



3rd Floor North
200 Aldersgate Street
London EC1A 4HD
Tel: 03000 231 231

citizensadvice.org.uk

31 October 2019

Dear James,

Supplier Guaranteed Standards of Performance for Switching: Consultation on Introduction of Further Guaranteed Standards and Automatic Compensation

This submission was prepared by Citizens Advice. Citizens Advice has statutory responsibilities to represent the interests of energy consumers in Great Britain. This document is entirely non-confidential and may be published on your website. If you would like to discuss any matter raised please do not hesitate to get in contact.

We are pleased to respond to this consultation seeking to implement the three outstanding switching-related Supplier Guaranteed Standards of Performance from Ofgem's June 2018 consultation. We agree that given extensive prior engagement by Ofgem it is appropriate to consult at the same time on the implementation of the Statutory Instrument needed to give effect to the standards.

We remain strongly supportive of the intent of the Standards as a whole. The latest wave of the quarterly Ofgem/Citizens Advice's consumer perceptions survey shows 48% of respondents had still never switched supplier, with this highest among those that are customers of the six largest suppliers and on a standard variable tariff (both 61%). One in twenty (5%) of respondents who had switched were dissatisfied with the process overall - putting consumer confidence in the process at risk. The hassle factor and fear of something going wrong in the switch remains a barrier preventing some consumers from realising savings.

Patron HRH The Princess Royal

Chief Executive Gillian Guy

Citizens Advice is an operating name of the National Association of Citizens Advice Bureaux

Charity registration number 279057 VAT number 726 0202 76 Company limited by guarantee Registered number 1436945 England

Registered office: 3rd Floor North, 200 Aldersgate Street, London EC1A 4HD

Automatic compensation is a powerful tool to give reassurance to consumers, both that suppliers will be incentivised to minimise the incidence of switches going wrong, and that if an error is made, they will receive financial redress without needing to go through a complex and lengthy process.

We remain disappointed that the Standards will remain limited to domestic customers. As we identified in our latest policy report - Closing the Protection Gap¹ - microbusinesses face a lower level of protection in a wide range of areas in the GB energy market. The exclusion of microbusinesses from these Guaranteed Standards perpetuates this discrepancy. On the issue of Additional Standard Payments, we are significantly disappointed that this will not be pursued, with Ofgem having been convinced in the initial June 2018 consultation of the case for Additional Payments without a cap. Having been convinced of the case then, we are unsure of how a lack of data to support this has now been identified as a prohibitive barrier.

We note the ongoing Requests for Information issued by Ofgem in relation to compliance with the Guaranteed Standards and observe that as the first tranche moves to monitoring, there will doubtless be lessons to be learned for the second tranche in ensuring compliance of suppliers in paying out compensation.

We observe that there are issues particularly pertinent to Scottish electricity consumers in relation to the high prevalence of restricted electricity meters. This has been articulated by Citizens Advice Scotland in their response and we support their statement.

Finally, we reiterate that more broadly 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,

Tom Crisp

Senior Policy Researcher

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?

In our August 2018 response to the initial consultation we noted that some suppliers were keen to see an after-the-fact reconciliation process to enable

¹ Citizens Advice (2019) [Closing the Protection Gap](#)

them to determine which organisation was at fault. We thought industry should develop this process.

We recognise that developing this process would be complex. For each standard the majority of incidents of breaches will be caused by either the gaining or the losing supplier, though it would be more likely to be the gaining supplier in the case of 21 day switching under Guaranteed Standard A.

In principle, it would be rational to pursue the objective of determining who is at fault in order to achieve the best incentive to improve processes. However, in practice, with the consensus of the industry being that the cost and complexity outweighs the benefits, we agree that pursuing this option would currently not be desirable.

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

We would agree that the gaining supplier should bear responsibility under Guaranteed Standard A.

As recognised in the consultation, the gaining supplier is in a unique position to contact the consumer to confirm personal details at the start of a switch. Therefore even if the losing supplier has lapsed in updating data or holds incorrect details, this should not necessarily cause a delay if the gaining supplier is able to acquire enough information to progress the switch at the point of sale. We would also note that under the wider licence obligations (14A.8) suppliers must already comply with “any reasonable request from another Electricity Supplier or Supply Exemption Holder to provide information or to take any other steps which are reasonably necessary in order to enable that Electricity Supplier or Supply Exemption Holder to complete a Supplier Transfer within 21 days of the Relevant Date.”

