones-telecoms-and-internet/advice-for-consumers/costs-and-billing/automatic-compensation-need-know>. £5 payment for delays to the beginning of a service.

We also believe that Ofgem is consulting on a Standard that is more onerous than the current Supplier Licence Condition for 21 day switching. We have concerns whether suppliers can develop the required process in a short timeframe, and whether the additional cost to go beyond the current SLC is a recoverable cost under the Default Tariff and Prepayment Price Caps.

If Ofgem were to go ahead with the proposal, it will create regulatory uncertainty, as the Supply Licence Condition requirements and the Guaranteed Standard of Performance requirements would be different. We believe that Ofgem should either replicate SLC 14A and use this as the Standard of Performance or update the SLC to reflect the new Guaranteed Standard of Performance. As above, we believe that if the licence was to change, then it should follow the methodology under the Energy Switch Guarantee to keep change to a minimum, rather than introduce a new metric into the market.

Our final concern regarding Standard A, is that we do not believe Ofgem has provided clear justification for the value of £30 being an appropriate amount of compensation for a delayed switch over 21-days. We maintain that it is not reasonable or proportionate and is too high. Our understanding is that Ofgem believes the detriment to customers for a delayed switch occurs through (i) loss of savings following a switch and (ii) through the customer calling the supplier following a delayed switch. Ofgem has simply justified £30 as a value simply because it is consistent with the value of the other compensation values. This needs to be corrected.

Centrica does not believe that a customer's experience through a delayed switch would warrant compensation to the value of £30. The consequence of a delayed switch is that the customer will not be switched onto their desired tariff in the timeframe quoted, remaining on their existing tariff for possibly several days at the cost of just a few pence a day. The customer will remain on supply until the switch has happened, and if on a Prepayment meter, can continue to top up with their existing supplier. This does not warrant a £30 compensation payment.

In reviewing complaints and contact data, we have found that customers do not contact us regarding the speed of their switch. Contact and complaint propensity remains the same regardless of whether a switch is on time or delayed, with the majority of customer contact relating to account setup conversations on issues such as Direct Debit instalment amounts. The evidence we have on our customer base does not support Ofgem's assessment of detriment for a delayed switch.

We believe that the compensation value for switching should be lower and reflective of the actual detriment experienced. An example of a different compensation model is seen in the telecoms market. Here, compensation introduced by Ofcom, is set at £5 per day for a delayed start of Broadband or Telephone services (capped at £30), or alternatively introducing a £15 compensation value. We also believe there is a great difference in the detriment and inconvenience received between a delayed switch, and a customer who has experienced a missed appointment under Regulation 3 of the existing GSOPs regulations. We do not believe it would be a fair reflection of harm or detriment to the customer to be compensated with the same value for the two examples, and we therefore believe that a lower compensation value for switching is reasonable.

Standard C: Erroneous Transfers

We are supportive of the rationale that the gaining supplier should be responsible for compensating for erroneous transfers. We do have concern however with Ofgem's view expressed in paras 5.31 & 5.32 of the consultation document regarding what would constitute 'reasonable endeavours' to compensate a customer that the Supplier does not have a previous relationship with, or an 'Occupier account'. We do not believe that suppliers should be sharing customer data with each other without a supporting Privacy Impact Assessment (PIA) being completed by Ofgem.

Standard E: Final Bill

We are supportive of the proposal for Standard E. However, we believe that elements of Ofgem's policy intention and the proposed legislation do not align. We believe Ofgem intends this measure to take effect for all final bills, including corrected final bills. The current proposed redlining does not provide details on how a corrected final bill should be measured, if this is the policy intention. The current Supply Licence Condition SLC 27.17 states the licensee, '*shall send a corrected Bill or statement of account as soon as reasonably practicable after the subsequent information becomes available.*' We believe the policy intention should focus on the issuing of the final bill in a timely manner. Any subsequent corrected final bills should not be measured under this standard.

We have set out our responses to Ofgem's specific questions in Annex 1. In Annex 2 we have provided specific comments on the draft statutory instrument.

