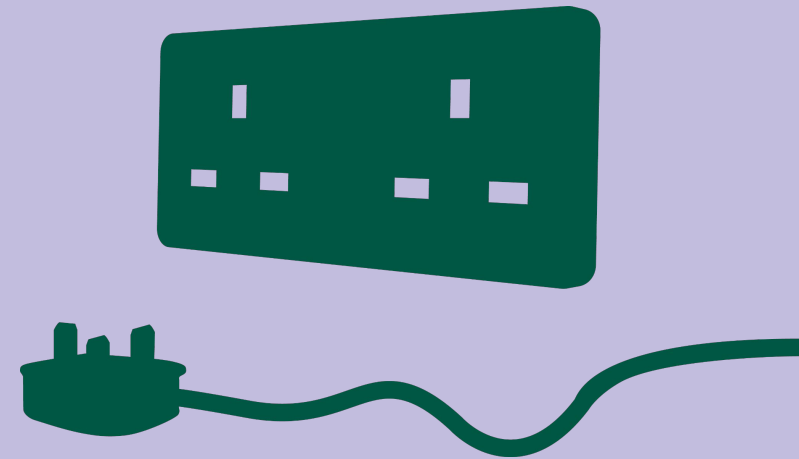


Supplier of Last Resort Good Practice Guide



Introduction

In a competitive market, company failure is a possibility that can never be ruled out. Ideally, a failing energy company would be bought by another company in a trade sale. However, sometimes no other supplier is willing to buy the failed company outright.

When a trade sale fails, Ofgem has a duty to make sure that affected customers still have an energy supplier. In these instances Ofgem is likely to implement the Supplier of Last Resort (SoLR) process. The appointed supplier can claim back any of the costs it accrues during the process back from Ofgem's SoLR levy.

The role of Citizens Advice in SoLRs

Citizens Advice is the statutory advocate for domestic and small business energy consumers across Great Britain. Through the Citizens Advice Consumer Service and Extra Help Unit (EHU) we provide independent advice to energy consumers, including those going through the SoLR process.

We liaise regularly with stakeholders throughout the SoLR process, including suppliers, administrators, DCAs, the Ombudsman Services: Energy (OSE:E) and Ofgem. This helps us identify emerging issues and to provide the best advice and outcomes for consumers.

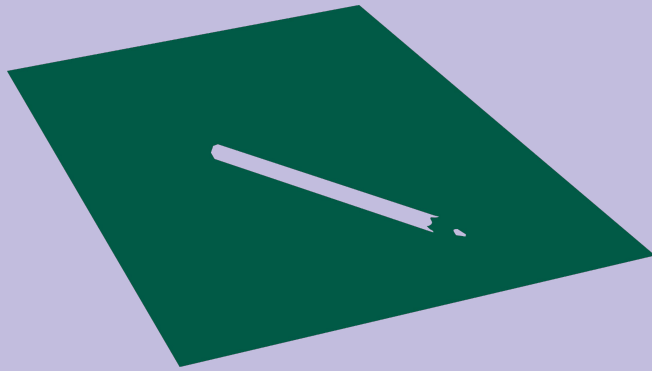
As the statutory advocate, we are also able to provide advice and guidance to stakeholders themselves, to help them ensure their customers' needs are met throughout the process. We can also use data from the Consumer Service and Extra Help Unit to feed back on any trends in the issues consumers are experiencing.

Aims of this guide

To help suppliers, administrators and debt collection agencies (DCA's) understand Citizens Advice's role as a consumer advocate within this process, and to understand what kinds of information we need to be able to help consumers.

To provide information or a 'refresher' on parts of the SoLR process for suppliers who are taking on customers.

To highlight common issues that arise in the SoLR process so that we can provide suggestions of good practice.



