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**26 May 2017**

Dear Toni,

**Response to Erroneous Transfers Working Group (ETWG) consultation**

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 in more detail please do not hesitate to get in contact.

The ETWG consultation is mainly aimed at supplier members of the MRA and SPAA - where questions are not relevant to Citizens Advice or our expertise we have responded with 'N/A'.

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- 1. (3.1 to 3.2) Do you agree that the areas identified within section 3.2 are common trigger points for ET's to occur within the existing Change of Supplier (CoS) process?**

N/A

- 2. (3.3 to 3.11) Do you consider that an API solution allowing for a direct link between market participant systems and ECOES at the point of sale would be effective in reducing the number of ETs? Also, what degree of process and/or system change do you believe would be required to allow market participant systems to utilise such an API solution?**

This option appears likely to identify some ETs which are caused by address data issues. This will be limited to electricity switches, so further work should be carried out to determine if a similar functionality is planned for market participant systems accessing DES.

- 3. (3.3 to 3.11) Do you agree that using a central system such as ECOES to conduct management reporting on ET's is worth considering?**

Yes. This management reporting could be used to improve monitoring of the number of ETs and how well the resolution process is working. This information will be vital ahead of a centralised switching system, in order to identify how to optimise the process and track any reduction in the baseline number of ETs before then.

**4. (3.3 to 3.11) Do you agree that managing the ET process and escalations through ECOES is worthy of further consideration?**

Yes. This could improve the visibility for suppliers regarding the process, including what the required next steps are and who the responsible supplier is for different stages. The information could also track which supplier is at fault when delays occur, which could make it easier for the proposed standing meeting (para 3.40) to identify fault and resolve the issue.

**5. (3.3 to 3.11) Do you agree that the use of recorded data and ET flags to help Suppliers identify addresses as risk of being erroneously transferred would be beneficial?**

This could be beneficial in preventing some ETs, but does not tackle the underlying problem. Where suppliers identify data issues which are causing the increased risk of an ET they should take action to resolve these. Simply flagging an address for extra checks each time a new switch is processed will increase the hassle for consumers at that address.

**6. (3.13 to 3.15) Do you believe that metering and/or MPxN details should be included at point of sale rather than just address details to reduce the likelihood of initiating ETs? Please provide the rationale for your answer.**

We do not consider that requiring metering or MPxN details during all switches is a proportionate step to take. There is evidence that consumers are put off from switching by the perceived hassle of the process<sup>1</sup>, and that additional complexity in the process can lead to cancelled switches.<sup>2</sup> Consumers may not always find requests for their MPxN details easy to understand, or have the required information readily available. Therefore this requirement could undermine the

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<sup>1</sup><http://competitionpolicy.ac.uk/documents/8158338/8235394/CCP+Working+Paper+13-11.pdf/96adc02f-dd01-4d07-b5b0-f5e5404d07a1>

<sup>2</sup><http://webarchive.nationalarchives.gov.uk/20140408144829/https://dl.dropboxusercontent.com/1/view/otv69empv2clsc3/consumer%20focus/switched%20on-consumer%20experiences%20of%20energy%20switching%20omnibus.pdf>

aims of the planned switching reform, which include greater engagement by consumers, and an increased switching rate.

A better approach could be for consumers to be given the option of entering this information on an opt-in basis, or for suppliers to target switches they identify them as high risk. If the consumer provides this information and discrepancies with address data are identified, these underlying issues should be resolved to avoid the consumer being asked for the MPxN/metering in subsequent switches.

This area needs further consideration, including discussion with Price Comparison Websites and other Third Party Intermediaries, to ensure that they are proportionate and effective.

**7. (3.13 to 3.15) Do you believe that there should be an industry standard process for address data validation? Should this industry standard process apply to Suppliers, PCWs or both? Please provide the rationale for your answer.**

This could have some benefits, but there is currently insufficient information in the consultation about what this could include, or how it could be achieved. Address information is held in various places across the industry, and there is not a single recognised address database in use. This could make it difficult to create a standard process for validation.

The working group has collected information from members about their current address validation processes. An analysis of this should be provided to demonstrate how closely aligned these processes already are. This should help determine the need for, and feasibility of, an industry standard approach.

In addition the group should gather information on the effectiveness of these processes, to inform whether a standard process could deliver better outcomes. These would need to be relatively significant improvements, as a move to a standard approach could limit the scope for innovation by suppliers in this area.

