



8th August 2018

Dear Rachel,

Supplier Guaranteed Standards of Performance for Switching

This submission was prepared by Citizens Advice. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain. This is a publicly available version of this document, which originally included some confidential data.

Switching problems can cause distress and inconvenience for consumers. Forthcoming research for Citizens Advice has quantified this harm to energy consumers from a subset of switching problems at £9 million each year.¹ There can also be wider consequences, if consumers lose confidence in the switching process. Switching and switching related cases (including final account reconciliation and failure to refund) accounted for around 10.5% of the energy issues seen by the Citizens Advice consumer service over the past year.²³

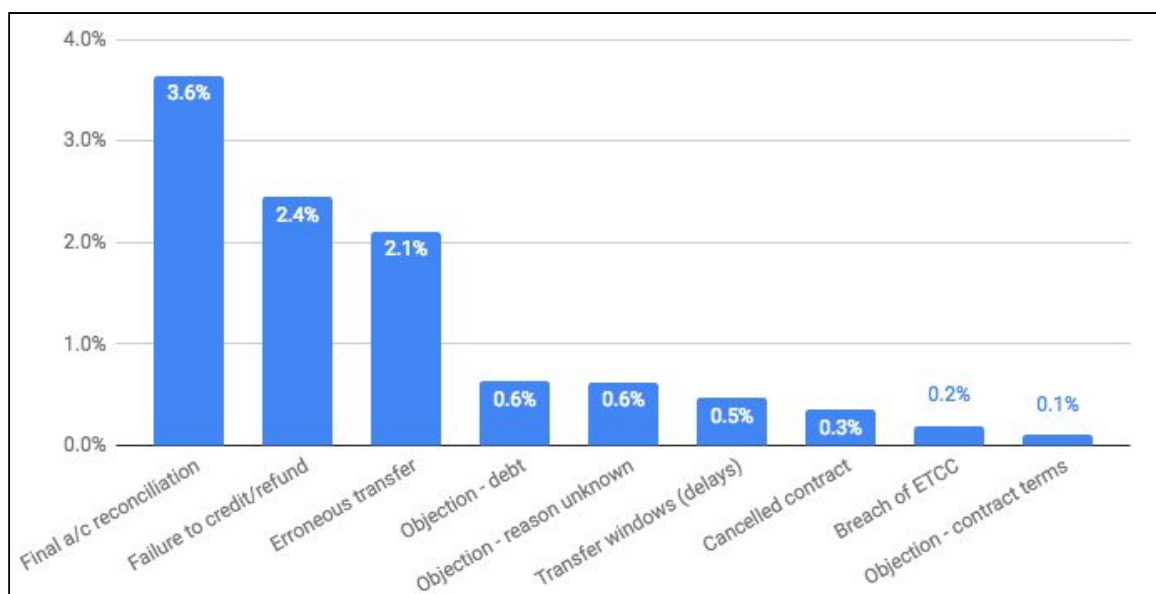


Fig 1. Switching related issues as a percentage of energy consumer service cases, Jul 17 - Jun 18

¹Research conducted by Lucerna Partners. This is the central estimate, with a low case estimate of £5m p.a., and a high case estimate of £14m p.a. This analysis included the harm from erroneous transfers, delayed switches and failed switches only.

²<https://public.tableau.com/profile/citizensadvice#!/vizhome/ConsumerAdviceTrendsJune2018/Cover>

³ Excludes cases from Scotland. Final bill cases include those for change of tenancy, failure to refund cases include those for credit balances.

The most common switching issues we saw - final account reconciliation, failure to refund and erroneous transfers - will be directly tackled by the proposed Guaranteed Standards. Delayed switches form a smaller area of complaints, potentially because they have lower direct financial impact. However, the data collected for our supplier star rating shows that delayed switches are a widespread problem, with over 18% of gas switches delayed (8.4% for invalid reasons) and over 16% of electricity switches delayed (7.9% for invalid reasons).

We strongly support automatic compensation for these problems as a way of giving consumers redress and incentivising suppliers to improve their services. Compensation which requires consumers to make a claim is less effective and leads to poorer consumer experiences. In research last year we also found that under the energy network Guaranteed Standards consumers missed out on more than £1.2 million of compensation because they didn't make a claim.⁴ It is vital that any new compensation is as automatic and smooth as possible, to minimise these issues. Furthermore, forthcoming research by Citizens Advice shows that a third of energy consumers do not claim compensation they are eligible for, and that over half of those who do claim found it difficult to do so. This is worse than any of the other key consumer markets we looked at.

This research also developed a framework for assessing whether automatic compensation was suitable for consumer problems. The particular tests for this were that:

- There is a **clear standard** against which the failure may be reliably measured
- A failure of this type does or is very **likely to cause harm** to each affected consumer
- A **fixed compensation level is likely to be broadly right** for most affected consumers, given the likely spread of detriment
- The firm ultimately bearing the cost has some **ability to improve** the situation
- **Adequate compensation for the failure is not already provided**, or would be expected to develop organically through competition

We have used this framework to assess the likely benefits of the proposals for switching Guaranteed Standards. In doing so we have broadened the first criteria to assess whether the proposed Standard is clear to both suppliers *and* consumers.

⁴<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/living-up-to-the-standards-energy-networks-performance-against-the-guaranteed-standards-of-performance-in-2015-16/>

This is necessary for the Guaranteed Standards to have consumer's confidence and function effectively. In thinking about harm we also considered indirect harms, such as reduced confidence in the switching process as a result of problems.

As switching involves interactions between suppliers, in this context we have also assessed that 'ability to improve' is not simply through internal change, but can also be achieved by improving systems and processes governed by industry codes.

Where Ofgem has proposed two suppliers paying compensation we have assessed the ability of each supplier to identify breaches and to improve processes to prevent those breaches happening. We recognise that any switching compensation scheme will lead to cases where suppliers are paying compensation for issues they did not cause. While this is not desirable, we think this is nonetheless appropriate to ensure consumers get redress, regardless of who is to blame. However, in order for the Standards to best incentivise improvements, costs should be placed on the supplier at fault. We would support the development, by industry, of processes to allow these compensation payments to be reconciled after the fact, so that the supplier at fault pays the cost. Such reconciliation processes could build on existing performance assurance frameworks.