Please do not hesitate to contact Gregory.mackenzie@centrica.com if you have any questions relating to our response or would like to discuss any of the concerns we have raised,

Yours sincerely



Nigel Howard

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Annex 1 – Centrica’s response to Ofgem Questions

Question 1: Do you agree with our assessment that the likely costs and logistical difficulties of implementing an allocation of compensation on a case by case basis would be likely to outweigh the benefits? If not, why not?

Yes, we agree with Ofgem’s assessment that the proposed approach is better than implementing a complex allocation mechanism. As Centrica has fed back throughout this Switching GSOP consultation process, we believe a key principle for any approach should be for the supplier at fault for a delay, to be responsible for paying, i.e. not sharing responsibility across both / multiple suppliers.

As the workgroup discussion concluded, we agree that attributing blame and compensation to one party is the best way forward and believe the proposal of having one party pay for every standard, rather than an allocation mechanism, is the best way forward from a cost and efficiency perspective.

Question 2: Do you agree that gaining suppliers only should bear responsibility for making compensation payments under Guaranteed Standard A? If not, why not?

Yes, we agree that the gaining supplier should be responsible for paying compensation for delayed switches. We strongly disagreed with the approach of allocating cost across both the losing and gaining supplier, as the losing supplier has a very limited impact on the acquisition journey.

In the Ofgem led workgroup there was discussion around how the integrity of market data can cause delays in switching and an increase in erroneous transfers. However, we maintain that the gaining supplier during the acquisition can interrogate any incoming data, identify anomalies and (if in doubt) request further information from the customer to be able to progress the switch. Due to the gaining supplier being in control of whether more information is required, we do not see any reason for the losing supplier to compensate the customer. Further to this, we believe the concept of the customer receiving compensation from their old supplier for a slow / delayed switch to their new supplier is confusing from a consumer experience perspective.

One key concern that we do not believe Ofgem has adequately addressed yet through the Impact Assessment and workgroup session, is the compensation value of £30 for all delayed switches <21-days, and £60 for switches delayed by 21 calendar days + 10 workings days (as per the further payment regulations set out in the GSOP Statutory Instrument). We strongly disagree with Ofgem’s assessment that all customers who experience a delay to switching of greater than 21-days should receive compensation to the value of £30.

We believe the detriment experienced by the customer because of a delayed switch is limited to the loss of savings that could be made by a customer. If the customer is delayed by the timeframes being considered above, then we believe this is a matter of pence, rather than £30. Through the workgroup, we believe the assessment of harm is related to the fact that customers contact suppliers to understand why their switch is delayed. In our experience, this assumption is incorrect and does not reflect reality. Customers contact us during and following a switch with greater concerns, e.g. ensuring that their account is set up correctly including the correct Direct Debit payment.

To highlight this point further, we reviewed our complaints data against a sample of over 30,000 switches. As per switching (as defined by the Energy Switch Guarantee) we found:

Table 1: Volume of switches and complaints received by length of time to switch.

Switching Category	Customer Volume	Sum of customer complaints	Complaint Propensity
Within 21-days	28545	606	0.02
>21-days (Valid)	1568	52	0.03
> 21-days (Invalid)	1629	17	0.01

The above table shows that customers are as likely to contact us and complain when their switch is complete within 21-days, outside of 21-days for valid reasons (as defined by SLC 14A.3) and greater than 21-days for invalid reasons (i.e. Supplier fault). On deeper analysis into the complaints received, we found that we do not receive complaints related to the speed of the switch. Of the 675 complaints received in the sample above, we saw the greatest volume of complaints related to 'People behaviour' at 120 (agent interaction with the customer) 'Metering/Device issues' at 76 and 'Payment complaints' (incorrect payment scheme, balance transfer) at 75. 'Sales' complaints received are focused on Erroneous Transfer complaints.

