

## Note of Ofgem-BEIS Independent Suppliers Forum 16 February 2017

This is a note of the forum held by Ofgem and BEIS at Westminster Conference Centre, 16 February 2017.

From  
To

Rachel Clark (Ofgem)  
Independent  
Suppliers

Date

16 February 2017

Please see below for the agenda items and any relevant points to note which were not featured in the event slide pack.

Agenda Item	Notes
<p><b>Introduction</b></p> <p><b>Rachel Clark (Ofgem)</b></p>	<p>Rachel Clark is the new Independent Supplier Champion for Ofgem. The forum is designed to make it easier to engage with independent suppliers on Ofgem updates and consultations. There are now over 50 domestic and 70 non-domestic suppliers competing in the retail energy market. Ofgem wants to build stronger relationships with smaller suppliers as we increase our reliance on <a href="#">principles-based regulation</a>.</p> <p>Ofgem is looking to support innovation, with the newly launched <a href="#">innovation link</a> now up and running so stakeholders can send their new ideas to Ofgem. Ofgem also welcomes one to one discussions with stakeholders as they develop their ideas and consider how they comply with our regulations. One area where we are seeing renewed interest and are proactively engaging with stakeholders is face-to-face selling.</p>
<p><b>Switching Programme</b></p> <p><b>Andrew Wallace and Rachel Clark (Ofgem)</b></p>	<p>The switching programme published a <a href="#">Strategic Outline Case</a> (the first iteration of its business case) and a request for information (RFI) in January.</p> <p>This publication set out three reform packages: (RP1) Optimise existing architecture, (RP2) Major reform based on a new centralised switching service and (RP3) Full reform which add a new centralised enquiry service to the reforms in RP2.</p> <p>Through the RFI, Ofgem is seeking information from stakeholders on the impacts of the reform packages. Suppliers will have an opportunity to comment on Impact Assessment of the three reform packages which will be published alongside the consultation in August. Ofgem aims to set out its decision on the preferred reform package by the end of the year. Ofgem also welcomes any additional comments from suppliers on the programme.</p> <p>Ofgem is aware of the burden of the RFI and has tailored the volume of questions according to the supplier size, flagging priority areas. Ofgem is currently initiating the next phase of work which is looking at developing the detailed switching reforms. This work is being</p>

	<p>progressed on the basis of RP2 as a least regrets approach, but this option has not been chosen at this point.</p> <p>In response to questions from the floor Ofgem noted that: the 'design build and test' phase will include testing to ensure that the functionality works correctly. Also, there are different options for how implement the programme. The current planning assumption is that RP2 would be delivered in a big bang approach whereas RP3 would have a two-phase implementation.</p>
<p><b>Ofgem and Energy Ombudsman joint working</b></p> <p><b>Phil Sumner (Ofgem) and David Pilling (Ombudsman)</b></p>	<p>After Ofgem approved the redress scheme in energy in 2015 it commissioned a review to identify where the Energy Ombudsman might develop its role beyond the core task of resolving individual complaints. The review recommended that the ombudsman undertake work to identify, and feedback to industry, systemic customer service issues. A joint working group was established to focus on 5 key areas: ways of working, sectoral comparisons, KPI, data and insights, high impact events.</p> <p>Although OS has been receiving decreasing numbers of complaints, this varies across suppliers, with some suppliers seeing an increase in complaints. For the first time the research tried to estimate the cost on business. The findings estimated that £37billion in total was being lost due to complaints, with retail losing the most and energy losing £5 billion. Interestingly, even if a customer had complained, they were 75% more likely to remain with the supplier if the complaint was handled well.</p> <p>Ofgem provided an overview of the work around improving data and insights and how OS data was being used to inform our regulatory approach. Using the data to gain a better understanding of individual suppliers and looking at themes across industry will assist in moving toward more principles based regulation and help to resolve issues in the early stages rather than going into enforcement. Ofgem is also working with Citizens Advice on a similar data sharing arrangement which helps to build a rich pool of intelligence. Ofgem, OS and Citizens Advice have been meeting regularly to review data, resulting in early spotting of issues and meeting with suppliers to discuss trends in the data,</p> <p>OS have been working more closely with suppliers, initially big 6, to improve the customer journey and how they handle complaints. The next steps will include reporting on KPIs and undertaking 360-degree feedback, sending surveys to key stakeholders including suppliers (should only take 10-15 mins). This feedback will help to develop an action plan going forward.</p>
<p><b>Half hourly settlement</b></p> <p><b>James Earl and Chloe Haseltine (Ofgem)</b></p>	<p>Ofgem introduced 3 key questions for the tables to answer.</p> <p><b>Making it easier to work with you: What could we do to make it easier to engage and make progress?</b></p> <p>Ofgem/BEIS need to take a strong lead when it comes to engagement. A general consensus that independent supplier forums are valuable and useful. The provision of progress updates and lessons learned from the elective HHS work would help engage suppliers on mandatory HHS. The level of engagement on mandatory HHS will depend on how well elective HHS is sold to suppliers and how well the benefits are publicised.</p>