A full summary of our assessment of the proposals based on our automatic compensation framework is set out below (see page 5). We generally support the proposals for automatic compensation, but have identified some issues that we think should be resolved:

- We feel strongly that micro-business customers should be protected by the new Guaranteed Standards, in line with Ofgem's pledge to improve the protection for these consumers.
- We are concerned that the standard for consumers to be switched within 21 days (Standard A) is not sufficiently clear for consumers, due to a range of exemptions that can be used by suppliers.
- The proposals for Standard A require the consumer to make a claim for part of the compensation from the losing supplier. We think this should be paid by the gaining supplier only, because this supplier has more ability to get the switch right. This will also enable the compensation process to be fully automatic.
- We support further examination of any proposals to align the Guaranteed Standards with the Energy Switch Guarantee. Any changes to the proposals as a

result must ensure that all consumers are protected and that the right behaviours are incentivised by all suppliers.

- We think that there should be a broader standard for supplier communications during the resolution of an erroneous transfer. The current proposal is too narrowly focused on a single communication, and somewhat duplicates the requirement for suppliers to agree erroneous transfers in a timely manner (Standard B).


These proposals are a good step forward that will better protect consumers from switching errors. However, it is also clear that automatic compensation will not be sufficient redress in all cases. Under the Standards of Conduct we would still expect suppliers to consider additional redress in cases where consumers have suffered severe detriment as a result of switching problems.


Yours sincerely,



































Alex Belsham-Harris,

Senior Policy Researcher

Summary of assessment

 = Proposed standard meets our tests for assessing whether automatic compensation is suitable

 = Some issues identified with the proposed standard

Test	Standard					
	A	B	C	D	E	F
Clear standard						
Causes harm						
Fixed compensation						
Ability to improve - losing supplier					N/A	N/A
Ability to improve - gaining supplier						
Compensation not given						

- Standard A** - we are concerned that the Standard is insufficiently clear due to the large number of exemptions from the Standard. We also think that only the gaining supplier should pay, because they have more control over the switch. This would enable the compensation to be paid automatically.
- Standard D** - we are concerned that the current drafting of the Standard will not always incentivise improved supplier behaviour or target additional consumer harm, as the achievement of this Standard is dependent on also achieving Standard B. We think that this Standard should be broadened to incentivise clear communication to all consumers during the erroneous transfer process.

Question 1: Do you agree that the aims of the Guaranteed Standards are aligned with and complementary to the industry-led operation of the Energy Switch Guarantee? We would be interested to see any proposals that you think would better support a continued combination of voluntary industry action and regulatory incentives to deliver better switching outcomes to consumers.

We are supportive of the Energy Switch Guarantee (ESG) and believe that it offers benefits to customers of participating members, by going beyond the licence in two key areas (offering a 21 day switch from supplier notification, and providing a refund within 2 weeks of the final bill). We have recognised these benefits by giving additional points to suppliers who are ESG members in our energy supplier rating.⁵

As part of our rating we also publish data on the number of switches completed by suppliers within 21 days of the contract being agreed.⁶ Although this measure is not identical to the 21 day switch definition used by the ESG⁷, this data can help us demonstrate the relative performance of ESG members and non-members (see figure 1).

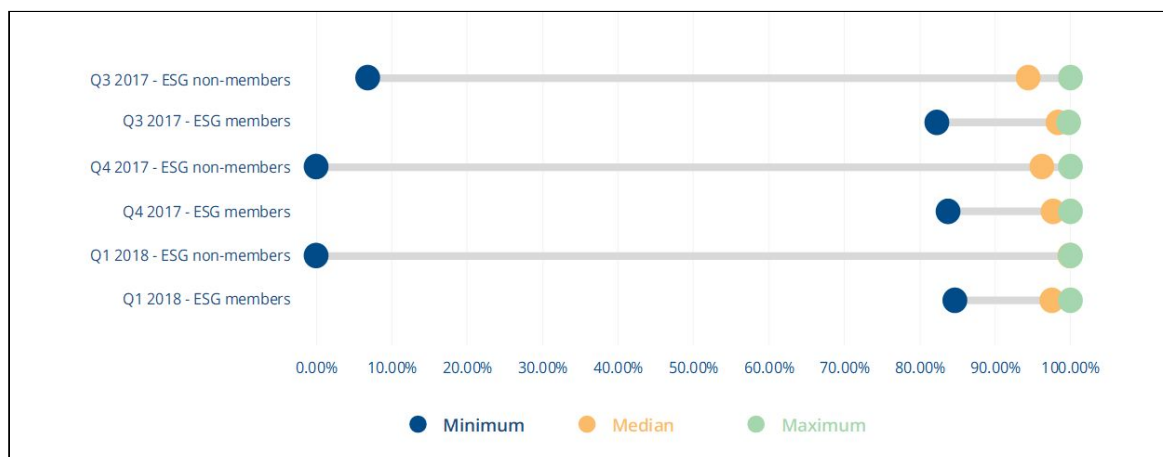


Fig 2. Percentage of switches completed within 21 days from the contract being agreed⁸

⁵<https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/citizens-advice-consumer-work/supplier-performance/energy-supplier-performance/compare-domestic-energy-suppliers-customer-service/>

⁶ Excluding bills delayed for valid reasons

⁷ The 21 day switch in the ESG is measured from the date the supplier is notified, rather than the date the contract was agreed. Notification can be a day later if the switch is completed on a price comparison website.

⁸ The supplier rating included n= 32 suppliers in Q1 2018, 16 of whom were ESG members; Q4 2017: n= 28, with 14 ESG members; Q3 2017: n= 19, with 8 ESG members

The data shows that ESG members generally perform better against our 21 day measure than non-members, some of whom rarely achieve 21 day switches, because their systems and processes are not set up to do so. However, the median non-member performance is higher than the lowest ESG member, so it is also clear that a large number of non-members perform better than some members.

Despite the difference in our measures, we believe that suppliers at the lower end of the ESG member performance range (around 85% of switches completed within 21 days of the contract) are unlikely to be meeting the ESG key performance indicator (98% of switches completed within 21 days of the supplier being notified of the switch).

To tackle this problem we challenged the ESG to develop a clearer compliance framework to ensure that under-performance could be identified and resolved. The ESG took steps earlier this year to develop a clearer compliance process, with the ultimate sanction that suppliers are removed from the ESG. We would support further strengthening of this process by the ESG, for example by publishing compliance data or committing to share this with Ofgem and Citizens Advice.

We understand that there are concerns that the ESG will be negatively impacted by the introduction of Guaranteed Standards in the areas covered by the ESG. Some members may consider that there are fewer benefits to membership if the ESG standards are also required by non-members. This could lead to a diminished membership of the ESG, and less appetite for voluntary schemes in future.

We are keen to explore options to avoid this outcome. We value voluntary industry initiatives where they go beyond licence to add real value for consumers. As we move to a more principles-based approach in regulation, these schemes could help demonstrate best practice in meeting desired outcomes for consumers.