To be reflective of the actual potential harm to customers, we believe that Ofgem should consider different compensation values, such as an increasing scale of payments, i.e. a method that was introduced as a voluntary commitment in the Telecom Sector by Ofcom of £5 per day, with a cap to the value of £30. This is used for delayed Broadband and Telephone services switches. Or an alternative is to reduce the value to £15 for a switch.

Our final reason for disagreeing with the compensation value, is that we do not believe the switching detriment to be equal to the detriment experienced in other elements of the Guaranteed Standards for Performance. For example, we do not believe a customer who has experienced a delayed switch should be compensated to the same value as a customer who has experienced a failure under Regulation 3 for a missed appointment. We believe the inconvenience and time taken from the customer is vastly different to that of a delayed switch.

Question 3: Do you agree that measuring Guaranteed Standard A from the receipt of sufficient information to ensure that a contract has been entered into by the customer and to identify the relevant meter points to which the switch relates allows enough opportunity for a gaining supplier to effectively validate the switch? If not, why not?

We do not agree with the current proposal, as it will introduce a new method for measuring speed into the energy market when there are perfectly acceptable existing measures that suppliers use today that can be more easily used. It would be more appropriate to use the SLC 14A definition of switching with 21-days from the 'relevant date' or the Energy Switch Guarantee Definition. This would also ensure that both the Standard and the licence conditions are aligned; resulting in consistent interpretation of the obligations on suppliers.

The Standard as currently proposed will require a new approach to managing the switching window due to differing starting points of when the 21-day switch window will commence, i.e. either the customer signature date (if the supplier received all information received to complete a switch in the first instance) or from the point the supplier has received further requested information from the customer. It will also cause a difference in interpretation and application between regulatory obligations. Under both the Energy Switch Guarantee and Supply Licence Conditions, the valid exceptions as set out below are key where the supplier has not been able to complete a switch on time:

‘ 14A.3 The conditions in this paragraph are that, on or after the Relevant Date:

c. the licensee does not have all of the information it requires in order to complete the Supplier Transfer, despite having taken all reasonable steps to obtain the missing information from the Customer, and cannot readily obtain that information from another source. ‘

Currently, this means that the supplier will identify when more information is required and take ‘all reasonable steps’ to obtain further information from the customer and other sources to complete the switch on time. If this information is not received in time to complete a 21-day switch, then we will progress the switch, and count it as a switch >21-days for valid reasons. Changing to the proposed approach will require development time to be able to measure from the point that all information is received, as this can be received through multiple channels.

We believe a better way forward would be to reflect the timescales as set out in the Supply Licence Conditions, as this is the standard that the whole market has been targeted on for several years. If not the Supply Licence Condition, we believe that the Energy Switch Guarantee parameters should be used, and that the Supply Licence Conditions should be updated to reflect the requirement.

If the current SLC definition is not used for Standard A, then we believe Ofgem will be introducing regulatory uncertainty as there will be differing requirements in the Supply Licence Conditions and the GSOP regulations. We believe that the two requirements should at least be aligned, updating the SLCs if needed.

Question 4: Do you agree that gaining suppliers will be able to measure when sufficient information is received for the purposes of reporting on Guaranteed Standard A? If not, why not?

We believe the gaining supplier is in the best position to understand when sufficient information is received to progress a switch.

Question 5: Do you agree with the proposed exceptions and exemptions which we have applied to Guaranteed Standard A? If not, why not?

No. We do not agree with the proposed exception and exemptions. We believe that the approach to 21-day switching should follow either the Supply Licence Conditions or the Energy Switch Guarantee, and use the exemptions set out in licence. We believe the proposal could be a complex solution to implement and very resource intensive to monitor the timeliness of information received. We believe if suppliers can prove they have attempted to gather data, and that the data is not received on time to complete a 21-day switch, then an exception of not enough information received should be allowed (14A.3.C), as it is used today through the SLC definition of switching and the Energy Switch Guarantee of switching. All valid exceptions under 14A.3 should be allowed.

