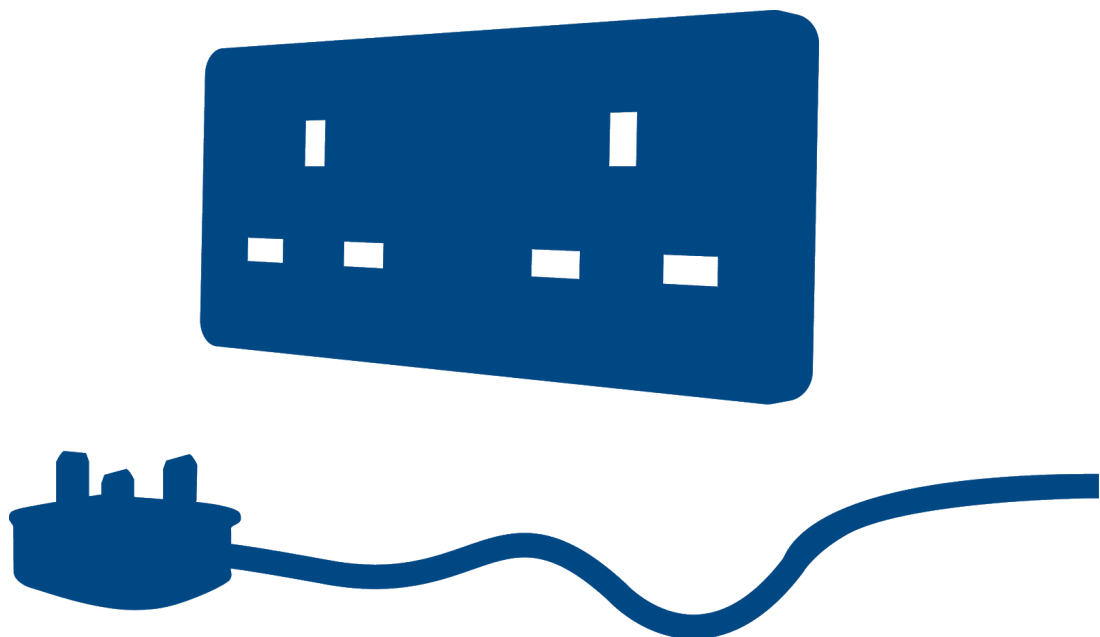


Supplier of Last Resort - good practice guide

Updated November 2019



Contents

Introduction	2
The role of Citizens Advice in SoLRs	2
Recommendations	2
Increasing number of SoLRs	3
Why each SoLR is unique	4
Importance of communications	4
Communicating to consumers	4
Communicating internally	5
Communication between the supplier, administrator, and debt collection agency (DCA)	6
Communicating with third parties	6
Communicating with other suppliers	6
Common consumer issues	6
“Is my credit protected?”	6
“Who is the new supplier?”	7
“My new tariff is more expensive”	7
“I have an outstanding complaint”	8
“Why is this taking so long?”	8
“Should I cancel my DD?”	8
“Will I still receive Warm Home Discount?”	8
“I don’t understand my bill”	9
Specific SoLR issues	9
Prepay consumers	9
Microbusiness consumers	10
Consumers who require extra support	10
Restricted meter and time of use tariff consumers	11
Administrators and the administration process	11
Suppliers who don’t take on debt or final billing	12
Advice for suppliers if the administrator (and/or DCA) handle debt and billing	13
Advice for administrators and DCA’s if they are handling debt and billing	13
General advice when handling debt and billing	14
SoLR checklist	14
Supplier checklist	14
Administrator and DCA checklist	15
Third party communications	15

Introduction

In a competitive market, company failure is a possibility that can never be ruled out. While a trade sale of a failing energy supplier remains Ofgem's preferred outcome, this is not always possible. The Supplier of Last Resort (SoLR) procedure was established in 2003 to ensure that when supplier failure occurs, affected domestic consumers are guaranteed continuity of supply.

Recently, the SoLR process has been activated repeatedly as an increasing number of energy suppliers have exited the market. This guide is an updated version of a good practice guide which we produced in March 2019.