The ETWG should also engage with PCWs to understand their processes of validation. There will also be a need to consider how PCWs (as unregulated bodies) could be compelled to use an industry standard process.

**8. (3.13 to 3.15) Do you agree that a 'Best Practice' guidance document should be used instead of a set process for address data validation? Please provide the rationale for your answer.**

A best practice guidance document could be useful, particularly to new market entrants, who may not understand some of the data issues inherent in the current system.

**9. (3.16 to 3.17) Do you agree with the ETWG's view on the identified impacts of Smart Meters on ETs? Please provide the rationale and any further examples that you believe may be relevant.**

We agree with most of these impacts. However, it is worth noting that SMETS1 meters may currently lose smart functionality at the point of the switch. This will potentially limit the ability of the consumer to use information on their IHD to discover they have been erroneously transferred, although the loss of functionality in itself may prompt the consumer to contact their supplier.

We are concerned that the identified benefits around improvements in data quality are currently likely to be limited, as this has not been designed into the installation process. Time pressures may mean that installers struggle to complete non-essential tasks like this.

The group should also consider the role of smart meter data in more depth. In future, erroneous suppliers will immediately begin collection of smart meter data following the switch of a DCC enrolled meter. However, there is unlikely to be a valid agreement in place with the consumer to actually access their smart meter data. The erroneous supplier may also begin accessing half hourly meter data, which requires a specific consumer opt-in consent.

Suppliers may need to consider if/how they can get retrospective permission for this data access, and permission in order to share the data with the original supplier resolve the erroneous transfer. Where the consumer refuses to give permission the erroneous supplier should cease collecting their smart meter data immediately.

In the case of SMETS1 meters, no data record for the period of the erroneous transfer may exist if the smart functionality has been switched off at the point of the switch. This would make it impossible for the correct supplier to accurately continuously bill the consumer if they are on a complex tariff.

We would note our support for Ofgem's proposals<sup>3</sup> that in cases where there payment mode changes during an erroneous transfer the consumer is financially

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<sup>3</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/09/erroneous\\_transfers\\_da.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/09/erroneous_transfers_da.pdf)

protected, due to the higher risks they face.<sup>4</sup> These set out that consumers who are switched into credit mode should not be expected to pay for the energy debt that builds up without their knowledge, and that those who are erroneously switched into prepay mode and subsequently lose supply should be compensated for any resulting impacts (eg water damage from a freezer defrosting).

**10. (3.18 to 3.25) Do you agree with the guidance on ET rejection reasons? Please provide any rationale for your answer.**

N/A

**11. (3.18 to 3.25) Do you agree with the ETWG's position on the re-drafting of the rejection reasons section in SPAA Schedule 10 and MAP 10? Please provide any rationale for your answer.**

N/A

**12. (3.26 to 3.32) Do you agree with the ETWG's view of retaining the CSRET reason code, but removing the discretionary element from the process? Please provide the rationale for your answer.**

We recognise that CSRETS can provide consumers with a more seamless experience, and that suppliers may want to use them in particular circumstances.

We agree that Ofgem's view that these would need to be made mandatory only when raised by the gaining supplier should avoid gaming by the losing supplier.

One area we are concerned about is whether this change could have some consequences beyond the ET process. Introducing a mandatory element to CSRETS could compel a losing supplier to reinstate a contract and tariff which may have been legitimately broken. This could potentially create a loophole through which the consumer could, with the cooperation of the gaining supplier, always return to their previous supplier regardless of the circumstances. Gaining suppliers could take advantage of this, by offering unlimited right of return as a selling point. While this is not the aim of the proposal, it is not clear how this risk could be mitigated.

The next phase of the ETWGs work should consider whether CSRETS will remain appropriate under a faster switching regime. Movement of the 14 day cooling off period post-switch could lead to increased demand for CSRETS when consumers change their mind. The cooling-off process for faster switching has been designed

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<sup>4</sup> [https://www.ofgem.gov.uk/system/files/docs/2016/09/erroneous\\_transfers\\_da.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/09/erroneous_transfers_da.pdf)

to allow consumers to either return to the Losing Supplier on equivalent terms, or switch to a third supplier when they cancel a new contract. Given this process, the ETWG may want to consider whether, under faster switching, CSRETs should be allowed only after the end of the cooling off period.