Further to this, we also believe that Bank Holidays should be an allowable exception. We find certain times of the year prove to be difficult to complete a 21-day switch due to multiple Bank Holidays (i.e. Easter and Christmas Period). We believe that the exception should allow more time to complete the switch over these periods due to consecutive non- working days, as allowed under the Energy Switch Guarantee.

We believe the generic exemption of events that are beyond a supplier’s control is appropriate and on review believe it would encapsulate a number of issues we experience, such as market-led issues preventing an acquisition. For example, it was widely acknowledged that delays could be experienced during the Project Nexus transitional period.

Question 6: Are there any other reasons for failing to complete a switch within 21-days which could warrant an exemption from paying compensation under Guaranteed Standard A?

As highlighted above, we believe Bank Holidays should be considered as exempted events, or a specific clause to allow further time to complete a 21-day switch due to prolonged times of non-working days over bank holiday periods like Christmas or Easter.

Further to this we believe the valid reasons as per the Supply Licence Conditions 14A.3 should be allowable exceptions.

Question 7: Do you agree that suppliers implementing the Debt Assignment Protocol should not be exempt from making compensation payments if they fail to complete a switch within 21-days? If not, why not?

We agree. We do not believe the Debt Assignment Protocol has a significant impact on switching speed.

Question 8: Do you agree with our proposal that responsibility for compensation under Guaranteed Standard C should be borne by gaining suppliers only? If not, why not?

Yes, we agree with the proposal that responsibility should be borne by the gaining supplier to pay compensation in an Erroneous Transfer scenario. We believe allocating blame to one single party is a positive move away from Ofgem's original proposal in its policy consultation in June 2018, where responsibility would be borne by both the gaining and losing supplier. We do not believe the losing supplier can have an influence on the creation of erroneous transfers, with responsibility lying with the gaining supplier taking appropriate validation steps, to ensure that the information received for an acquisition is correct, and that the supplier is transferring the correct customer to them. The losing supplier in this scenario completes the process steps it is required to, to allow the transfer of a customer.

We have concerns regarding Ofgem's expectations for suppliers compensating customers with whom they have not had a relationship with previously, commonly referred to as 'Occupier' accounts. Para 5.31 refers to 'reasonable endeavours' to contact the occupier, and to process any refund, including contacting the losing supplier to gather customer information to be able to compensate. We believe requesting this information from other suppliers is unreasonable and goes beyond what information we should be requesting and be provided by other organisations. We maintain that our approach of trying to encourage contact with the 'Occupier' should meet the reasonable endeavours requirement and remain consistent with privacy law. This is to send a letter to the customer to request they contact the gaining supplier so the gaining supplier is able to compensate the customer by having the correct details. Gaining suppliers will not be able to compensate the customer without confirming the name of the customer, with the customer.

Question 9: Do you agree that the trigger for making a compensation payment under Guaranteed Standard C should be the agreement between suppliers that a switch was undertaken with no valid contract in place? If not, why not?

Yes, we agree the appropriate trigger is upon agreement of whether a contract was valid or not between suppliers.

Question 10: Do you agree with the proposed exceptions and exemptions which we have applied to Guaranteed Standard C? If not, why not?

We agree with the proposed exemptions for Standard C of Customer Service Returners and instances of suspected fraud. Our observation regarding fraud is that proving fraudulent activity has taken place can be very difficult as a customer mistake can lead to the same outcome. For example, incorrect address selection will lead to the same outcome regardless of whether it was on purpose or accidental.

Question 11: Are there other reasons under which a supplier should be exempted from making a compensation payment under Guaranteed Standard C?

No, we do not believe that there are any further specific exemptions that should be created.

Question 12: Do you agree that responsibility for compensation for issuing a final bill after six weeks should be borne by losing suppliers only under Guaranteed Standard E? If not, why not?

Yes, we agree that responsibility for issuing a final bill within the appropriate timeframe should be borne by the losing supplier.

Question 13: Do you agree with the proposed exceptions and exemptions which we have applied to Guaranteed Standard E? If not, why not?

We agree with the exceptions and exemptions proposed and particularly believe that a genuine dispute between the supplier and the customer over the final bill is appropriate, on the premise that the supplier is communicating or attempting to communicate with the customer regarding their final bill.