We are aware of proposals that suppliers who are members of the ESG could be exempted from some of the new Guaranteed Standards. We would be interested to look in more detail how this could work alongside a Guaranteed Standards regime. However, we would expect this approach to deliver certain outcomes for consumers:

- **Strong compliance processes and transparency of performance against ESG targets.** Non-compliant members should lose their right to any exemption from the Guaranteed Standards.

- **Redress for consumers where members fail to live up to their commitments.**
The Guarantee currently sets out that suppliers will resolve any issues during the switch. This commitment should be strengthened to specify that compensation should be paid when things go wrong, and that Ombudsman Services: Energy (OSE) should be able to adjudicate if this is not paid.
- **Alignment of the ESG and Guaranteed Standards on the definition of a 21 day switch.** This would be necessary to ensure that consumers receive the same outcome regardless of ESG membership.
- **No differential treatment in areas where the ESG does not go beyond the requirements in licence.** This is currently the case for ESG commitments on final bills, which commits to final bills being issued within 6 weeks of the switch.
- **No dilution of the protection for consumers who are supplied by non-ESG members.**
- **Clear and simple information and processes for consumers to explain the different processes for ESG members and non-members.**

Question 2: Do you agree with our proposed new performance standard for delayed switches?

Delayed switches can cause detriment through stress, hassle and (in some cases) financial loss. They can also contribute to a perception that switching is a difficult process, and reduce consumer engagement in the market.

In principle we support a Guaranteed Standard for delayed switches as an appropriate way to compensate for the detriment caused to consumers, and to incentivise suppliers to improve. However, we do have some concerns related to the detail of the proposal.

We acknowledge that the current regulation for suppliers specifies that switches must be completed within 21 days, counted from either the beginning of the contract or the end of the cooling off period. However, most suppliers are now able to switch within 21 days of the contract the vast majority of the time (see figure 2).

Ofgem data⁹ for [REDACTED] suppliers shows that in Q1 2018:

- the average switching time for electricity ranged between [REDACTED] days
- the average switching time for gas ranged between [REDACTED] days¹⁰, with a median of [REDACTED] days

⁹ Unpublished - shared with Citizens Advice following an information request.

¹⁰ [Redacted for publication].

This data includes delayed switches (for both valid and invalid reasons), so the average performance with valid delays removed will be somewhat faster than this. This suggests that suppliers generally have sufficient margin of error for 21 days to be an appropriate target.

We are concerned however by the large number of valid reasons why a supplier may not be able to complete a switch within 21 days¹¹ - most of which are not the fault of the consumer. Our data shows that in Q1 2018:

- 8.8% of electricity switches were delayed beyond 21 days (from the contract date) for valid reasons, compared with 7.9% delayed for invalid reasons
- 10.2% of gas switches were delayed for valid reasons beyond 21 days (from the contract date), compared with 8.4% delayed for invalid reasons.

This means that most consumers who experience a delayed switch are likely to do so for valid, rather than invalid, reasons and will therefore not receive compensation under the Guaranteed Standards.

Furthermore, just 2 suppliers out of 32 accounted for around half of the invalid delays in our data. If these suppliers upgraded their systems, the disparity between the levels of valid and invalid delays would increase, so that the vast majority of delays are for valid reasons.

We think this high rate of exemptions will make it difficult for consumers to understand the circumstances under which they are actually due compensation for a delay. Furthermore, it will make it difficult for organisations like Citizens Advice and the Extra Help Unit to provide clear advice and support to consumers about whether they are due to receive compensation. We discuss this issue further in response to question 3.

Although most suppliers are currently able to switch consumers within 21 days, we do not have any knowledge of the costs of system changes for those suppliers who are currently unable to switch customers within 21 days of the contract date. There are relatively few suppliers in this position, which suggests the total costs of system upgrades as a result of the proposals would be relatively limited. However, depending on what these costs are they may outweigh the benefits to consumers in the short term, especially given that there will need to be further system changes by 2020 as part of the switching programme. The range of exemptions and the cost of

¹¹ See SLC 14A for full list of valid reasons for switching delays

the proposals are two areas that we think need further scrutiny as Ofgem develops its final proposals.

We strongly support the aspect of the proposal that relates to switches being reversed 21 days after an erroneous transfer (ET) is agreed. In these cases there is no cooling off period, so all suppliers should already be able to complete the switch within 21 days. There is no contractual basis for consumers that have suffered an ET to be with the erroneous supplier so it is vital to complete these switches as soon as possible to avoid ongoing detriment, including stress, hassle and impeding the consumer's ability to switch to a different supplier of their choice. This 21 day requirement was agreed as part of the Erroneous Transfer Working Group (ETWG) so has already been scrutinised and agreed by industry.

Question 3: Beyond the licence definition of "valid switches", do you believe any additional exemptions are necessary to cover scenarios whereby a switch cannot be completed within 21 calendar days?

Guaranteed Standards should be set against performance levels that are clear to both suppliers and consumers. Exemptions from the Standards are likely to be confusing to consumers and - if compensation is not automatic - make it more difficult to claim.

We do not think the current licence definition of valid delays (SLC 14A.3) is sufficiently clear for the purposes of a Guaranteed Standard. The definition refers to 'all reasonable steps' in parts c, which means the application of this exemption will be open to significant interpretation by the supplier. It is not clear to us how consumers will be able to assess whether suppliers have taken all reasonable steps in cases where their switch is delayed but the supplier decides not to compensate them due to this exemption.

We also think that part (e) of the licence condition is drafted too broadly for the purposes of a Guaranteed Standard. It would mean an exemption could be applied when:

'the licensee is prevented from completing the Supplier Transfer due to any other circumstance which is outside the control of the licensee and which it has taken all reasonably practicable steps to resolve.'

This exemption is significantly broader than the general exemption contained in the Guaranteed Standards currently, which require suppliers to comply with the Standards except when there are 'circumstances of an exceptional nature beyond

the control of the supplier.¹² In order to use this exemption suppliers must also have taken all reasonable steps to prevent the circumstances from occurring and to 'prevent the circumstances from having the effect that it was not reasonably practicable' to meet the Guaranteed Standard. We think that only the narrower exemption in the Guaranteed Standards should apply to this Standard.

The exemptions in the licence condition (ie valid delays) only apply to the gaining supplier. It is unclear if Ofgem's proposal would mean both suppliers are exempt from paying compensation in case of valid delays. This may not always result in a fair outcome if the losing supplier causes the delay. For example, if a gaining supplier is not given information they need to complete the switch by a losing supplier, this would mean the delay could be valid¹³ and no compensation was due, even though the losing supplier was at fault.