We also generally think this approach is simpler for consumers than the original proposal. Dealing with one supplier to receive a single payment is an easier customer journey, rather than two suppliers for different amounts that may prompt follow-up questions or concerns. Moreover, as originally set out, the dual-process would have required the consumer to make a claim against the losing supplier. The limitation of the standard to one supplier will enable the compensation process to be fully automatic.

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 have no direct evidence as to how long internal processes of individual suppliers have a bearing on how long is required to process and validate a switch.

On the evidence available publicly, it seems that this length of time provides enough opportunity to validate a switch. In the most recent quarter for which data is available, signatories to the Energy Switch Guarantee achieved an average 98.2% compliance with switching speed being within 21 calendar days. There seems no clear reason why the wider industry could not be held to the same standard.

However, there is a question of whether this definition is harder for customers to understand, and could be gamed if longer validations are built in. In particular, how would the consumer understand and challenge whether the initial information provided should have been sufficient or not for a switch to be started on time? This could also be difficult for organisations to effectively advise on. Ultimately, consumers may not trust the Guaranteed Standards if they can't easily hold suppliers to account.

An alternative could be including identification of relevant meter points as a valid reason to delay a switch for cases where the supplier is concerned. This puts the onus on suppliers to demonstrate why this was the case.

If Ofgem pursues the current proposal, it should require suppliers to report on how many switches are completed 21 days from application received as well as how many are completed from the proposed Guaranteed Standard start point. This will enable an assessment of the impact of the validation step and identification of abuse by suppliers.

We would also note that once the new faster switching timeframe is introduced, the Guaranteed Standard will concurrently require updating.

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 would agree that gaining suppliers should be able to measure when sufficient information is received for the purposes of reporting on Guaranteed Standard A. As set out, as the point at which sufficient information is received should be trackable as it will generally consist of an online submission or a telephone call, traceable within supplier systems.

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

As a high level principle, we agree with exceptions being made where a switch is delayed due to actions deliberately taken by the consumer, or where the switch has been delayed for reasons which are genuinely outside the control of the supplier and related parties.

However, a high number of detailed exceptions creates the risk that it is confusing to consumers why they are not receiving compensation. We respond to each detailed exception in turn:

The consumer does not wish the transfer to take place

We agree with this exception, and welcome that this is applicable both within and outside the 14-day cooling off period, as well as natural reasons for a switch to be delayed such as moving into a new property.

Previous switch request being processed

As this exemption is in line with industry codes, a previous valid switch request should indeed form the basis of a valid exemption under the standards.

Objections under SLC 14.4

We previously raised that the exemptions in the licence condition (i.e. valid delays) only apply to the gaining supplier and that this may not always result in a fair outcome if the losing supplier causes the delay supplier. However, given this now aligns with payments under Guaranteed Standard A to solely the losing supplier, this issue is resolved.

Circumstances outside the gaining supplier's control

Again, in principle, there are certainly circumstances where exceptions could be made due to circumstances outside of their control.

However, a wider number of examples could be provided in guidance to outline to consumers, organisations providing advice and suppliers themselves what constitutes being outside of a supplier's control.

For example, in the example of blocking a transfer due to debt, what would constitute a reasonable endeavour to communicate to the customer that this is the reason their switch has been delayed, and how to resolve it swiftly?

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 have not identified any other reasons that could constitute reasonable grounds for an exemption.

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 strongly support the role of the DAP in enabling prepayment customers greater access to the retail energy market. We see nothing to disagree with Ofgem's evaluation that there is no barrier in the established procedures of the Master Registration Agreement (MRA) and Supply Point Administration Agreement (SPAA) to prevent suppliers from switching a customer within 21 days.

Consequently, suppliers implementing the DAP in a switch should not be exempted from making compensation payments if they fail to complete a switch within 21 days.

If consideration were to be given to an equivalent or similar scheme to the DAP to be instituted in the credit meter market, it would naturally follow that the same standards should apply in a similar way.