The guide is designed to highlight common issues in the SoLR process so that we can provide suggestions of good practice. It is also designed to help suppliers, administrators and debt collection agencies (DCA's) understand Citizen Advice's role as a consumer advocate in this process, and understand what kinds of information we need to be able to help consumers. The guide is based on interviews with suppliers, administrators and a DCA who have been through the SoLR process. We would like to thank them for taking the time to share their experiences with us.

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 consumers going through the SoLR process.

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

Recommendations

1. Keep consumers updated about the process
2. Open immediate communication with key third parties (administrator, suppliers, Citizens Advice, Ombudsman Services)

3. Agree a cohesive plan of action with the administrator and debt collection agency (DCA) for what will happen to debt and credit balances
4. Offer one communication point for affected consumers for all SoLR-related issues
5. Make sure all your staff are aware of the extra difficulties these consumers may be experiencing

Increasing number of SoLRs

In 2016 GB Energy left the market, transferring 160,000 consumers to Co-operative Energy. This was the first supplier exit in eight years. Since then there have been 16 additional energy supplier exits, outlined in Table 1.

Table 1: Supplier failures since January 2018

Failed Supplier	Acquiring Supplier	Date	Consumers affected
Future	Green Star	January 2018	10,000
Iresa	Octopus	July 2018	90,000
UK National Gas	Hudson Energy	July 2018	80
Gen4U	Octopus	September 2018	500
Usio	First Utility	October 2018	7,000
Extra	Scottish Power	November 2018	120,000
Spark	OVO	November 2018	290,000
One Select	Together Energy	December 2018	39,000
Economy Energy	OVO	January 2019	237,000
Our Power	Utilita	January 2019	38,000
Brilliant Energy	SSE	March 2019	17,000
Cardiff Energy	SSE	August 2019	800
Solarplicity	EDF Energy	August 2019	8,000
Eversmart Energy	Utilita	September 2019	39,000
Utilly (Rutherford)	Total Gas and Power	October 2019	280
TOTO Energy	EDF Energy	October 2019	134,000

Why each SoLR is unique

Each SoLR process includes unique factors which can impact who bids to take on a failed supplier's consumers, and how to deliver the best consumer outcomes.

Timing - Some SoLR events are expected, with adequate notice given to the market. Others can take place with limited forewarning, necessitating information requests to be made with a deadline of hours.

Supplier size - As illustrated by Table 1, failed suppliers have ranged in size from hundreds to hundreds of thousands of consumers. The pool of potential SoLRs can be limited by ability to onboard this volume of consumers.

Supplier systems - The compatibility of different systems has meant that while some SoLRs have integrated consumers, others have opted to keep them separate, effectively running the acquired company as a white-label arrangement, examples being Spark Energy and GB Energy.

Consumer type - Some suppliers specialise in a particular offering, which defines their consumer base. For example, Our Power and Eversmart both had a high number of prepayment meter consumers. Both were acquired by Utilita, which is also a specialist in that market. The proportion of consumers with high credit balances is also a decision-making factor in the bidding process.

Data quality - Ofgem will request a wide range of information from the failing supplier, including details of the consumer portfolio. The quality of information such as up-to-date contact details, debt levels and public service register registrants will all affect how easily the acquiring supplier will be able to take on new consumers while limiting consumer detriment. Many respondents mentioned poor data quality as a particularly challenging part of the SoLR process.

Importance of communications

Communicating to consumers

This is very little certainty about the quality of the data immediately after a SoLR, yet consumers want immediate information and reassurance. Suppliers need to

show consumers that they are not being ignored, even if there is nothing to share. Consumers might not understand what is happening; the supplier needs to explain it to them fairly and transparently.

Consumers may also have outstanding issues or complaints with the failed supplier. Acquiring suppliers will need to be understanding of consumers' frustration and will need to rebuild trust in the industry.

Suppliers should keep consumers informed about the process and updated with how the stages are progressing. In some cases the failed supplier may not have up-to-date contact details for consumers.

Information can be shared through various mediums such as a blog, a bespoke online portal, or social media, as well as the more traditional emails and letters. Some suppliers provided an online portal which allowed consumers to verify their final bill, or select what was incorrect. These processes should be set up before the supplier bids in for the SoLR, so they can launch it immediately upon acquisition of the consumers.

Suppliers should bear in mind the consumer base of the failed supplier. Some suppliers who have gone through the process acquired a very engaged consumer base. This is positive as they are likely to read the information provided, but also can drive a large influx of calls, webchat or emails.