'The Essentials': checklist for suppliers exiting the market

1. Alert customers as soon as possible that you are leaving or have left the energy retail market. Keep customers informed of the process and any actions they may need to take, such as meter reads.
2. Ensure that these communications reach as many customers as possible, and are available in all accessible formats. Be particularly aware of any Priority Service Register (PSR) customers that might find the process particularly difficult, and consider supplying them with additional information and/or support.
3. Open immediate communication with key third parties, including the incoming supplier, the administrator, Citizens Advice and Ombudsman services.
4. Agree a cohesive plan of action with the administrator and debt collection agency (DCA) for what will happen to debit and credit balances, including those accrued by consumers who switched away prior to failure. Share this plan with relevant stakeholders such as Citizens Advice.
5. Prior to exiting the market, ensure that customer data is in good condition. Suppliers should ensure that all customers' core data items are up to date where possible. Suppliers should also undertake data cleansing and validation activities as necessary to ensure a smooth transition to the incoming supplier.
6. Failing suppliers should also have a clear strategy for ensuring that the incoming supplier can easily contact and engage with any operational third parties such as meter providers and meter engineers.
6. There should be a clear plan in place for what needs to occur if a customer goes off supply during the transition period. This plan should be agreed in the handover between the failing supplier and incoming supplier.
7. Failing suppliers should also maintain a clear database of priority cases, live issues and especially vulnerable customers to pass immediately to the incoming supplier. This should ensure that vulnerable customers are not impacted by their case or support being disrupted.

Points to consider for SoLR suppliers

SoLR suppliers should be aware of difficulties that may arise when taking on customers from a failed supplier: the quality of customer data can vary, and contacts to customer service lines will increase significantly. It can be helpful to prepare extra resources to help cope with the increased demand.

Previous suppliers involved in the SoLR process have highlighted the importance of having open and clear communications with third parties from day one, including Ofgem, the administrators, Citizens Advice and the EHU.



To help ease the transition for customers, SoLR suppliers should:

- ✓ Offer one communication point for affected consumers for all SoLR-related issues, and ensure that you can continue to meet demand. Previous SoLR suppliers have created portals or dedicated web pages especially for their new customers that include an FAQ page and contact point.
- ✓ Make sure that all of your staff are aware of the extra difficulties these customers may be experiencing.
- ✓ Have a clear plan for how you will relay information to your new customers and communicate this to customers, so they know when to expect updates. This can decrease contacts to customer service channels.
- ✓ Set up regular contact with Citizens Advice to share updates. This information will be cascaded to our Advice teams. We can also raise any concerning cases that come through the Extra Help Unit, helping to facilitate better outcomes for the customers involved.

Common issues

Several problems can cause delays in an administrators' debt collection and billing calculation activity. Winding down the company whilst dealing with these issues can create high operating costs that need to be considered prior to taking on a failed energy supplier. These include:

- Poor systems/ data quality inherited from the failed supplier
- Poor billing data
- Outstanding customer complaints and challenges related to billing

These issues may not be apparent to an administrator or supplier before taking on the customer base. Anticipating these difficulties can help avoid unnecessary delays to final billing.

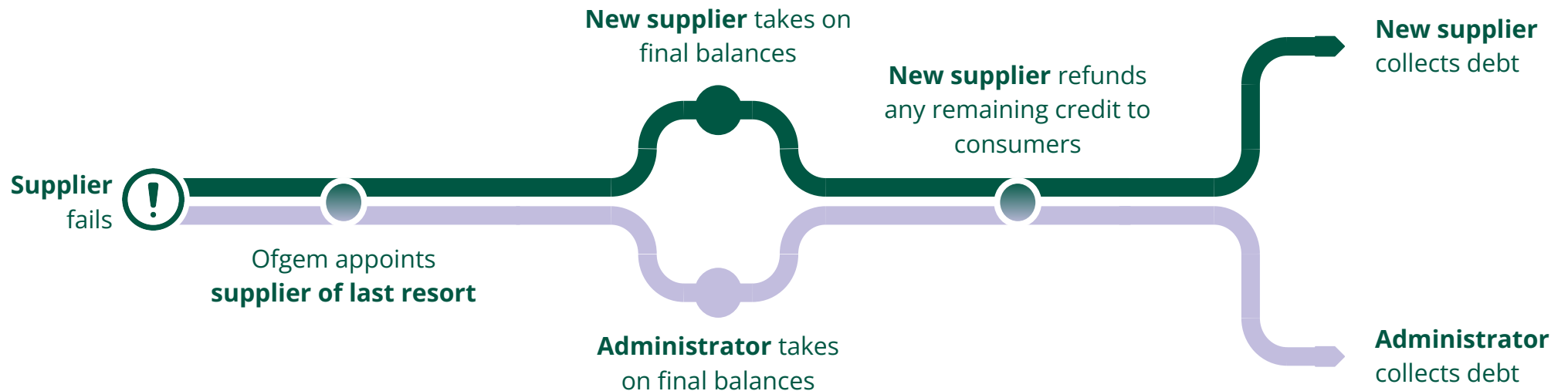


Debt collection

Figure 1 shows the different ways in which customer debt can be collected within a SoLR process; in some cases the debt book is bought by the SoLR, in others it is collected by the administrator. The administrator will often engage a Debt Collection Agency (DCA) to collect any debt, but they will continue to oversee the process and can help resolve any issues/ complaints that are raised at this time.