There are also two main issues not specified in the current licence condition which can impact the ability of suppliers to achieve a 21 day switch. The first - and more material - issue is that suppliers may not be notified of switches fulfilled through a Price Comparison Website (PCW) until the day after the contract is agreed. For this reason the ESG currently measures switches from the date the supplier is notified, whereas the proposed Standard would be from the date of the contract. Since around half of switches are completed through PCWs and next generation intermediaries (NGIs) this is a widespread issue.¹⁴ Given the overall average switch time (see question 2), many of these switches are still completed within 21 days. However, the margin of error for these switches will be reduced by the initial delay.

The second issue is the occurrence of more than one bank holiday in the period between day 15 and 21 of the switch (this normally only occurs for switches processed over Christmas/New Year and Easter). Certain industry systems do not run on weekends and bank holidays, which prevents these switches from completing within the normal 21 day timeframe, despite the supplier following their normal processes to achieve this. For this reason, these switches are counted as valid delays by the Energy Switch Guarantee, and are not included as delayed for the purposes of the switching measure in our Energy Supplier Rating.

Exemptions for these particular circumstances could be added to the Guaranteed Standard, but doing so could make the underlying Guaranteed Standard harder for

¹²Regulation 9(4)(a), <http://www.legislation.gov.uk/ukxi/2015/1544/regulation/9/made>

¹³ See SLC 14A.3(c)

¹⁴ <https://www.ofgem.gov.uk/publications-and-updates/consumer-engagement-survey-2017> (page 3)

consumers to understand. For simplicity our preference is for the same Guaranteed Standard to apply regardless of how the contract is entered into, or on which date this happens. However, we recognise it could require more extensive system and process changes in order to ensure a 21 day switch for PCW switches and those over multiple bank holidays. We do not have any insight into the likely costs of these changes. Ofgem should balance these costs and benefits when deciding whether to allow additional exemptions.

If further allowance is made for bank holidays and PCW switches, these should be in the form of extensions to the Standard, rather than exemptions. This would require the supplier to complete the switch as soon as possible after the 21 day period had been passed.¹⁵ to incentivises suppliers to complete the switches in a timely manner. This aligns with the current approach taken by the ESG in assessing compliance.

Question 4: Do you agree with our approach for losing suppliers compensating consumers?

We recognise that losing suppliers can sometimes cause switching delays, if they are responsible for poor data that is required for the switching process. However, in general we think that gaining suppliers have more control over the switching process and more ability to improve the process to ensure switches can be completed in 21 days.

We think that compensation works best for consumers when it is paid automatically, which would not be possible for the losing supplier aspect of this Guaranteed Standard. We are concerned that the claim process could be complicated for consumers. For example, we think it might be difficult for a losing supplier to discover from a gaining supplier whether a delay has been for valid, or invalid, reasons following a claim from a consumer. Establishing these facts is likely to reduce the ability of suppliers to make payments in a timely manner, potentially adding to the hassle experienced by the consumer. Given that the compensation is designed to compensate for the hassle of delayed switches, it is essential to avoid further complication in the compensation process.

We consider that in a gaining supplier-led switching process it is simplest and most appropriate for the gaining supplier to pay the entirety of the compensation. We are

¹⁵ This would be 22 days for a PCW/NGI switch. We are aware that where there are two bank holidays in the last week of the switching period there can be variable impacts, which can prevent switches completing until 25 days (at the latest).

aware that some suppliers are keen to see an after-the-fact reconciliation process to enable suppliers to determine which organisation was at fault, and would support industry developing this process.

Question 5: Do you agree with our proposal to revise this performance standard to align to new faster switching requirements in the future?

Yes. The switching programme will cost consumers up to £350 million, and it is vital that this delivers the benefits that are promised to consumers. A reduced timeframe for the Guaranteed Standard will help ensure these benefits are delivered to consumers.

We also think there are a number of features of the future arrangements that will make it more straightforward to implement a Guaranteed Standard for switching delays. We think that the changes resulting from the switching programme should radically reduce the number of switches in which delays are justified. Given that the new switching arrangements will allow switching by the next working day, compared to a regulatory backstop of 5 working days, we think that suppliers will continue to have a reasonable period in which to resolve issues. We think this difference between the backstop regulation and fastest possible switch time would allow a scheme like the Energy Switch Guarantee to continue to have a clear purpose, by guaranteeing members will complete a next working day switch.

Switching compensation will also complement the new regulatory arrangements. It will be easier to identify poorly performing suppliers using data from the new system and the performance assurance functions proposed for the Retail Energy Code (REC).¹⁶ This will enable suppliers who are causing issues to be held to account. It will also enable Ofgem to more easily monitor whether suppliers are paying the compensation that is due to their customers, by comparing this performance assurance data with the reporting on Guaranteed Standards.

Given that the switching reforms will make it easier to select switches to complete at a later date, we think that in future the Guaranteed Standard should also require suppliers to switch by the agreed date, where this is further than 5 days away.

Question 6: Do you agree with our proposed new performance standard for failure to agree whether a switch is erroneous or not?

¹⁶<https://www.ofgem.gov.uk/publications-and-updates/switching-programme-proposed-modifications-regulation-and-governance>

Yes. ETs can cause hassle, stress and financial detriment. Ofgem's data shows that at least 0.6% of switches are erroneous¹⁷, and ETs are one of the most common switching problems that consumers contact us about (see figure 1). We have been concerned by cases that our service has dealt with where ETs have not been reversed for many months, and in some cases more than a year. Some of these delays were due to delays in suppliers agreeing whether a switch is erroneous or not.

We participated in the ETWG that developed proposals for automatic compensation for consumers. These proposals were agreed in principle by industry, but ultimately not taken forward in the relevant codes (MRA and SPAA) because of concerns by some members over whether this was the most appropriate place for compensation arrangements, and because Ofgem indicated it would take forwards its own work to introduce Guaranteed Standards.

The ETWG did not propose compensation related to the timeframe for suppliers to agree whether a switch is erroneous or not. However, we agree with Ofgem's view that this is implicit in the requirement to send a letter confirming this within 20 working days of the customer contacting either supplier.

The ETWG took steps to improve the timeliness of agreeing ETs. This included better guidance and availability of Contract Managers, who are responsible for escalated ETs. The new performance assurance framework agreed by the ETWG will also enable the code to identify poor performers and take remedial actions. We think the new compensation will enhance these measures and incentivise those suppliers who have not improved to do so.

