



James Crump
Faster and More Reliable Switching
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

31 October 2019

Dear James

Consultation on introduction of further Guaranteed Standards and Automatic Compensation

Thank you for the opportunity to respond to the above consultation. Our summary is below with our detailed response in Annex 1.

It is essential that suppliers only pay compensation in situations where they could have prevented the detriment from occurring. This way it incentivises suppliers to improve their processes to achieve better customer outcomes. Erroneous Transfers (ET) can only be reduced through validation checks. Poor industry data and an inability to require customers to input MPxNs at sign up means that gaining suppliers will never be able to completely eradicate ETs. Therefore, there is a need for an exemption for gaining suppliers who have good validation checks in place, but an ET still occurs due to poor data at an industry level. Equally, losing suppliers who have not amended this data following an ET should be required to pay compensation. This would provide the right incentive regime to improve ET performance across industry.

We strongly disagree with the notion that a timely estimated final bill is better than an accurate late final bill. This will increase the number of reissued final bills and lead to greater customer confusion from additional demands for payment, which will in turn decrease confidence in the switching process.

If you have any questions or wish to discuss any of our response in more detail, please contact Samuel Arnold on 07468 494 721 or S.Arnold@GreenNetwork.co.uk.

Yours sincerely

Pietro Di Maria

Chief Operating Officer

Annex 1

Section 3: Summary of output from the GSOP Phase 2 Working Group

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?

Broadly agree. However, this shouldn't allow for incorrect allocation of payments such as some Erroneous Transfers (ET) where the root cause is poor data held at an industry level.

Section 4: Revised Proposals for Guaranteed Standards

Standard A (21 day switching)

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

Agree.

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?

Agree, although there is now inconsistency between the Erroneous Transfer resolution metric to return a customer within 21 working days and this metric which is 21 calendar days.

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?

Agree.

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

Agree.

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?

In the appendix 2 there are some root causes that are attributed to the losing supplier, but these aren't listed as a valid exemption for the gaining supplier to not pay compensation. While a general approach is being

applied to the compensation payments, it is vital that the supplier paying the compensation is the one who is responsible. This way it incentivises suppliers to improve.

Bank holidays should also be included as an exception, particularly where there are successive bank holidays at Christmas and Easter.

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?

Agree.

Standard C (ETs)

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?

Agree, providing that there are exceptions for poor industry data. While we agree that case by case review of every incident would be too costly to set up, it is vital that the compensation incentivise the right behaviours and are only paid where the supplier could have prevented the detriment.

Suppliers can reduce ETs by having good validation checks in place. However, Ofgem has rejected calls for obligating suppliers to ensure customers provide their MPxNs at sign up due to potential impacts on switching – it would be useful if Ofgem could provide this research. This is the one solution that would eradicate ETs completely. In the absence of being able to use this, we are forced to less adequate validation checks that may still result in ETs due to poor data. Therefore, there needs to be exceptions for poor industry data where suppliers have adequate validation checks in place. This issue of accurate compensation targeting is even raised in paragraph 4.14:

“Where suppliers believe that costs will be incurred by them and their competitors regardless of mitigating activities that they undertake, they will be less likely to incur the cost of validating customers at acquisition, and more likely to pass on the costs of the compensation to customers through higher prices”

It is also important that the root causes of ETs are addressed too. In the situation that a gaining supplier suspects an ET and cancels the registration, there is still no incentive for the losing supplier to amend that customers information in the central systems. In fact, the losing supplier can gain a competitive advantage by doing so as their competitors will have to pay £30 as a result of their inaction. We therefore consider that there should be another standard that places an obligation for the losing supplier to repair issues that caused or nearly caused an ET. If that customer is ET'd or nearly ET'd again, then the losing supplier should pay compensation for not rectifying the underlying issue.

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?

Agree. This enables suppliers time to validate and prevent an ET from occurring.

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

Agree.

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

As discussed under question 8, we believe that there should be an exception for poor data where a supplier has a good validation process in place. Suppliers shouldn't be made to pay compensation if they cannot implement the one validation check that would completely prevent ETs (requirement of customer to enter MPxN at sign up).

Standard E (Final Bills)

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?

Agree.

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

Agree.

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?

We strongly believe that this obligation should have the same "sufficient information" clause as the 21 day switch. This would then be in line with the prevailing licence condition 27.17 that requires suppliers to "take all reasonable steps to send a final Bill...within 6 weeks of the supplier transfer". We believe it is reasonable to wait for an accurate reading either from the customer or through following the industry missing reads process that may take longer than six weeks. Therefore, the arrangement to provide compensation where a final bill hasn't been issued within six weeks without exception is setting a different standard to the licence conditions.

We disagree that a delay of more than six weeks to issue a final bill "represents an unacceptably poor outcome for customers", and request that Ofgem provides analysis to demonstrate why an estimated final bill is a better outcome. Issuing estimated final bills will lead to a higher number of final bills being reissued. This will lead to customer confusion, particularly where the reissued bill results in suppliers requesting payment and could decrease consumer confidence in the switching process making them less likely to switch in the future. In many of these situations, the debit and credit amounts will be for low values. This means customers may not claim these refunds and we must spend resource in contacting the customer numerous times or tracing the customer if they've moved in the case of a change of tenancy final bill. Further, in cases where customers now owe us money, we must expend resource collecting this new debt. In the case of *de*

minimis amounts, we would likely have to write these off as the value of the debt makes it uneconomical to collect. These effects have not been accounted for in the impact assessment.

Section 5: Implementing the Guaranteed Standards

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?

Agree.

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?

This would represent an additional cost compared to the current requirements.