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Dear James ,

Response to Supplier Guaranteed Standards of Performance: Decision on Switching Compensation

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Automatic compensation is a powerful tool, that should incentivise suppliers to improve their processes and remove the need for consumers to use stressful processes applying for compensation. Recent Citizens Advice research identified energy switching as a good candidate for new automatic compensation, because suppliers should be able to easily identify when standards have not been met, and be readily able to contact and pay the consumer for the service failure.¹

We support Ofgem's decision to proceed with the implementation of new Guaranteed Standards related to the resolution of erroneous transfers (ETs). Prolonged resolution of these issues can cause significant stress, hassle and cost consumers money by preventing them switching to a better deal. As members of the Erroneous Transfers Working Group (ETWG) we advocated for compensation for consumers in cases where ETs were not resolved in line with the Erroneous Transfer Customer Charter (ETCC). We think these proposals will incentivise suppliers to improve their processes, and give consumers redress where the performance thresholds are not met.

We strongly support the decision to introduce a new Guaranteed Standard on credit refunds. Timely refunds of credit are vital for consumers, who can be out of pocket in the short term during a switch, especially if their new supplier charges in advance. Consumers who use smart prepay are also particularly at risk, as they have to wait for

¹<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/consumer-policy-research/consumer-policy-research/automation-for-the-nation/>

any leftover credit on their meter to be refunded. The new Guaranteed Standard should help protect these consumers.

We agree with Ofgem's policy intention that suppliers should make additional payments if the failure of the Guaranteed Standard is continuing. This should incentivise suppliers to fix problems in a timely way, even after the initial Guaranteed Standard has been breached. However, we are concerned that the proposed drafting of the Statutory Instrument does not achieve this outcome, because it does not amend regulation 9(1), which states that suppliers only need to make one payment in the case of continuing failures to achieve a Standard.

We agree with Ofgem's decision to delay implementation of Guaranteed Standards on timely switches, preventing erroneous transfers and final bills subject to further development of how these will work in practice. Although this means the consumer benefits will be delayed, we think it is vitally important that the Standards are well-designed and set to appropriate performance standards, to incentivise the right behaviours by suppliers and improve consumer outcomes. We look forward to working with Ofgem to develop the second stage of the Guaranteed Standards.

We are very disappointed that Ofgem has decided to limit the scope of the Standards to domestic customers. As we set out in our original response, we think this would align the Standards with those for energy networks and for the water sector, which both protect small business customers. We also think that micro-business customers would benefit from the improved switching experience that the Guaranteed Standards should deliver. Ofgem's own evidence shows that these consumers are more likely to suffer ETs than domestic consumers.² And recent research, jointly funded by Ofgem and Citizens Advice, found that micro-business switching has not increased in recent years, and that confidence in the switching process has only increased incrementally.³ We will continue to argue the case for including micro-business customers as Ofgem develops the next stage of the Guaranteed Standards.

Yours sincerely,

Alexander Belsham-Harris

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²[https://www.ofgem.gov.uk/system/files/docs/2017/01/bpd_i13 - erroneous transfers - da cover note.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/01/bpd_i13_-_erroneous_transfers_-_da_cover_note.pdf)

³<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research/h-and-consultation-responses/energy-policy-research/micro-and-small-business-engagement-in-the-energy-market/>