We think it is fair that both suppliers pay compensation, in order to incentivise both to come to an agreement in a timely fashion. As both suppliers will already be in contact regarding the ET we do not foresee practical difficulties in both suppliers identifying that compensation needs to be paid and sending compensation to the consumer automatically. If suppliers wish to introduce a reconciliation process to determine who is responsible for compensation in such cases they may be able to adapt the ET performance assurance framework, set up by the ETWG, to do so.

Question 7: Do you agree with our proposed new performance standard to ensure a consumer is not erroneously switched?

¹⁷ <https://www.ofgem.gov.uk/publications-and-updates/state-energy-market-2017>

Yes. We recognise that this goes beyond the scope of the compensation arrangements agreed by the ETWG. However, as set out in response to question 6, ETs can have negative impacts for consumers. We therefore think it is fair to introduce compensation for all consumers who suffer ETs.

The erroneous transfer working group (ETWG) took some good steps towards improving the resolution of ETs. By creating a performance assurance framework it also set a clear process for identifying and tackling poor supplier performance. However, the group was less successful in identifying changes to directly prevent ETs. In the absence of such changes through this industry group we think that a Guaranteed Standard is a good incentive for individual suppliers to do more to prevent ETs from occurring. We are keen that any steps to prevent ETs do not erect barriers to consumers switching (for example, mandatory requirements for MPxN details when switching) but instead focus on data and process improvements, with additional risk-based checks where necessary.

It is not clear how the Guaranteed Standard will apply to ETs which are given the Customer Service Returner (CSR) reason code. This option is designed for cases where the contract with the gaining supplier's contract with the consumer is valid, but they agree to return the customer using the ET process, to avoid the hassle of a new switch. If there is an exemption for CSRs then we are concerned that this could incentivise suppliers to agree to use this option, rather than another ET reason code, in order to avoid paying the compensation. However, we don't think it would be fair for suppliers to be asked to pay compensation for CSRs, and we support the option of CSRs as a way of achieving good consumer outcomes in some limited circumstances.

Ofgem should consider how to mitigate the risk of this loophole being abused. The data collected for the new ET Performance Assurance Board should allow the use of the CSR code to be monitored for any increase following the introduction of the new Guaranteed Standards.

We think this risk of this loophole should diminish under the new switching arrangements from 2020. We expect the CSR route to be closed or extremely curtailed, as most consumers will be able to use the cooling off period to switch back to their original supplier on equivalent terms.

Question 8: Do you agree with our proposed new performance standard for sending the “20 working day letter”, as currently required by the ET Customer Charter (ETCC)?

This proposal is in line with the conclusions of the ETWG and has already been agreed by the suppliers in that forum. It also formalises a voluntary compensation scheme which is already in place for larger suppliers. As set out by Ofgem, the compensation for not sending this letter on time was a proxy for suppliers failing to agree the ET within fixed timelines. Ofgem is now proposing to make suppliers compensate for this failure under Standard B. This somewhat duplicates proposed Standard D, and reduces the need for a separate standard related to the 20 working day letter, as specifically defined in the ETCC.

We are also concerned that there will be no scope for a supplier to achieve this Standard once Standard B has been breached. For example, where the suppliers have been unable to agree an ET, it will be impossible to send a letter confirming that the ET has been agreed within 20 working days.

This could lead to imbalanced incentives for suppliers in agreeing an ET, whereby there is more financial pressure on the contacted supplier, who will pay double the compensation if an ET is not agreed within the timeframe. This could have unintended consequences (e.g. suppliers may be less likely to agree ETs, or more likely to agree them as CSRs, which fall outside the scope of the 20 working day letter requirement).

The proposal would also leave some consumers in the ET process unprotected. Under the ETCC, the 20 working day letter is a letter to confirm that the ET has been agreed and that the customer will be returned to their original supplier. Therefore the standard does not apply if the switch is determined to be valid, as the switch then falls outside of the ETCC scope.

Furthermore, in the ETWG proposals for compensation, ETs agreed as CSRs were not eligible for compensation. If replicated, this would extend the potential loophole, identified in question 7, by which suppliers could avoid paying compensation when agreeing ETs as CSRs.

As Ofgem is not bound by the scope of the ETCC or the proposals by the ETWG, we think this Standard would benefit from being more broadly targeted at keeping consumers informed about the ET process. We think this better aligns with the

original intentions of the ETCC.¹⁸ The Standard could therefore operate to require suppliers to send an update to all consumers in the ET process within 20 working days. The update would provide information on the progress of the case, across a range of outcomes, including:

- The ET being agreed and timeline for return to original supplier.
- The switch being determined to be valid.
- The switch being determined to be valid, but with the customer returned through the CSR process.
- There being no agreement about whether the switch was valid or erroneous within the 20 working days.

We think that this would more clearly differentiate Standards B and D, and incentivise additional appropriate behaviours by suppliers, while removing some incentives to wrongly assign ETs as valid switches or as CSRs.

Some ETs are identified by suppliers themselves rather than by the affected customer. In this situation there will be no contacted supplier. The ETCC does not cover these cases, and so there is no requirement for a 20 working day letter to be sent to consumers affected by these ETs. We think that under the Standards of Conduct, which require suppliers to act in a 'Fair, honest, transparent' manner, suppliers should inform customers if they identify that an ET has occurred. Therefore these consumers should also be protected by Standard D. In the absence of a contacted supplier we think the supplier who identifies the ET should pay compensation if an update on the ET outcome is not sent to the consumer within 20 working days.

Question 9: Do you agree with our proposed new performance standard for sending final bills?

Yes. We strongly support a new Guaranteed Standard for final bills. Suppliers are already required under licence to take all reasonable steps to provide final bills within 6 weeks of a switch.¹⁹ However, final account reconciliation is the most common switching related energy issue seen by the consumer service (see figure 1). Consumers are reliant on final bills to get final credit refunds or requesting final debt, so the failure for these to be sent in a timely manner can have financial implications for consumers. This is particularly the case for some consumers, who

¹⁸<https://www.ofgem.gov.uk/publications-and-updates/erroneous-transfer-customer-chart-er-review-document>

¹⁹ SLC 27.17

can experience short term negative impacts from switching, even if the new deal is cheaper. For example, a consumer may be simultaneously waiting for a credit refund and also paying their new supplier upfront (as many new suppliers charge consumers in advance, rather than arrears). This financial uncertainty can lead to consumers being less likely to switch, and can dissuade others from doing so.

We strongly support Ofgem's view that the current 6 week requirement will be too long once the smart meter rollout is complete and faster switching has been implemented. Given the importance of timely final bills we think the Guaranteed Standards should align to any future, shorter time limit in licence, or be shortened to an appropriate backstop if a principle-based approach is used in licence. We think Ofgem and industry should work to reduce the time limit for consumers with smart meters during the creation of a fully consolidated Retail Energy Code by 2020.

