

Energy Switch Guarantee

Compliance Escalation Process

Purpose

The aim of the Energy Switch Guarantee (ESG) is to increase consumer confidence in switching, and to improve the speed and the ease of the switching process. It is in the interests of signatories and consumers alike that the reputation of the ESG is upheld. In order for the ESG to achieve its aims, it is essential that the KPIs underpinning it are consistently met by signatories.

However, it is recognised there will be instances where changes affecting the whole industry (e.g. the launch of Project Nexus) or a specific supplier (e.g. system changes) may temporarily affect their performance against the KPIs. The objective of this document is to provide transparency and a clear guideline on the process that will be followed in the event that a signatory does not meet the KPIs for a given quarter. This complements the existing escalation process in the ESG manual for serious breaches of the ESG commitments. It remains the case that, if there is a serious breach of the commitments and the reputation of the ESG is put at risk, this process can be circumvented and the case would be escalated straight to the ESG Board.

The compliance escalation process will take effect from Q4 2017 onwards and will not be applied retrospectively.

Stage 1

When would this apply to a signatory?

This stage of escalation would apply if a signatory's quarterly KPI submission identifies them to be Red for one or more KPI, Amber for two or more KPIs, or Amber for the same KPI for the second successive quarter. The RAG ratings are as follows:

KPI	RAG			Relevant Consideration
2A: 98% of switches completed in 21 days or less	98% or above	95-98%	Below 95%	The average switch time in calendar days.
3A: 90% of final bills issued within 6 weeks or less.	90% or above	80-90%	Below 80%	The average number of calendar days to issue the final bill.
4A: 90% of credit refunds issued within 14 days or less after the final bill	90% or above	80-90%	Below 80%	The average number of calendar days to issue a refund after the final bill.

What would happen next?

A signatory would submit a summary of the reason for not meeting the target, when they expect the issue to be resolved, and where relevant the actions to be taken to resolve it. It is intended that this would be a minimal reporting burden for a supplier – it would be a simple commentary to accompany the email with their KPI submission.

Stage 2

When would this apply to a signatory?

This would apply if, for a second successive quarter, a signatory's quarterly KPI submission identifies them to be Red for one or more KPI, or Amber for two or more KPIs. It would also apply if a signatory's submission identified them to be Amber for the same KPI for the third successive quarter. It would not apply if there were clear extenuating circumstances that had resulted in a temporary deterioration of KPI performance across industry.

What would happen next?

At this point, a signatory would be expected to submit a formal action plan that outlines a summary of the issue, the action to be taken to resolve it, and the timeframe by which their KPIs will be back on track. This plan would be reviewed by the Independent Chair. If the Independent Chair expressed concern at the level of the assurance that could be drawn from a review of the draft plan, then this feedback would be shared and the signatory would be expected to submit a revised draft that addressed these concerns.

Stage 3

When would this apply to a signatory?

This would apply if, for a third successive quarter, a signatory's quarterly KPI submission identifies them to be Red for one or more KPI, or Amber for two or more KPIs. It would also apply if a signatory's submission identified them to be Amber for the same KPI for the fourth successive quarter.

It would not apply if there were clear extenuating circumstances that had resulted in a temporary deterioration of KPI performance across industry. It would not apply if a signatory could provide a strong evidence case to show that the issue had been resolved and that the signatory was now meeting the commitments of the Guarantee on a day-to-day basis. This evidence case would need to be approved by the Independent Chair.

In the event that Stage 3 does apply, Energy UK, as the administrator of the Guarantee, would at this point need to escalate the issue to a compliance committee:

- The compliance committee will consist of the Independent Chair of the ESG, a senior representative from Energy UK and a senior representative from Citizens Advice.
- The signatory will be invited to present to the compliance committee in both written submissions and an oral hearing. This will be a closed hearing.
- The committee is responsible for deciding whether or not a Signatory is in breach of the Guarantee and approving the most appropriate action to be taken. This decision will be made by majority vote if necessary. The decision about appropriate action must be proportionate to the nature, frequency, persistence and impact of the breach with suspension or termination being used as a last resort.
- Appropriate action could include an improvement plan, an audit to understand the issue further and or confirm actions have been taken to prevent a future breach, suspension or termination.
- It is to be expected that any case reaching this stage would require a more significant intervention than a request for an improvement plan, given that this would have already taken place earlier in this process.
- Following the decision, a short written statement will be shared with the ESG Governance Board and key stakeholders (Ofgem, Citizens Advice, BEIS and the Ombudsman Service) to inform them of the outcome of the committee hearing. This would outline whether or not a breach has been found, outline the appropriate action that would be taken and the factors that were considered in reaching this decision.
- Depending on the action that has been taken, it may be necessary to place a written statement on the ESG website. In such a case, the Signatory will be given an opportunity to see such a statement and comment before publication.