**13. (3.33 to 3.37) Do you believe that the current ET escalation SLA timescales and templates are fit for purpose? Please provide the rationale for your answer.**

No. The existing timescales were designed at a time when returning ETs would require more manual processes, such as looking up paper copies of contracts, or using CD-ROMs to access data. Technological improvements since then mean that it should already be possible to resolve ETs more quickly than the current timescales.

We also consider that in a world of faster switching consumers will expect ETs to be resolved to a much shorter timescale. Reducing the timescales for ETs now could help improve processes ahead of the reform, and improve consumer experience of ET resolution.

**14. (3.38 to 3.40) Do you believe that the proposed Performance Assurance Reporting measures would be fit for purpose? Do you believe the existing remedies available to the MRA SPAA Executive Committees, as set out in the MRA and SPAA, for managing non-compliance would be appropriate for an ET Performance Assurance Regime? Please provide the rationale for your answer.**

Performance assurance reporting will encourage suppliers to resolve ETs in a timely manner and allow MRA, SPAA and the regulator to track the impacts of the ET Working Group measures. It could also identify points in the resolution process which cause most issues, and therefore pinpoint the

The use of ECOES as a centralised location for managing ETs could enable suppliers to deal with ETs in a more timely manner, and allow oversight of individual ETs where disputes arise.

**15. (3.41 to 3.43) Are you familiar with the Contract Manager requirements as part of the ETs process? Do you believe that the proposed one page guidance document would be useful? Please provide the rationale for your answer.**

The Extra Help Unit (EHU) has reported that on some occasions suppliers are unclear about the requirements of the ETs process. The one page guidance

document may be useful, in particular to new entrants who may be less aware of the requirements of the SPAA and MRA. The codes will need to consider how they engage with new entrants to ensure that they are aware of the guidance and understand the Contract Manager requirements. There are a number of fora for small suppliers which could be used to let these suppliers know about the requirements of the codes.

Contract manager details are currently made available to code members through the website. It may be useful for the EHU to have access to these details in order to more quickly resolve complex erroneous transfer cases.

**16. (3.44 to 3.47) Are you aware of the existing requirements detailed in the ETCC? Please provide the rationale for your answer.**

N/A

**17. (3.44 to 3.47) Is the ETCC referenced in communications to customers from you as a Supplier?**

N/A

**18. (3.44 to 3.47) Is the ETCC referenced on your website? Please provide the rationale for this.**

Yes. Citizens Advice include a reference to the ETCC in our web advice page.<sup>5</sup> This informs consumers of the timescales for resolving ETs which are contained in the ETCC, and tells them that suppliers are required to follow the ETCC.

**19. (3.44 to 3.47) Do you believe that the ETCC is fit for purpose? Please provide the rationale for your answer.**

Yes. The ETCC sets out to consumers the high level principles about how they can expect their supplier to resolve an ET. Our predecessor body, energywatch, and Ofgem agreed the current content of the ETCC in 2001. It included important new commitments - for example that ETs could be reported by consumers to either the old or new supplier, and the information that should be provided. In addition to improving consumer outcomes, the EHU have used the ETCC to educate new entrants about the requirements for consumer facing aspects of the ET resolution process.

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<sup>5</sup><https://www.citizensadvice.org.uk/consumer/energy/energy-supply/problems-with-your-energy-supply/youve-been-switched-to-a-new-energy-supplier-without-your-agreement/>

The ETWG should consider whether the timescales for contacting customers following an ET contained in the ETCC should be reduced, in order to drive process improvements by suppliers. We consider that shorter timescales should be achievable given the technological changes since the ETCC was first drafted.

Furthermore, the ETCC should contain a broad commitment to redress when consumers suffer detriment, and explain the ET compensation scheme (see answers to questions 23-27).

**20. (3.44 to 3.47) How could the ETCC be better facilitated or improved? Please provide the rationale for your answer.**

The ETCC is a part of the MRA and SPAA codes, but could be hosted separately as well in order to inform consumers of how erroneous transfers will be dealt with. Suppliers should include details of the ETCC on their websites, and inform consumers who complain about ETs about the existence of the ETCC, to enable them to complain if this not met.