Question 10: Do you believe any explicit exemptions are necessary for scenarios whereby suppliers are unable to issue a final bill within six weeks?

No, we do not consider there is any case for exemptions to this requirement, except where the consumer has requested the bill be delayed.

We are aware that there can be cases where the gaining supplier can delay the provision of final bills, for example, by not providing a closing read to the losing supplier. While this may be the case, we think there are adequate processes in place to enable suppliers to take action to get these readings, and to provide a final bill based on estimated reads as a last resort if necessary. However, we expect that the need for this process should reduce as the smart meter rollout progresses, and final readings become much more readily available. In the interim, if suppliers are routinely failing to provide closing reads to suppliers then this could be dealt with through rule changes and/or compliance action in the relevant codes.²⁰

Alternatively, an industry-developed reconciliation process could ensure the gaining supplier reimburses the losing supplier where the gaining supplier is at fault.

The proposed scope of the Guaranteed Standard suggests that final bills related to change of tenancy will not be included. We think that the protection should be extended to include these bills, because the same licence obligation applies to these bills, and the detriment from these bills being late is likely to be similar. This could also allow Ofgem to align the Guaranteed Standard to SLC 27 so that any future reduction in the six week time limit can be easily integrated into the Guaranteed Standards.

²⁰ [MRA Agreed Procedure 10](#) and [SPAA Schedule 11](#).

Question 11: Do you agree with our proposed new performance standard for refund of credit balances? Views would be welcome on whether it is reasonable to consider that a customer deciding to switch supplier should be considered to have requested any outstanding credit balance from their losing supplier, and that refunding that credit balance within two weeks of a final bill would be timely.

Yes. As with timely final bills, prompt credit refunds are important for financial security following a switch. We agree that two weeks is sufficient time to refund the customer, as long as their account details or address are known, which they should be in most cases. Since 2014 the six largest suppliers have committed to refund credit to customers in this timeline,²¹ and it is also a commitment under the ESG, which a further 10 suppliers are signed up to. We therefore think the same should be achievable for all suppliers.

We also think that when consumers switch away they should be considered to have requested a refund of any credit. In 2014 Ofgem analysis showed that suppliers had accrued £400m of closed account credit from domestic and micro-business consumers.²² Despite some improvements, we continue to get complaints from consumers who have not had timely refunds. As the market has become more challenging, there may be more incentive for suppliers to retain customer credit at certain points to improve their cash position. A Guaranteed Standard will help incentivise suppliers to avoid these behaviours which have negative impacts on the consumers involved.

We particularly support prompt refunds for smart prepayment meter customers, who have the credit on their meter wiped at the point they switch. Our evidence shows that waiting for this to be refunded can have a detrimental impact on consumers who are often the least resilient to short term financial shocks.²³ Last year we developed some principles for smart prepay switches with Energy UK, which took some steps to improve the information and processes for these consumers.²⁴ One of these was fast tracking final account reconciliation and refunds for vulnerable consumers. 12 suppliers are currently signed up to these principles.

²¹<https://www.energy-uk.org.uk/customers/how-to-switch-energy-company/closed-accounts-with-credit-balances-for-domestic-customers.html>

²²<https://www.ofgem.gov.uk/publications-and-updates/ofgem-calls-suppliers-take-action-over-%C2%A3400-million-they-hold-customers-closed-accounts>

²³<https://wearecitizensadvice.org.uk/everyone-should-be-offered-a-smart-meter-by-2020-b3bb7cd2d600>

²⁴<https://www.energy-uk.org.uk/publication.html?task=file.download&id=6355>

We think the proposed Guaranteed Standards should help reduce the refund time for all smart prepayment customers. While the standard is currently proposed to require credit refunds from the date of the final bill, which can take up to six weeks, for smart prepay customers we think that in practice this can be significantly reduced because the final reading and credit balance should already be known to the losing supplier. Ofgem should consider reducing the final bill time limit for smart prepay customers as much as possible in any future review of final bill timelines.

Question 12: Do you believe we should add any other new performance standards?

We are concerned that one area not covered by these proposals is misuse of objections. We have seen some evidence of this problem with suppliers for both domestic and non-domestic consumers. However, we recognise there are practical difficulties with introducing Guaranteed Standards in this area. Ofgem should monitor the use of objections closely and deal with any misuse through appropriate enforcement and compliance action.

Question 13: Do you agree with our approach to dual fuel switches?

Yes. We also support Ofgem's approach that separate compensation payments may be necessary in dual fuel to single fuel switches, and switches completed at different times.

Similarly there may be cases in relation to ETs where a consumer with separate gas and electricity suppliers is erroneously transferred by a single supplier for both fuels. In such cases we think it is also appropriate for the erroneous supplier to pay compensation separately for each fuel in relation to the resolution of the ET, as these are governed under separate processes in the MRA and SPAA. However, it may be appropriate for the erroneous supplier to only pay for standard C (ensuring consumer is not erroneously transferred) once, as the underlying cause of both ETs could be the same poor data (eg incorrect address used for the switch).

Question 14: Do you agree that where both gaining and losing suppliers are involved in the process covered by a guaranteed standard then both should pay compensation where the standard is breached?

We recognise that in Standards A, B and C both suppliers can have some bearing on whether a breach of the Guaranteed Standard happens. However, we are also keen

that this approach is only used where this shared responsibility is clear, and where both compensation payments can be made automatically.

As set out in question 4, we are concerned that the proposal for Standard A would require consumers to request compensation from the losing supplier, which could add time and hassle to the process. We also think that gaining suppliers are more likely to be to blame for delayed switches. As a result we think compensation under Standard A should be paid by the gaining supplier only.

In Guaranteed Standards B and C both suppliers must cooperate to agree and resolve the ET. We think that the data flows available make it easy for both suppliers to identify when a breach has occurred. It is also necessary for there to be communication between the suppliers to resolve the issue. This means it should be practical for both suppliers to contact the consumer and send them compensation.

We recognise that any switching compensation scheme will lead to cases where suppliers are paying compensation for issues they did not cause. While this is not optimal, we think this is nonetheless appropriate to ensure consumers get rapid redress, regardless of who is to blame.

However, in order for the Standards to best incentivise improvements, costs should be placed on the supplier at fault. We would support industry developing processes to allow these compensation payments to be reconciled after the fact, and directed to the supplier at fault. Such processes could build on existing performance assurance frameworks, such as that developed by the ETWG. This should be done in the background, and should not affect the prompt payment of compensation.

Question 15: Do you believe additional safeguards are needed to ensure suppliers are not liable for payments if consumers have acted in bad faith?