It is important to try to anticipate increased consumer contacts and make sure that your advisors are prepared. Some suppliers have found it useful to have separate consumer service lines for the consumers of failed suppliers, which has helped them to ensure they are well briefed on specific issues. Administrators have also commented on the fact that they received a greater volume of contacts than they were expecting.

Communicating internally

Poor internal communication can lead to confusion among a supplier's consumer service agents, and relaying of incorrect information to consumers. It is important that the supplier has clear and accurate information, shares this with frontline staff, and that they follow up on any reports of misinformation immediately. Some suppliers set up a cross-organisation team for the SoLR, which provide daily updates to the whole company.

Messaging should also be consistent across all channels. Suppliers need to manage the messaging so that consumers receive the same information regardless of the means they use to get it. Where suppliers set up separate phone lines for the customers of the failed supplier, advisors can be specifically briefed on those issues.

Communication between the supplier, administrator, and debt collection agency (DCA)

Where multiple parties are involved in the SOLR process (such as one party collecting the debt, and another issuing credit, see figure 1) this can cause significant confusion for consumers. It is crucial that these parties initiate contact with each other as soon as possible to plan out the process. They should ensure that they coordinate their communications with consumers, and are clear about their roles and responsibilities. All parties should remain in regular contact, flagging issues as they arise and agreeing on how to address them.

Communicating with third parties

Ensuring that third parties are updated regularly is essential to ensuring that consumers are reassured and provided with the most accurate information. Informing third parties such as Citizens Advice of issues as they arise ensures that advisors in those services are ready to respond to consumer calls, and can provide up to date and accurate advice.

This also helps to reduce repeat contacts to a supplier or administrator and can free up time to deal with other cases.

Communicating with other suppliers

Complications can arise where multiple active suppliers are involved in the process. This can be caused by a number of factors, including trade sales or multiple failures. Suppliers need to ensure that consistent and correct information is provided by all parties. The relevant parties should ensure they make contact as soon as possible and ensure that they maintain regular contact throughout the process.

Common consumer issues

Each SoLR is unique. The processes, complaints, data quality and consumer base of the failed supplier will all drive different contacts. Below we've outlined some common issues that occurred across SoLRs.

“Is my credit protected?”

The most commonly asked question is if the consumer's credit is protected. Suppliers should ensure this information is clearly signposted, along with managing expectations for the timescales of returning the credit. Consumers should be clearly told:

- Who is paying the credit balance

- When to expect to receive it (even if it is initially a rough estimate which is later updated). Suppliers should try and manage the expectations of consumers
- What they need to do to claim it back
- Contact details for who to contact if they have any queries or further questions

Suppliers should also appreciate that some consumers may have been budgeting to use the built-up credit with the failed supplier to pay for their future energy (for instance, if the supplier fails approaching winter and the consumer had built up credit to cover the increased usage).

Some consumers might be owed significant sums (we've helped some consumers who claimed they were owed over £1000 of credit by their old supplier). Consumers might also have been trying to claim the credit back from the old supplier for some time.

“Who is the new supplier?”

Consumers may have no knowledge of who the supplier taking over is. There are often concerns about:

- Are they legitimate?
- Why have they been chosen for me?
- Who are they?

Suppliers should reassure consumers that they are a licenced supplier and provide them with information on their business and background, as some may be frustrated that their choice has been taken away.

“My new tariff is more expensive”

Although this is not always the case, consumers may have to pay substantially more following a SoLR than with their previous supplier. This could affect consumers' budgets, leading to debt or difficulty topping up. The difficulties posed by new tariffs may become immediately apparent for prepay consumers if the standing charge is significantly higher than their previous tariff.

Consumers may be frustrated by the lack of choice or the price increase notice. Suppliers should remind consumers that they can switch away after the move has been completed, and provide support for consumers who may struggle to afford or budget with the new tariff. Suppliers should provide clear information to the consumer as soon as possible about the details of their new tariff and an

explanation as to why they are being transferred onto a new (more expensive) tariff.

“I have an outstanding complaint”

In recent SoLRs we have supported many consumers who had open complaints with the supplier before their failure. Some acquiring suppliers have taken on the complaints that were open at the Ombudsman Services: Energy, and spoken to the consumers to try and reach a resolution.