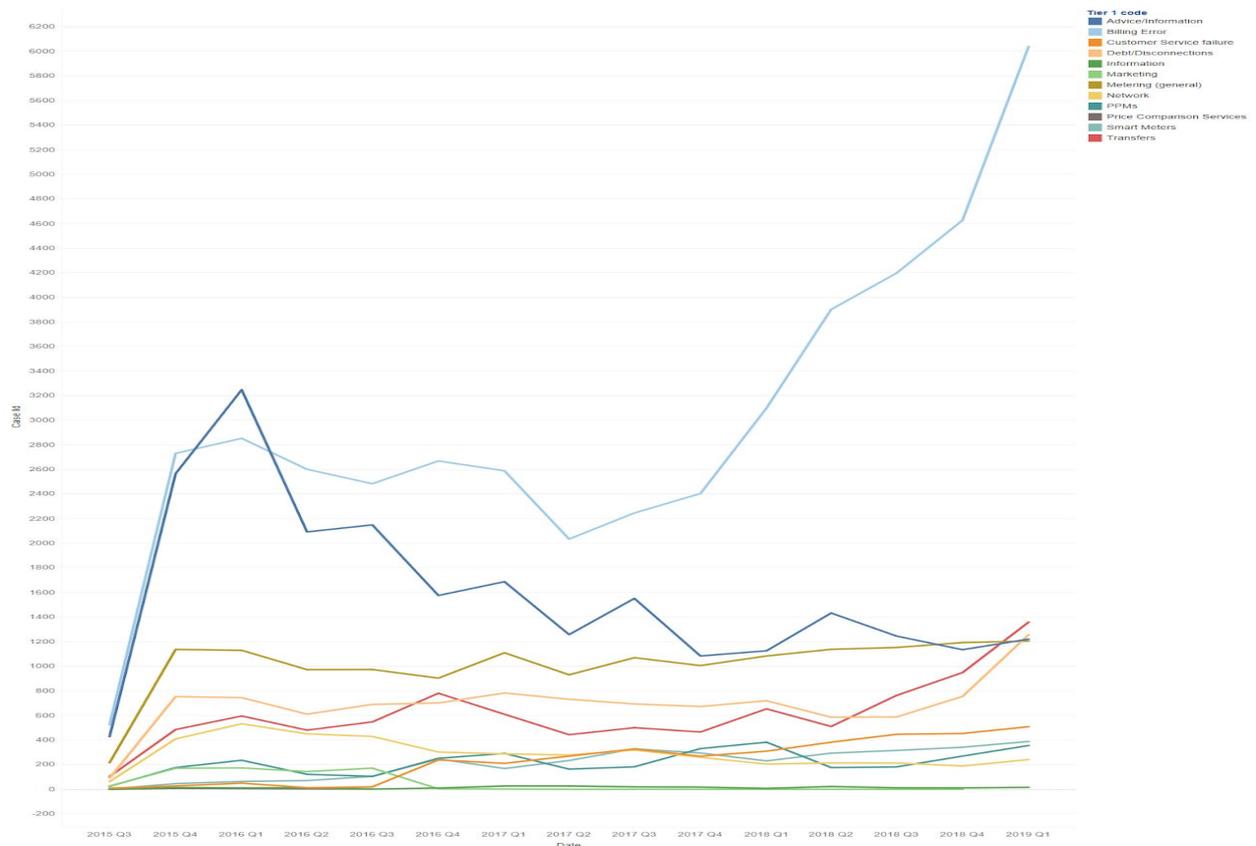
8. Do you agree with our proposal that responsibility for compensation under Guaranteed Standard C should be borne by gaining suppliers only? If not, why not?

As stated in response to the initial October 2018 consultation, we do not have enough information on the split of responsibility for ETs to comment on compensation splits applied to Standard C.

However, the rationale behind the conclusions reached by the workgroup seem compelling and provide satisfactory evidence that the greater weight of responsibility for erroneous transfers rests with gaining suppliers. In the absence of a procedure to ascertain fault, we agree that responsibility for compensation under Guaranteed Standard C should be borne by gaining suppliers.

More broadly, in support of implementation of the standard, we would add that the issue of switching transfers is one that continues to be a major issue for the advice-facing elements of the Citizens Advice service.

Consumer service energy cases 2015-19²



² Citizens Advice (2019) Tableau data

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, an agreement between suppliers that no valid contract exists (or has existed) for the switch is a natural trigger point for compensation payments.

We would agree with the conclusion that if the gaining and losing supplier agree that no erroneous transfer has taken place, then no compensation payment should be due.

Given ongoing obligations to ensure industry data is accurate and up to date, we would agree strongly with Ofgem's rejection of the suggestion that introduction of the Guaranteed Standard should be delayed until after the introduction of the Retail Energy Location database in order to avoid gaining suppliers incurring compensation for erroneous switches which result from errors in historic industry data.

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

We provide commentary on the key proposed exceptions and exemptions which we have applied to Guaranteed Standard C in turn:

Exemption for Customer Service Returners

The fact that the process for returning a customer after an erroneous switch is also used to return customers to their previous supplier during the 14 day "cooling off" period seems a clear situation in which an exemption should be implemented. We expect the use of CSRs to decrease significantly following the introduction of faster switching.