No. We consider the existing safeguard in regulation 9 of the Guaranteed Standards is sufficient.

Question 16: Do you agree with the proposed two-thirds to one-third ratio of compensation payments between gaining and losing supplier in the cases of Guaranteed Standards A and C, and an equal share in the case of Guaranteed Standard B? Please provide any evidence you have to support your views.

As set out elsewhere, we think that Standard A should only be paid by the gaining supplier. We agree with the equal split in compensation for Standard B because both suppliers are equally responsible for resolving ETs. We don't have enough

information on the split of responsibility for ETs to comment on the compensation split applied to Standard C.

Question 17: Do you agree that compensation payments where both suppliers are involved should be £30 or £15 in the cases of Guaranteed Standards A and C, and £30 for both suppliers in the case of Guaranteed Standard B?

We agree that the severity of ETs and the potential level of detriment if these are not resolved quickly mean it is appropriate for both suppliers to pay £30 in relation to Standard B. For Standard A we think the gaining supplier only should pay. For Standard C we think that the prescribed levels are appropriate.

Question 18: Do you agree with our proposals that all other proposed Guaranteed Standards (D), (E) and (F) should be subject to compensation payments of £30, in line with existing guaranteed standards?

Yes. The current level of the Guaranteed Standards compensation was set in 2015. We think that Ofgem should also commit to re-examining the Guaranteed Standards at a future point to ensure that the compensation level is not devalued over time by inflation. We think an appropriate time to revisit the Standards for this purpose would be 2020. This could also be an opportunity to amend the Standards in relation to final bills and switching speed, in response to the introduction of the new switching arrangements.

Question 19: Do you agree suppliers should be required to make all payments in 10 working days?

Yes. Timely payment of compensation is important to reduce the hassle that consumers face in the process. We think that 10 working days is an achievable timeframe if a breach is easily identifiable from data flows and where only one supplier needs to identify the breach. If suppliers need to liaise with other suppliers about whether a breach has occurred, or identify if there is a relevant exemption from payment, the timeline may be harder to achieve. This strengthens our view that Guaranteed Standards should have limited exemptions and be paid by a single supplier where possible.

Ofgem should clarify whether in cases of ongoing failures they would expect suppliers to pay compensation each time a new breach occurred, or wait until the problem was resolved and send a single lump sum. We think that there are benefits and disadvantages to each approach (see question 20). Ofgem should consider these issues as it develops its final proposals.

Question 20: Do you agree with our proposals to require additional payments to be made for failure to compensate consumers promptly?

Yes. Last year we released a report, *Living Up to the Standards?*, that recommended greater penalties for energy networks when they fail to pay compensation.²⁵ We think this demonstrates the need for measures to incentivise prompt payment of compensation, and that this proposal would be effective in doing so.

Ofgem should offer more clarity on how they expect this to be paid in cases where there are ongoing issues. For example:

- A supplier fails to send a final bill within six weeks, triggering a compensation payment.
- After 10 days, the supplier still has not sent a final bill. This triggers another compensation payment.

It is unclear whether the supplier should send two payments, each sent at the point that the compensation is triggered, or wait until the issue is resolved and send them together. If they are sent separately, and one or both are sent late, then each of these could then trigger further late payment compensation.

In cases of ETs with breaches under multiple standards this could result in even more of these 'chains' of compensation payments, with subsequent payments for lack of resolution and late payment. This could make it complex for consumers to understand what the payments are for, and whether they have been compensated properly. However, delaying compensation until the end of the process could mean that consumers might have to wait for compensation, even though the detriment is ongoing. Ofgem should consider these issues as it develops its final proposals.

Question 21: Do you agree with our proposals to require additional payments to be made by suppliers if they fail to resolve problem?

Yes. Unlike the existing supplier Guaranteed Standards, which are for one-off events which cause harm, some of these switching issues can continue to be unresolved for long periods. This can particularly be the case in relation to ET resolution. As such we agree that the Standards (except Standard C) should apply on a rolling basis, with compensation paid every 10 days. We think the exemptions in the Guaranteed

²⁵<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/living-up-to-the-standards-energy-networks-performance-against-the-guaranteed-standards-of-performance-in-2015-16/>

Standards related to frivolous or vexatious matters and genuine disputes between suppliers and consumers are adequate to protect suppliers in the case of consumers acting to prolong the process to maximise their compensation.

We have set out in question 8 that we think Ofgem should broaden the scope of Standard D. However, if Ofgem proceeds with its current proposal we think that where the root cause of the failure to send the 20 working day letter is due to the failure of the suppliers to agree the ET (Standard B), it is fair for suppliers to pay compensation for Standard B only on an ongoing basis.

Question 22: Do you agree that the new Guaranteed Standards should be introduced for domestic suppliers only?

We feel strongly that the standards should cover both domestic and micro-business consumers. In a letter to the Secretary of State for Business, Energy and Industrial Strategy in 2017, Dermot Nolan set out that Ofgem would consult on measures to help micro-businesses including the option of extending domestic protections to some micro-business consumers.²⁶ However there has been little progress in this area. We think that these proposals provide a good opportunity for Ofgem to take forward this work to extend more protections to micro-business consumers.

This would also bring the proposals in line with Guaranteed Standards elsewhere. Guaranteed Standards for electricity distributors and gas transporters all apply to non-domestic consumers, and typically pay higher levels of compensation to this group. In other sectors, Ofwat's Guaranteed Standards Scheme applies equal protection to both domestic and business customers.²⁷

Micro-business consumers are already protected by the supplier Guaranteed Standards in relation to missed appointments. This means there should be lower implementation cost for reporting and payment requirements for new Guaranteed Standards.

Standards A and C derive from requirements in SLC 14A, which applies to both domestic and non-domestic customers, so suppliers should be equally able to achieve this Standard for both types of consumer. Furthermore, Ofgem has previously stated that ETs are more common in the non-domestic market.²⁸ It

²⁶<https://www.ofgem.gov.uk/publications-and-updates/ofgem-reply-letter-secretary-state>

²⁷<https://www.ofwat.gov.uk/households/supply-and-standards/standards-of-service/>

²⁸https://www.ofgem.gov.uk/system/files/docs/2017/01/bpd_i13_-_erroneous_transfers_-_da_cover_note.pdf

therefore seems as appropriate, if not more so, to incentivise improvements through the Guaranteed Standards for non-domestic consumers.

We also think that Standards B and D could reasonably apply to non-domestic suppliers. These are based on the requirements of the SPAA schedule and MRA Agreed Procedures on ETs. Although the SPAA process is elective for non-domestic suppliers currently, this is a discrepancy we expect to disappear as the industry transitions to the REC. Also, in many cases these suppliers will be supplying both domestic and non-domestic premises, and so system changes may not be necessary to extend the processes to non-domestic consumers.