If the administrator does not complete the debt collection process prior to completing the wind-down of the failed supplier, then the rest of the debt book may be sold to a DCA entirely. At this point, neither the administrator nor the SoLR will have oversight of this debt. Usually, only non-live debt is remaining at this stage, but some live debt collections will still occur. It is Citizens' Advice's preference that the customer debt book is sold or transferred to the SoLR, so that customers can continue to enjoy enhanced consumer protections offered by an energy supplier.

Figure 1

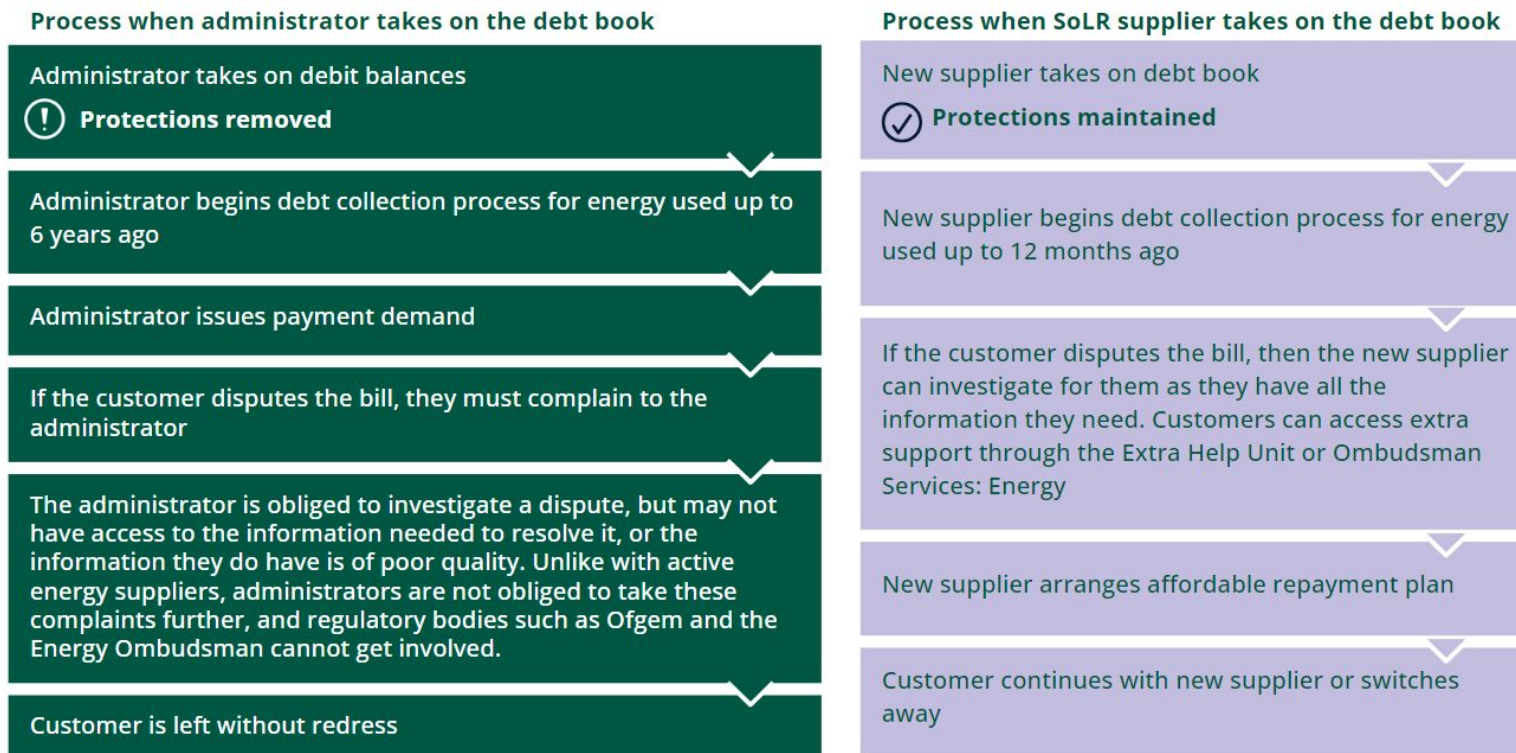


Common issues

Energy is an essential service, which is why energy suppliers are required to take into account a consumer's ability to pay. Administrators don't have the same requirements as suppliers, meaning that customers don't automatically have:

- Options to pay for debt via alternative methods (such as fuel direct or prepayment meters)
- The ability to negotiate a longer repayment plan

As can be seen from Figure 2, where the incoming SoLR supplier takes on the debt book, this results in much better outcomes for customers. However, if debt is collected by the Administrators or DCA, then we encourage any consideration of energy customers' circumstances including any vulnerabilities, their ability to pay, and any existing repayment plans.