We believe this exemption should be extended to instances where the losing supplier cannot genuinely issue an accurate final bill and requires further information. As the consultation document has identified, there are instances when the losing supplier is required to issue a final bill based on its own estimated readings (Para 4.79) rather than at the completion of the missing reads process, where the gaining suppliers' agents will provide a final read to bill. We believe there could be instances where an accurate final bill cannot be estimated due to a lack of read history at the site, requiring further information. We believe an exemption should be created to cover instances where the losing supplier does not hold enough information to estimate an accurate final bill, and the losing supplier is taking reasonable steps to gather information required to do so.

Providing an accurate final bill to legacy prepayment metered customers is not possible as the supplier is unable to see the meter balance at the point of the Change of Supply event. We can provide a statement of account showing top ups completed, but any final balance provided by us will not reflect the balance on the meter as the customer will continue to use the balance following the change of supply event. A bill will lead to customer confusion in this instance. We therefore believe that a final bill is appropriate for credit and smart metered prepayment customers and think an exception for legacy prepayment metered customers should be created.

Question 14: Are there any other reasons for failing to issue a final bill within six weeks which warrant an exemption from paying compensation under Guaranteed Standard E?

No.

Question 15: Do you agree with our assessment that it would not be proportionate to implement an open-ended requirement to pay compensation for enduring issues of detriment? If not, why not?

Yes, we agree with the assessment that an open-ended requirement to pay compensation is not proportionate.

Question 16: Would changing reporting requirements to allow Ofgem to collect data on the time taken to issue final bills or repay credit balances present a significant additional cost when compared with the current requirements?

We are unable to assess whether further reporting requirements will incur significant additional cost or time to build without knowing what data Ofgem would like to collect.

Annex 2: Statutory Instrument Comments

This appendix sets out specific comments with the drafting of the proposed Statutory Instrument.

New Definitions

Under the definition of “supplier transfer” the current drafting focuses on the transfer of gas or electricity. We believe an amendment should be made to make it clear that supplier transfer also encapsulates the transfer of both fuels.

Standard A: Obligation to complete a supplier transfers

We believe that a further exemption under 2) should be for valid exceptions as defined under the Gas and Electricity Supplier Licence Condition 14A.3. It is also the policy intention stated by the Consultation that the 21-day switching period is subject to ‘valid reasons’.

Standard C: Avoidance of Erroneous transfers

Standard C:(1) should be altered as in the scenario of an Erroneous Transfer the new supplier is reacting to the request from a customer/third party to complete a supplier transfer. We believe wording should be altered to ‘*This regulation applies where a supplier transfer is completed*’ to be clear the regulations apply when a transfer is complete, regardless of who proposes to complete the transfer.

Standard E: Provision of a Final Bill

Standard E:(1)(3) should be amended to state ‘*Where this regulation applies a supplier must issue the final bill for the supply of electricity or gas (or both) within 6 weeks of the later of:*

- a) *The supplier no longer having responsibility for the supply of electricity or gas (or both);*
- b) *The supplier being notified of a change of tenancy.*

We believe this drafting will address the issue that often in Change of Tenancy scenarios, the Supplier is notified of a Change of Tenancy after the event, regularly by the new tenant.

New exemptions:

Exemption 7D sets out the exemption that an *additional standard payment under 8(3)* is not required when the supplier does not have sufficient customer information to compensate the customer. We believe this should be altered to apply to the standard payment as well. The supplier cannot compensate a customer if it does not have the correct address, or customer information. We believe it should read as:

(7D) A new supplier is not obliged to make a standard payment, or an additional standard payment, under regulation 8(3)....

Exemptions 7E) (b) and 7E(c)(ii) should be expanded to ensure the ‘issue of the final bill’ also enables customers to receive an electronic communication that their final bill is available on a secured site or application. Many companies for security reasons will not send bills on email but contact the customer via email to advise them of where the bill can be located ‘online’.