If non-domestic *suppliers* are excluded this will also affect domestic customers who are erroneously transferred by a non-domestic supplier, as they will not be eligible for the relevant compensation. However, the current Guaranteed Standard refers to customer types, rather than supplier types, in relation to who is eligible for compensation. If this approach is applied to the new Guaranteed Standards then non-domestic suppliers will need to be able to give compensation to domestic customers that are erroneously transferred. This may require some system and process changes, which could reduce the cost of extending these protections to non-domestic customers.

Overall, we think it should be practical and fair for non-domestic suppliers to extend Standards A-D to their micro-business customers, and that this could incentivise necessary improvements in this section of the market.

We recognise that Standard E derives from a section of the licence related to domestic customers only, while Standard F is based on a commitment in the ESG. It may be more difficult to extend these standards to micro-business customers without further work to understand their current processes and the likely costs of implementing these standards. However, we cannot see any reason why these would not be fair benchmarks to set for non-domestic customers.

Question 23: Do you agree that no changes are needed to requirements regarding the provision of information to consumers?

Yes. We think that the current rules are appropriate. We would expect that consumers would be informed by both the gaining and losing suppliers of these standards in the case of switching supplier. In the case of an ET being identified by the consumer we would expect the contacted supplier to inform the consumer of the standards for the process. It is unclear how, or if, consumers should be

informed about the Standards if the supplier, rather than the customer, identifies the ET. We think that in such cases the supplier that identifies the ET should inform the customer.

Question 24: Do you agree that we should expressly require suppliers to keep accurate records of their Guaranteed Standards performance?

Yes. In the consultation Ofgem proposes that this should include records of cases where claims were turned down. As the compensation is automatic (in most cases), relatively few claims may be made by consumers. In order to capture the level of cases where suppliers have not paid compensation we think they should record each time a Standard has been breached but an exemption has been used to avoid payment.

In addition to the exemptions within the Guaranteed Standards, Ofgem should also gain access to information on the exemptions used within the licence and/or codes. In particular:

- Ofgem already asks eight suppliers to report on the number of switches delayed for each valid reason in SLC 14A. This could be extended to other suppliers to monitor the use of these valid reasons.
- The ETWG proposed setting up a Performance Assurance Board for ETs. Data from this group could be used to monitor the number of CSRs to reverse ETs, to determine if suppliers are using these to avoid compensation being paid.

Question 25: Do you agree that Ofgem should have the power to request an audit of individual suppliers' Guaranteed Standards performance?

Yes. We think this is an important power for Ofgem to use to ensure compliance with the Guaranteed Standards. In the case that any derogations are granted from the Guaranteed Standards on the basis of voluntary commitments, the audit power should be retained to ensure that performance in those voluntary commitments is as described.

Question 26: Do you agree that we should mandate quarterly Guaranteed Standards performance reporting from all suppliers?

Yes. We think this is an appropriate and proportionate requirement to be placed on all suppliers. Under the Gas Act 1986 and the Electricity Act 1989, Citizens Advice has the ability to publish of statistical information in respect of the standards of performance. When we have accessed this data for supplier Guaranteed Standards

in the past we have been concerned that there are some incomplete and low quality returns. We think that mandated reporting, along with audit powers, will help ensure the data is of a high quality for publication, and help ensure better compliance.

Question 27: Do you agree with our plans to publish individual supplier Guaranteed Standard performance?

Yes. Citizens Advice has previously published individual performance by energy network companies²⁹, and we think publication by Ofgem and/or ourselves in future could help bring reputational pressure on suppliers to improve their performance. We would also hope that if a reconciliation process is developed by industry to assign supplier blame for breaches, that this data would also be made available publicly.

In order to make meaningful comparisons Ofgem will also need to request data on the total number of customers gained and lost in the relevant quarter. This will help determine performance per x switches to or from the supplier, dependant on whether the issue is caused during joining (delayed switches) or leaving a supplier (final bills and refunds). Standards B and D can be measured per x ETs, which will be reported under Standard C.

Citizens Advice currently publish data on energy supplier switching performance - specifically related to the speed of switching - as part of our energy supplier rating. We will consider whether the new Guaranteed Standards data can substitute for the existing data to limit the reporting burden on industry.

Question 28: Do you agree with our proposal to retain the existing dispute resolution procedure within the Regulations?

Yes. We agree with Ofgem that the Ombudsman will be able to resolve disputes related to non-payment of Guaranteed Standards. The Extra Help Unit may also be able to intercede on behalf of vulnerable consumers in these cases.

In some cases there may be disputes between the consumer and the supplier(s) about whether a breach has occurred at all. An example of this would be if suppliers determine an ET did not happen but a consumer considers that it did, or if a supplier determines a switch was delayed for a valid reason but a consumer

²⁹<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/living-up-to-the-standards-energy-networks-performance-against-the-guaranteed-standards-of-performance-in-2015-16/>

disagrees. The Ombudsman may have to determine whether the use of an exemption under the Guaranteed Standards is fair, or if the dispute meets the definition of a 'genuine dispute' set out in the Standards.³⁰

If the Ombudsman decides that there was a breach, then the introduction of rolling payments for ongoing breaches could mean there is a large amount of compensation due to the consumer that has built up in the meantime. We think that this will act as an incentive on suppliers to dispute compensation only when it is confident it is right to do so.

Question 29: Do you support the option of higher compensation payments for switches that go wrong where the supplier has attempted to switch the customer faster than five working days during the Switching Programme transitional phase?

Yes. We think this is an appropriate incentive for these suppliers to ensure their systems are capable of switching customers safely in less than 5 days during the transitional period.

Question 30: Do you agree with our proposal to allow suppliers and other bodies a two-month implementation period to make necessary adjustments to comply with the new Guaranteed Standards after we publish our decision?

In most cases we agree, as the requirements themselves are already set out in licence. This means that suppliers only need to take steps to set up appropriate monitoring and reporting functions for the new Guaranteed Standards, and update information and training to advisors. A short implementation seems appropriate in these circumstances.

As set out in question 2 we do not have a good view of how long it will take companies who do not currently switch consumers within 21 days to adapt their systems to meet this requirement. Similarly we don't know what changes non-ESG members will need to undertake to be able to refund consumers within 2 weeks of their final bill. As such, we cannot comment on whether a two-month implementation period is appropriate for these changes.

³⁰ Section 9(3)a, <http://www.legislation.gov.uk/ukxi/2015/1544/regulation/9/made>