Back-billing

Back-billing is when a supplier or other party attempts to recover payments relating to charges that are over 12 months old, but that have not previously been communicated to the customer.

Under the current licence conditions, energy suppliers are not allowed to back-bill their customers; if a customer hasn't been charged for energy usage that is over 12 months old, then the customer is no longer liable for it.

In the event of a supplier failure, no party is allowed to recover unbilled debt that is older than 12 months. This includes the administrator of a failed supplier, the failed supplier itself, the new supplier and/ or a debt collection agency.



Good practice for Administrators

- Administrators should communicate regularly with suppliers and relevant third parties (Ofgem; Citizens Advice; OS:E) throughout the administration process, and should be willing to engage when resolving customer account issues. Updates to third parties should include timescales on negotiations, including when final billing, credit refunds and debt recovery will commence.
- Administrators should share customer data, particularly the Priority Services Register (PSR) with the SoLR as soon as possible, to allow the SoLR to identify vulnerable customers quickly.
- Administrators should share data that is necessary for the creation of customer accounts and final bills with the SOLR as soon as possible - long delays can lead to large catch up bills that are difficult for customers to manage.
- Administrators should provide contact details for EHU and Consumer Service advisors, so that advisors can liaise directly with them when issues arise.
- If the failed suppliers' communication channels are unable to remain open, Administrators should consider providing a public-facing number, to assist with any queries or disputes customers may have. Administrators should prepare adequate resources for this, to ensure fair outcomes for customers.
- When collecting debt after account reconciliation, the communication should be presented as a final balance and not as a debt collection notice. The bill should contain information about usage and how the bill was calculated. It should also include information about who to contact for further information and how customers can query their bill.

Appendix 1: Checklists for SoLRs

It is important that consumers are reassured and that they receive accurate information about the SoLR process. We have provided this checklist as a summary of all the information above. This aims to ensure that suppliers, administrators and DCAs have the information needed, and to provide a guide to what information we require. Each SoLR is unique and additional information might be required depending on the supplier who has failed.

For suppliers

To provide on the day of the announcement:	
Contact details and opening hours for the affected consumers	
Contact details for the EHU for any off-supply cases, and details of how emergency metering jobs will be completed	
Contact details for the Consumer Service	
For Direct Debit consumers: guidance on whether they should cancel their Direct Debit payments, and what the process for Direct Debits will be going forward.	
For pre-pay (PPM) consumers: The methods they can use to top up, contacts if they are having difficulties, and any changes/ extensions to friendly credit periods.	

As the information becomes available:	
A timeline of when the consumer should be expecting to hear from their new supplier (both generally, and for the welcome pack with full information).	
The methods that the supplier plans to use to communicate updates to consumers.	
Information on whether the consumer needs to contact their new supplier for their credit balance, or whether it will be automatically applied to their account/issued via cheque.	
Expected timelines for final bills and returning credit balances. These should be realistic and consumers should be aware that timelines may change.	
Who is going to be collecting debt and when, including contact details for the administrator if relevant.	
Information about the tariff the consumer is moving on to, and if it is more expensive than their existing one.	

Appendix 2: Common issues and checklist for Administrators/DCAs

Several problems can cause delays in an administrators' debt collection and billing calculation activity. Winding down the company whilst dealing with these issues can create high operating costs that need to be considered prior to taking on a failed energy supplier. These include:

- Poor systems/ data quality inherited from the failed supplier
- Poor billing data
- Outstanding customer complaints and challenges related to billing

These issues may not be apparent to an administrator or supplier before taking on the customer base. Anticipating these difficulties can help avoid unnecessary delays to final billing.

As soon as possible:	
Contact details, methods and opening hours for affected consumers	
Contact details for Citizens Advice, Consumer Service and EHU use	
Details regarding who is responsible for debt and debt collection	
Expected timeframes for sending final billing and subsequent debt collection	
Details on debt recovery plans for consumers, including timescales and contact details/ options provided. If available, example letters and bills.	

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We're a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

citizensadvice.org.uk



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