	<p>The general view was that there is a need to continue using forums but in a way that is less resource-intensive, perhaps through regional forums or making better use of technology to engage everyone. Multiple suggestions were made to improve the accessibility of the Ofgem website and provide a contact list to direct suppliers when they have a specific query.</p> <p><b>Current resources and capacity to participate: what level of input would you like to have?</b> Suppliers have concerns about the additional cost and resources needed to engage more. Regional meetings would be better than having to come to London. More coordination of RFIs and the potential to send out one question per week than all in one consultation would reduce the burden on suppliers. Include consumer groups and other representatives around engagement on intended and actual outcomes. A specific email address and contact list would also help suppliers with queries in the event of a question/need for clarification.</p> <p>Suppliers may not need to attend all forums or meetings. Some may like to input; however, the benefit of the meeting would need to be emphasised. Rather than constant engagement, Ofgem need to be ensure transparency by publishing responses on the website. Informal groups can also be just as important.</p> <p><b>How can the diversity of suppliers be represented in working groups?</b> Suppliers stressed that working groups should not replace other kinds of engagement. Technology should play a bigger part in the meetings to make the most of engagement opportunities such as the use of video conferencing.</p>
<p><b>Departmental Priorities</b></p> <p><b>John Fiennes (BEIS)</b></p>	<p>In the retail market, Ministers wanted to improve competition and enable the market to work for consumers. Ministers were concerned about the way the market was working at present and were considering next steps. A consumer green paper is due to be published in Spring 2017.</p> <p>Brexit would be a key focus of work for the Department, in light of the PM’s recent speech.</p> <p>On industrial strategy, a <a href="#">green paper</a> published provided additional thinking in this area. Ministers hoped the document would be the start of a dialogue. For energy, key focus areas included minimising costs to business and publishing a roadmap to reducing energy cost and to set out the industrial opportunity to the transmission to a low carbon future.</p> <p>The smart agenda gives innovation in the energy market and a low carbon story, embedding renewables whilst incorporating affordability and efficiency. A document on the <a href="#">smarter and more flexible energy system</a> was recently published. A smarter system would allow a better flow of information and price signals, also removing barriers to more flexible providers.”</p>