**21. (3.44 to 3.47) Are you aware of the existing voluntary ET Compensation Scheme? Do you partake in this scheme?**

N/A

**22. (3.44 to 3.47) Do you currently compensate customers according to the existing voluntary ET Compensation Scheme?**

N/A

**23. (3.44 to 3.47) The existing voluntary ET Compensation Scheme pays customers compensation when they do not receive a letter from the supplier after 20 working days. Do you think this is the right trigger for compensation? If not, please explain why.**

This compensation trigger should act to encourage suppliers to comply with the ETCC, and give confidence to consumers that if the ETCC is not met that they will receive compensation.

One issue with the current design is that once the 20 working day threshold has been passed there are no further incentives to send the letter out to the consumer. As a result there may be a case for rolling compensation payments which are made every 20 days the letter has not been sent. This could help tackle



the minority of erroneous transfer cases which take significantly longer periods. The EHU have dealt with ETs which have taken up to a year to resolve.

**24. (3.44 to 3.47) Do you believe that the set payment of £20 as part of the existing voluntary ET Compensation Scheme is appropriate? If not, please provide a proposed payment amount.**

The £20 payment was introduced in 2003 and has not been adjusted since. In common with the approach for Supplier Guaranteed Standards, this payment should be uprated in line with inflation. The Bank of England inflation calculator shows that the £20 payment from 2003 would be worth £29 in 2016.<sup>6</sup>

We consider that a new payment level of £30, with a mechanism for regular reviews to adjust for inflation, would be appropriate. This would align with the current level of the Supplier Guaranteed Standards.<sup>7</sup>

**25. (3.44 to 3.47) Do you believe that the existing compensation payments (i.e. compensating customers who do not receive a letter from Supplier after 20 working days) should be mandatory for all Suppliers? If not, please explain why.**

Yes. We think that the ETCC should be treated as a set of minimum standards, and where suppliers fail to meet these consumers should be appropriately compensated. Consumers make no choice about who they are erroneously transferred to, and so it seems perverse that this could determine how they are treated and whether they are compensated.

The compensation payments were introduced following Ofgem's recommendation that suppliers should produce 'develop and implement coherent and visible arrangements for paying compensation to customers where their ET has not been resolved within the standards defined in the ETCC'.<sup>8</sup>

When first introduced in 2003, the voluntary compensation payments were agreed by the six large energy suppliers (and their antecedents). At this point these suppliers would have served the vast majority of energy consumers, whereas today 15% of consumers are with a smaller supplier, and the majority of switches are to these suppliers. In order to ensure all consumers are equally protected

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<sup>6</sup><http://www.bankofengland.co.uk/education/Pages/resources/inflationtools/calculator/default.aspx>  
<sup>7</sup><https://www.ofgem.gov.uk/publications-and-updates/supplier-guaranteed-and-overall-standards-performance-reforms-final-decision-and-statutory-instrument>  
<sup>8</sup><https://www.ofgem.gov.uk/ofgem-publications/38620/5020-erroneoustransferreview31oct03-pdf>

from ETs, and to continue to meet Ofgem's objective for the compensation scheme, this should be made mandatory for all suppliers.

The ETWG and the EHU has produced anecdotal evidence that smaller suppliers may be less likely to understand the ET resolution process and resolve these in the set timescales. Extending the compensation to all suppliers could also incentivise these suppliers to improve their processes for resolving ETs.

**26. (3.44 to 3.47) Do you believe that a new ET Compensation Scheme should be established to compensate all customers subject to an ET as recompense for the ET occurring? If not, please explain why.**

We consider that this proposal could have some benefits for consumers, first and foremost by providing redress to consumers who suffer an ET through no fault of their own. It could also incentivise suppliers to improve their systems and processes to prevent ETs from occurring.

However, compensation for all ETs could act as a disincentive for suppliers to agree that an ET has occurred, causing delays to the ET being resolved. It may also be unfair for suppliers to face extra costs if the ET was not in fact their fault (for example, due to underlying address data problems, which cause the majority of ETs according to Ofgem's sample of ETs).

A new scheme of compensation should be given considered in more detail by the ETWG, including how it could be designed to overcome the potential disbenefits identified here.

Alongside any automatic compensation (either the existing or any new schemes), we consider that all suppliers must consider discretionary compensation, taking account of any aggravated impacts due to vulnerability, for particularly egregious, or lengthy, ET cases. This is in the context that, over and above the ETCC, consumers should expect to be treated fairly, in line with Ofgem's Standards of Conduct.

