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

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01 November 2019

Dear James,

SSE's Response to Ofgem's Consultation on Introduction of Further Guaranteed Standards and Automatic Compensation

SSE welcomes the opportunity to respond to Ofgem's consultation on introduction of further Guaranteed Standards and Automatic Compensation.

Under the new proposals we fully support Ofgem's view that under Guaranteed Standards A and C only the gaining supplier should pay compensation. We believe this revision ensures that the new Guaranteed Standards are better targeted at the parties most responsible for detriment and as such will provide greater incentives for parties at fault to improve their switching practices. We commend Ofgem's approach to reviewing these proposals in light of concerns raised by the industry and it is clear from the evidence gathered that the revised proposals are centred on achieving the fairest allocation of compensation.

Please refer to annex 1 for responses to the individual consultation questions. We would like to highlight a specific concern regarding the impact of consecutive bank holidays on completing a switch within 21 days and the consequences this could have for customers contacting us to cancel in these periods. We strongly believe that the effect of consecutive bank holidays provides a valid reason for a delay to a switch and therefore should be considered as an exemption from paying compensation under this Guaranteed Standard.

If you have further questions related to our response, please contact brian.clark@sse.com.

Yours sincerely

Brian Clark
Policy and Regulation

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Annex 1

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?

We fully support Ofgem’s assessment that the benefits are likely to be outweighed by the costs and logistical difficulties of producing and maintaining such a complex process. Given these challenges, we believe Ofgem has opted for the most pragmatic solution, by identifying the most appropriate allocation of compensation that would be applied for each breach of the Guaranteed Standards under consideration.

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

We fully support Ofgem’s view that this is the fairest allocation of responsibility for compensation between suppliers. Consistent with the evidence of the Working Group and widespread view of members, we believe the likelihood of the losing supplier being responsible for a delayed switch is not significant enough to warrant a payment being made by the losing supplier and the revised Guaranteed Standard better targets the responsibility for compensation at those who are responsible for the detriment.

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 agree that measuring the Guaranteed Standard from receipt of sufficient information provides gaining suppliers enough opportunity to obtain further information as required from the customer to reliably complete a switch, or to validate data that has been provided. This approach is consistent with the Energy Switching Guarantee and should help to ensure customers have a good switching experience whilst also mitigating the risk of erroneous transfers.

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 agree that gaining suppliers should be able to reliably measure when sufficient information is received for the purposes of reporting on this Guaranteed Standard.

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

We agree with the proposed exceptions and exemptions which have been applied to this Guaranteed Standard.

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?

We believe the effect of consecutive bank holidays, such as over Easter and Christmas, provide a valid reason for a delay to a switch and therefore should be considered as an exemption from paying compensation under this Guaranteed Standard. We note Ofgem's view that a 21-calendar day switch from receipt of an application should provide enough time to complete a supply transfer in these circumstances. However, we feel this does not take into account where successive bank holidays are clustered across a weekend, which combined with the customers right to receive a statutory minimum cooling-off period of 14 days and the 2 working days transfer window, may mean that a switch is completed after 22 days.

SSE's current practice ensures that customers are given opportunity to cancel their application up until day 14 of the cancellation window, and we in turn have sufficient time to cancel an application, given that MPAS and Xoserve do not process industry cancellation flows during non-working days. We are concerned that any change to this approach, could have the undesired consequence of us not being able to cancel an application in accordance with the customer's request. Therefore, rather than risk initiating a change to existing practices which could potentially have a negative impact on customers, we urge Ofgem to reconsider the consequences of clustered bank holidays.

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 with this on the understanding that the switching period begins at such point as the Debt Assignment Protocol (DAP) is accepted. In accordance with current procedures for implementing the Protocol, we would not reapply for the supply at an earlier stage as this would result in a further objection. Once the Protocol is accepted, we agree that the process should not prevent suppliers from switching a customer within 21 days.

In relation to the DAP process, we note that Ofgem has not set out their expectations regarding when they believe the 21-day switching measurement should begin. We would therefore welcome clarification based on our current understanding that it should start only once the DAP is accepted. Were Ofgem's view to differ from this, we anticipate significant changes will be required to the industry procedures for implementing the DAP.

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?

We are fully supportive of Ofgem's view that this is the fairest allocation of responsibility for compensation between suppliers. Our analysis shows that the majority of individual causes of erroneous switches are the responsibility of the gaining supplier, which we believe could be avoided by the gaining supplier having in place effective validation processes. Whilst noted there could be a minority of cases where a gaining supplier pays compensation for which they are not directly responsible, we agree with Ofgem's appraisal that both parties paying compensation for every erroneous transfer would not accurately represent which suppliers were responsible for the detriment. And given the financial and technical constraints of implementing a mechanism to determine responsibility on a case-by-case basis, we fully support the view that an allocation of compensation where the gaining supplier bears responsibility represents the fairest approach which is practicable at this time and as previously maintained, we believe that sharing of responsibility for compensation would not incentivise the best performance outcomes in the market.

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?

We agree that the trigger for a compensation payment to be made should be the agreement between suppliers that no valid contract exists for the switch.

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 exceptions and exemptions applied to this Guaranteed Standard.

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

At this stage we do not believe that there are any other reasons under which a supplier should be exempted from making a compensation payment under this Guaranteed Standard.

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?

We agree that the responsibility for compensation for issuing a final bill after 6 weeks should be borne by losing suppliers only under this Guaranteed Standard.

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

We agree with the proposed exceptions and exemptions which have been applied to this Guaranteed Standard.

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

At this stage we do not believe that there are any other reasons under which a supplier should be exempted from making a compensation payment under this Guaranteed Standard.

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 Ofgem’s assessment that it would not be proportionate to implement an open-ended requirement to pay compensation for enduring issues of detriment.

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 understand the value of having additional monitoring in this area, however, we expect that introducing new reporting requirements will present a significant additional cost when compared with current requirements. We therefore urge Ofgem to be considerate of this when setting down new reporting requirements. In particular with regards to the timescales required to introduce new reporting and the need for very clear guidance on the specific reporting requirements.