<p><b>Future of Retail Regulation</b></p> <p><b>Andrew Thomsen (Ofgem)</b></p>	<p>This session was used to gather independent supplier views on proposed changes to the <i>Fairness Test</i> and compliance threshold within the domestic and non-domestic Standards of Conduct licence conditions. These changes were consulted on in a recent <a href="#">policy consultation</a> published by the Future Retail Regulation team. The views expressed by the independent suppliers in attendance are set out below.</p> <p><b>Proposed changes to the Standards of Conduct <i>Fairness Test</i></b></p> <ul style="list-style-type: none"><li>• Suppliers generally agreed that the premise of the proposed <i>Fairness Test</i> is appropriate i.e. a supplier would not have treated a customer fairly if their acts or omissions “give rise to a likelihood of detriment to the Domestic (or Microbusiness) Customer, unless the detriment would be reasonable in all the relevant circumstances”.</li><li>• Some suppliers felt that guidance from Ofgem would be helpful in relation to particular drafting points e.g. examples of what could be considered “reasonable” detriment; what does “likelihood of detriment” mean in practice, what are “all the relevant circumstances.”</li></ul> <p><b>Proposed removal of the <i>all reasonable steps</i> compliance threshold from the Standards of Conduct</b></p> <ul style="list-style-type: none"><li>• Some suppliers felt that the removal of <i>all reasonable steps</i> would help focus the minds of their staff on delivering the consumer outcomes expected under the Standards of Conduct. They felt that these outcomes were achievable and doing so was necessary if they were to maintain and grow their customer base.</li><li>• Other suppliers felt that <i>all reasonable steps</i> should not be removed. They considered that it is appropriate for the Standards of Conduct to focus on whether the supplier had the right processes in place to try and achieve the desired consumer outcomes.</li><li>• Without <i>all reasonable steps</i> some felt that smaller suppliers might be less confident taking innovative ideas forward or could feel pressure to “gold-plate” their services to reach the standard a bigger supplier might achieve. It was felt both scenarios could have an adverse effect on competition.</li></ul> <p><b>Supporting independent suppliers to understand their obligations</b></p> <ul style="list-style-type: none"><li>• Many suppliers mentioned that existing guidance, and indeed the supply licence itself, needs to be made easier to use and more accessible.</li><li>• Some suppliers queried whether the proposed changes to the Standards of Conduct would be accompanied by updated guidance. Suppliers considered that such guidance could be a useful tool for their front line staff and would help compliance teams manage risk. One attendee commented that “lessons learned” from past compliance and enforcement work could also be valuable.</li><li>• Some attendees felt that smaller suppliers can have difficulties engaging with the regulator. Attendees welcomed Ofgem’s increased proactivity in this space, as increased engagement and trust between suppliers and the regulator will support innovation.</li></ul>
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<p><b>Sales and marketing</b></p> <p><b>Dr Stephen Bass, Andrea Gregory, Laila Benfaida (Ofgem)</b></p>	<p>Ofgem noted that meetings with new entrants have highlighted renewed interest in direct selling. This session was designed to help suppliers avoid those things that have tripped-up suppliers in the past, and to share what has worked well to ensure that negative outcomes for consumers are avoided. Ofgem is looking at sharing more learnings from past compliance action, but they will need to manage confidentiality issues. It was noted that face-to-face selling can be very effective to engage consumers, but it also has a large impact on consumer confidence if it goes wrong and is therefore high-risk. When things go wrong, there is high media interest and high consumer detriment, that can potentially have reputational impacts for independent suppliers.</p> <p>Ofgem is currently consulting on the <a href="#">sales and marketing principles replacing the prescription in SLC 25</a> (the response deadline was 6 March 2017:.) and there has been a workshop on this on 28 February. Ofgem is planning on publishing a report on lessons learnt from past sales and marketing cases to highlight the points made today (published 8 March 2017: <a href="#">Lesson learned from enforcement and compliance activity</a>). Suppliers are engaging through a variety of channels, which is positive and there is a lot of consumer insight being used; using social media and tailoring products to consumers. But each channel has its own risks.</p> <p>Key lessons learned include: (1) Ensuring information is accurate, complete and not misleading, particularly for estimating costs of energy, consumption, savings and comparisons. (2) Ensuring management arrangements facilitate compliance with licence obligations, e.g. training for sales staff and agents, and audit and monitoring of processes by senior management (including the Board of the licensee).</p> <p>Ofgem highlighted that suppliers are also responsible for the behaviour of their representatives, including sales agents and TPis, and may wish to consider whether: (1) governance and oversight covers both the supplier's own processes and also the processes of its sales agents and also sales agents' incentives and remuneration may increase the risk of non-compliance (there is a requirement to keep records (for 2 yrs) of information provided during face-to-face sales and marketing activities, where it results in a sale). (2) TPI communication of where agents are from and make it clear that the customer is signing up to a new contract (3) Whether the training they receive is appropriate (4) Whether they understand the rules they operate within.</p> <p>Although face-to-face selling generates a lot of consumer engagement, this needs to also be matched with resources to support customer enquiries / complaints. There are some concerns around door-step selling and face to face and there are some enforcement cases being investigated at the moment. Ofgem highlighted all the relevant obligations around sales and marketing activity (refer to presentation). The <a href="#">2016 Challenge Panel Report</a> contains examples of good practice in sales and marketing, and where we think there is room for improvement.</p> <p>Ofgem called for suppliers to inform them when they identify issues with compliance, as this is important to address issues quickly before consumer detriment occurs. This can avoid more serious</p>
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	<p>consequences by putting things right quickly for their customers. Suppliers should take into account the needs of vulnerable customers when engaging in sales and marketing activities.</p>
<p><b>Project Nexus</b> <b>Jon Dixon</b> <b>(Ofgem)</b></p>	<p>Ofgem clarified that there will be the appropriate cover on the post live-day contract (hypercare) with the help of PwC. Assuming the go live day is 1 June – end of September then it will be business as usual as part of next year. Ofgem cannot comment on the contract as it is commercially sensitive, but there will be a role for PwC and Baringa, and Ofgem will retain a role until BAU. Ofgem is looking to withdraw as soon as possible after this.</p>
<p><b>Database remedy</b> <b>Deborah Owens</b> <b>(Ofgem)</b></p>	<p>Ofgem provided a brief overview, the aim is to increase consumer engagement. Under the CMA’s proposal customers will receive personalised, bespoke postal marketing from rival energy companies, but they can opt out at any time. Ofgem is currently testing and trialling the database service and have carried out a lot of research looking at why consumers are engaged or not engaged in the energy market and this is being built into the service design.</p> <p>Phase 1 is the discovery phase (August / September 2016) – looking at what problem they were trying to solve and the needs of the customer. Phase 2 is the Alpha phase (end of October onwards) – the initial development of the service. Ofgem ran a small scale trial with 400 participants received the CMA model and 400 participants received Ofgem’s Best Offers Letter (EDF and npower volunteered to participate). In the trial, the customer group was simplified with warm home discount and those with complex metering arrangements not included. The best offers letter was developed by Ofgem, setting out the cheapest deals for a customer based on their annual consumption. In this situation the data does not leave Ofgem. The final design of the service is not fixed – we need to wait on the results of the trial to share the next steps. In the Best Offers letter only price was included in the comparison however that is not to say Ofgem won’t consider other aspects if this is taken forward. Some qualitative research has been included as part of the trial to help understand why customers acted in a particular way and what they understood by the communications they received.</p> <p>Ofgem is developing a timetable for 2017/18 with a workshop on 10 March. The final RFI will be sent before the end of March and the decision on next steps in April. The Microbusiness deadline is unlikely to be the same as the one laid out in the CMA report (delayed). We will consult however as the project is in the early stages there is no finalised option. There is a risk that due to Half Hourly settlement there will be the need to incorporate different tariffs, however the main focus is still on consumer engagement.</p>
<p><b>Prompts to engage</b> <b>Alex Tyler</b> <b>(Ofgem)</b></p>	<p>Ofgem was tasked with setting up a trial programme to test improved prompts to engage, based on the CMAs recommendations. CMA suggested areas for trialling – including changes to (1) Information in domestic bills and how it is presented (2) Name of the default tariff (3) Specific messaging that domestic customers receive in bills once they move, or are moved, on to a standard variable tariff (SVT) and / or other default tariffs (4) Information</p>