Exemption for suspected fraudulent customer behaviour

While genuine fraud should, of course, represent grounds for an exemption, there is a lack of clarity as to what would constitute "good reason" for a supplier to suspect fraud. This is especially pertinent in the context of the recognition that such fraud may not be instigated by a consumer, but instead by a third party.

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

There are no other reasons we have identified that could constitute reasonable grounds for an exemption.

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 would agree that a losing supplier should always be in a position to issue a final bill to its customer after six weeks. Consumers are reliant on final bills to get final credit refunds, which in some cases can have built up significantly, so the failure for these to be sent in a timely manner can have significant financial implications for consumers.

However, we would caution that there is a risk that this might increase the use of estimated reads in order to hit the six week target. Suppliers should make every endeavour to secure a closing meter read to ensure accuracy of bills and avoid the risk to consumers of catch-up bills. We support the extension of the standard to also applying to changes of tenancy or similar events where a customer is no longer responsible for the supply of electricity to a particular location.

We acknowledge Ofgem's argument that suppliers should possess, or should be able to acquire, appropriate information to bill the customer with sufficient accuracy in six weeks for both fuels. However, in practice, it may be necessary to institute enhanced monitoring to ensure the Standard is not having the unintentional effect of increasing estimated bill reads.

We would add at this point that a requirement for suppliers to issue a final bill would also benefit the microbusiness market, where final billing can often cause significant issues. These issues are evidenced by cases handled by the Extra Help Unit, such as the case study described below.

Ofgem should re-evaluate extending the Standards to the microbusiness market. Ofgem stated in November 2018 that it remained "open to extending the application of these Guaranteed Standards [to microbusinesses] if a compelling case emerges that they are necessary." We would seek assurance that this remains the case if emerging issues are identified.

Case Study One³



The consumer was a microbusiness owner and had switched supplier five months prior.

He believed his final account would be in credit and queried the supplier, however had not received a final bill.

After the EHU investigated it transpired there was a defect on the account preventing the supplier from billing however, this had never been explained to the consumer.

The defect was eventually fixed allowing a bill to be produced and the credit refunded. A goodwill gesture was also provided. It took six months in total to receive the final bill.

Longer term, we strongly support Ofgem's view that the current six week requirement will be too long once the smart meter rollout is complete and faster switching has been implemented. Once faster final billing is in place the Guaranteed Standard and the relevant Standard Licence Condition should be updated to reflect the new timeframe.

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

Yes.

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?

There are no other reasons we have identified that could constitute reasonable grounds for an exemption.

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?

³ EHU (2019) Case Study

We strongly disagree with the assessment that it would not be proportionate to implement Additional Standard Payments.

We feel that some timescales stretch extraordinarily, leading to a high level of detriment. In these cases, a single payment would not be proportional to the harm caused. This also creates a misalignment between established Guaranteed Standards in networks where additional payments are an established part of the standards.

There is a further risk that with a payment made, suppliers could consider an issue “closed” and deprioritise resolution. To quote the December 2018 consultation document, it would be “entirely unacceptable that customers should be held responsible for contacting suppliers where the supplier repeatedly fails to resolve an issue”. It should be relatively simple to evidence continued attempts to resolve an issue - whether logging emails, calls, or door-step visits. These would stand in juxtaposition to cases where attempted contact has long since ceased.

We have a series of examples from our Extra Help Unit where issues have stretched into months before resolution, causing significant detriment, with one example below. We are happy to provide others upon request.



Case Study two⁴

The consumer had transferred supplier eight months previously and had not received a final bill for the electricity account. The supplier had informed the consumer that the required transfer read had not been received from the new supplier however, the new supplier had confirmed to the consumer this read had been sent.

The issue meant that until the intervention of the EHU, the consumer had been billed beyond the transfer date and no final bill had been issued.

In terms of proportionality, it should be noted that where the context is particularly unusual, there is an existing overarching exemption for suppliers from payment for “circumstances of an exceptional nature beyond the control of the supplier” which could be used.

In the absence of implementation of ongoing payments, we would support extending reporting requirements placed upon suppliers to include the number of delayed and erroneous switches which are un-actioned or unresolved for long

⁴ EHU (2019) Case Study

periods to gain further insight into the root causes of these issues. We also agree there is a distinction where, through legitimate disagreement, an issue can be resolved for a long time.

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?

Not answered.