**27. (3.44 to 3.47) Do you believe that a new ET Compensation Scheme to compensate all customers subject to an ET as recompense for the ET occurring should be mandatory or voluntary for Suppliers to sign up to?**

Any new scheme to compensate all consumers who are subject to ETs would need to be mandatory to achieve the desired results of providing redress for consumers

and incentivising suppliers to take steps to minimise ETs. If the scheme is voluntary it seems unlikely that poor performing suppliers will sign up.

**28. (3.48 to 3.50) Do you agree with the ETWG's decision not to introduce a backstop process?**

Yes. In the absence of a valid contract with the new supplier we do not consider that the consumer should ever be transferred onto a contract with the erroneous supplier, or face the risk of moving onto their SVT. We agree that this could create a perverse incentive for erroneous suppliers to delay the resolution of ETs.

There may be more merit in the proposal within the backstop process to allow the consumer to have their bill written off and transfer to a third supplier if the ET has not been resolved after a certain period of time, as long as there was a guarantee that double billing does not occur. However, this may still not be an ideal outcome for the consumer who may have preferred to return to the old supplier, and may be difficult in practice if they have a bundled contract with other goods or services included.

**29. Do you understand the intent of the recommendations contained within this consultation document?**

Yes.

**30. Are you supportive of the principles of the recommendations contained within this consultation document?**

The principles that sit behind the work of the group are not clear. For example, the group could be clearer about how trade offs have been made between minimising ETs while maintaining a positive consumer experience, or how they expect individual measures should target and incentivise improvements by suppliers.

**31. Do you consider that the proposals contained within this consultation document better facilitate the MRA and SPAA objectives? Please give supporting reasons.**

N/A

**32. Are you supportive of the proposed implementation date of; November 2018 for any process changes; and Immediately following approval for guidance or documentation changes.**

It is not clear in all cases which of the potential changes relate to process, and which to guidance or documentation. It is also not clear why the implementation date of November 2018 has been proposed.

Some changes which appear to be related to process should be instituted sooner than November 2018, namely:

- The creation of a Performance Assurance Framework should be prioritised, to help resolve difficult ETs and to monitor ET timeliness (we recognise that the use of ECOES for this purpose will require development so this aspect may need to be implemented at a later date).
- The uprating of ETCC compensation levels and any mandatory ETCC compensation scheme

Changes which rely on development of IT systems such as ECOES may necessarily take longer. The ETWG should further investigate the cost and resource requirements for these changes to set realistic timescales for these changes.

**33. Are you aware of any wider industry developments that may impact upon or be impacted by the proposals recommended in this consultation document?**

As set out in response to question 9, SMETS1 meters may not provide many of the benefits which are set out in this document until they are enrolled into the DCC (ie ability to conduct a CIN test, interoperability between suppliers to enable recognition of ET from the IHD. The forthcoming decision over which meters will be enrolled and adopted into the DCC, and the timeline for doing so, will therefore impact how large these benefits are.

Also, it is not clear what smart meter data access rights the erroneous supplier will have. This may need to be considered as part of the review of the data access and privacy framework for smart metering.

**34. Do you have any other comments on the proposals contained in this consultation document?**

In their open letter to the MRA and SPAA executive committees<sup>9</sup> Ofgem set out four key work areas for the ETWG working group:

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<sup>9</sup><https://www.ofgem.gov.uk/publications-and-updates/open-letter-mra-and-spaa-executive-committees-regarding-erroneous-transfers>

- Develop measures to prevent ETs, including best practice guidance for industry
- Consideration of measures to improve the reversal of ETs after they are identified
- Consideration of compensation schemes for consumers who suffer ETs
- Code-led assurance processes to monitor supplier performance

The consultation has made a number of recommendations related to the latter three areas. However, the proposals to actively prevent ETs are generally less developed, and rely on more information from consumers in the switch process or on changes to systems such as ECOES (which were already underway due to CMA remedies). It is difficult to assess the potential impacts of these changes as there is not a clear sense of the costs to implement, or the number of ETs that might be avoided as a result.

Furthermore, recommendations related to the process of reversing ETs have generally focused on how suppliers can meet their current obligations in resolving ETs, rather than whether these obligations themselves are fit for purpose, and whether a radically shortened process could be developed ahead of switching reform.

In both these areas the group could have proposed more ambitious measures to reduce the occurrence of ETs and to overhaul the process for reversing them.

Yours sincerely,

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