	<p>provided to customers on the availability of cheaper tariffs in the markets.</p> <p>Ofgem asked that suppliers consider (and contact <a href="mailto:PromptsToEngage@ofgem.gov.uk">PromptsToEngage@ofgem.gov.uk</a>); How these trialling areas would affect you and operational readiness; What are key operational factors Ofgem should consider when specifying trials?; What they would be keen to trial.</p> <p>Suppliers would be keen to continue with BAU, however a good solution is the FRR project as some of the trials and ways of working are not technologically advanced. Ofgem needs to prompt and shape the market rather than trying to change it completely. There would need to be a way to keep customers engaged and the independent suppliers involved. Ofgem has discussed whether customers should know about the trial and the decision to follow best practice and not tell the customer. Derogations are still allowed to trial other initiatives.</p>
<p><b>Social Obligations Reporting</b></p> <p><b>Michal Frances (Ofgem)</b></p>	<p>Ofgem highlighted that the purpose of social obligations reporting is to understand how suppliers are providing support for vulnerable domestic customers. Domestic suppliers are required to submit information on a range of indicators, including: (1) PPM, debt, debt repayments, disconnections (2) Smart meters and support for PPM smart customers (2) priority services, energy efficiency advice</p> <p>Ofgem thanked suppliers for submitting their data and noted that after quality assurance checks, they will be sharing data reports and holding follow up meetings. Ofgem noted that last year they published the 2015 Social Obligations report, including anonymous good practice examples for the first time. This year, Ofgem will be looking at naming good practice examples, and focusing on how vulnerable customer's needs are met more broadly e.g. through qualitative evidence as well as social obligations data.</p> <p>Ofgem is now currently reviewing what data it collected and how it was collected to better how vulnerable customers are supported and where there are problems. It is also hoping to minimise the burden of reporting and clarify the guidance. Specifically, Ofgem noted (1) Collecting less – quarterly data (2) Collecting more – national data (2) Changing the Priority Services Register section to reflect the new principle (3) Collecting debt repayment arrangements where customers are given a repayment holiday (4) level of debt that customers have when a PPM is installed under warrant.</p> <p>Ofgem is seeking suppliers views on the changes to be sent to: <a href="mailto:SORHelpdesk@ofgem.gov.uk">SORHelpdesk@ofgem.gov.uk</a> A consultation on these changes will be published soon (likely in April) giving details of the proposed changes. Industry commented to keep quarterly data, understanding the seasonal changes are useful. The industry commented that adding new indicators could add to costs of reporting, and that improved support in submitting data would be welcome. Any changes will be coming into effect for the January 2018 reporting. Although with the move to smart meters, the PPM separation will become redundant, it is still important to keep the difference for now.</p>

<p><b>NEA</b></p> <p><b>Peter Smith and Maria Wardrobe</b></p>	<p>NEA highlighted to suppliers their vision to bring an end to fuel poverty and its goals: (1) To influence and increase strategic action against fuel poverty, (2) To develop and progress solutions to improve access to energy efficiency products, advice and fuel poverty related services in UK households (3) To enhance knowledge and understanding of energy efficiency and fuel poverty. NEA noted that they work across England, Wales and Northern Ireland, and with a sister charity, Energy Action Scotland. One of the campaigns run was called the "Nation's biggest housewarming" event, to increase awareness of the issue. NEA provided an overview of their training courses on issues relating to fuel debt, eligibility and where to access help; income maximisation; and the health impacts of fuel poverty. NEA offers a wide range of accredited and Continuing Professional Development (CPD) certificated training courses, e-learning and e-assessment opportunities, but they can also develop and deliver bespoke <a href="#">training packages</a>.</p> <p>NEA noted that only 30% of customers of small and medium suppliers that are in debt have a debt repayment arrangement, compared to 60% for customers with the large suppliers. NEA called for small and medium suppliers to do more through effective debt repayment arrangements. NEA outlined how they could work in partnership with suppliers to help vulnerable customers, such as through: (1) Local Community Profiling/Mapping, (2) Identifying vulnerability training; Fuel debt training (3) Energy efficiency and fuel debt workshops for local communities (4) One-to-one casework with vulnerable households, (5) Supporting you to meet your Warm Home Discount programmes. NEA promoted their Business Supporters Group membership, which allows members to keep up to date with changes in policy and legislation through regular newsletters, briefings and events and encouraged suppliers to visit their <a href="#">website</a>. NEA clarified that they share their information with suppliers.</p> <p>Suppliers suggested that it would be useful to have a session on identifying vulnerability, led by one or more suppliers sharing their approaches to best practice in this area.</p>
<p><b>Smart prepayment switching – temporary loss of credit</b></p> <p><b>Jeremy Adams-Strump and Elena Iolovska (Ofgem)</b></p>	<p>Ofgem explained that modifications to industry codes had been approved at the end of 2016 that made it compulsory for suppliers to switch smart meters operating in prepayment mode to credit mode ahead of any switch. The rationale for this procedure is that it is a failsafe that ensures there is continuity of supply should anything go wrong with the switch. However, as a consequence of this change, consumers' will not experience continuity of prepayment credit when they switch supplier (which they do in traditional metering world)</p> <p>Ofgem asked attendees whether smart prepayment customers switching to them had expressed concern about losing credit or cancelled their switch because of this concern:</p> <ul style="list-style-type: none"> <li>• Some attendees stated they were aware of instances where customers have cancelled the switch after being made aware of the temporary loss of prepayment credit. The main reasons posited for this were unpredictability around the timing of when they will get their credit refund from the old</li> </ul>



	<p>supplier and an inability to cover the costs of energy while awaiting this refund.</p> <p>Ofgem asked what practices suppliers had put in place to mitigate the risk of consumers going off supply or cancelling switches:</p> <ul style="list-style-type: none"><li>• Some suppliers said that if they know the old supplier uses the same Smart Meter System Operator (SMSO – which for most suppliers in the room is Secure), they will be able to obtain the final credit balance before the switch and honour this.</li><li>• Suppliers also mentioned putting a standard amount of discretionary credit or having a non-disconnection period</li><li>• Suppliers stressed the importance of clear communication to the customer from both the old and new supplier.</li></ul> <p>An attendee said that they offer the customer options for how they can get credit back.</p> <p>Conversation turned to the rationale behind the code modifications, with some attendees questioning this:</p> <ul style="list-style-type: none"><li>• Some argued that the modifications mitigate against a non-existent risk as suppliers will only acquire meters they know they can operate and communication failures are rare.</li><li>• Consider the modifications have made for a much worse consumer journey than in the traditional world and industry needs to develop a solution to ensure consumers experience continuity of credit.</li><li>• Some argued that the modifications are possibly still necessary in a SMETS 1 world where a supplier may obtain a consumer with a meter they cannot communicate with but in a SMETS 2 world, when everyone uses the DCC, they will be redundant.</li><li>• A comment was made about the exceptions process set out in the modifications for when the change of mode does not occur. They argued that inputting a 19-digit UTRN code is confusing.</li></ul>
<p><b>Midata Update</b> <b>Dave Newton</b> <b>(BEIS)</b></p>	<p>BEIS provided a brief update on the <a href="#">Midata programme</a>. For any queries, please contact Dave Newton.</p>