Suppliers should be aware (in all departments) of outstanding issues, and appreciate that some consumers have been trying to solve issues for a significant time before the SoLR. Consumers who have ongoing complex issues with their previous supplier may be left frustrated and confused. Customer service agents should be prepared for longer calls to try and resolve these problems.

“Why is this taking so long?”

Consumers aren't aware of the processes and complications that can occur in a SoLR. Suppliers should update consumers during the process, inform them of expected timescales and make sure they don't feel forgotten. Suppliers should consider prioritising consumers most in need, such as consumers on the Priority Services Register (PSR), or consumers in a debt pathway.

“Should I cancel my DD?”

Consumers are told by Ofgem not to cancel their direct debit (DD) straight away. We repeat this information to consumers during the SoLR. If a supplier has other processes or plans for consumers who pay via DD, they should inform the consumer and us as soon as possible with a clear pathway including what the consumer needs to do and any deadlines.

To avoid debt collection from the DD much later down the process, we advise consumers to cancel their DD once they are set up with the new supplier.

“Will I still receive Warm Home Discount?”

Consumers who were on the Warm Home Discount might have questions such as:

- Will they still receive it?
- Are they (still) eligible under the new supplier's core or broad group?

- When do they need to apply and how?
- When will they get their payment?

Suppliers should make sure that the information is clearly provided to the consumer, along with clear steps of what the consumer needs to do and when.

“I don’t understand my bill”

Many consumers will have had billing issues with their previous supplier, and will have received confusing information about their bills. Ensuring that your billing information is clear and concise, including clear information on when you took over supply from is important.

Guidance for companies who are issuing Final Bills

In many cases consumers are expecting a credit refund, but by the time a final bill is calculated this could have disappeared and even become a debt. It is important that suppliers and administrators explain this to consumers from the outset, and to explain clearly how the final bill has been calculated, and the dates that the bill covers. If administrators are issuing the final bill, we would expect suppliers and administrators to work together to ensure that the final bill is explained to the consumer.

Specific SoLR issues

As mentioned above, different consumer bases will drive different issues and different needs from the supplier. We’ve outlined some key consumer segments that suppliers should be aware of. This list is not exhaustive and suppliers should consider other common issues in their SoLR plans such as if a consumer switched or moved during the SoLR.

Prepay consumers

SoLRs produce several unique problems for prepay consumers, such as

- Difficulty topping up as usual (e.g. previous supplier’s website or app may not be working)
- Delays in issuing or receiving new top up cards
- Potential for prepay balances to be lost on transfer with SMETS1 meters
- Poor data on whether a smart meter is in credit or debit mode can lead to people incorrectly being in the wrong mode after transfer
- Confusion around what is happening to existing debt on the meter

- Changes to friendly, discretionary and emergency credit amounts and policies

These issues might cause consumers to disconnect or stop using energy. It's important prepay consumers can have easy access to the supplier to enable them to get back on supply as quickly as possible.

Any differences from the policies of the failed supplier, or any actions the consumer needs to take must be clearly communicated to the consumer as soon as possible. Consumers should also be signposted to additional help if further assistance is required.

Microbusiness consumers

Currently microbusiness consumers' credit balances aren't protected under the safety net. If the SoLR is not protecting the credit balance, they should be aware the consumer might have lost money with the old supplier. Where relevant, suppliers and administrators should provide clear details about how to submit a claim for the credit.

The SME market has a significant amount of third party intermediaries. Suppliers should be aware that brokers may be contacting the consumers to urge them to switch immediately, and giving contradictory advice to the affected businesses.

Suppliers should ensure they send out clear communication as soon as possible to explain what to expect, and expected timescales for the SoLR process.

Consumers who require extra support

Some consumers may require extra support with communications and repayments, and may be at greater risk if they go off supply. Gaining suppliers, administrators and DCA's should ensure that all communications are tailored to consumers on the Priority Services Register (PSR). They should also consider prioritising these consumers for credit refunds, and ensure they meet the consumer's specific extra support requirements during the debt collection process. For example, by calling a consumer in addition to sending generic letters to ensure they have understood the situation.

In some cases, the previous supplier may not have good records of consumers who should be on the PSR. Frontline staff should be trained to look out for vulnerabilities when talking to consumers, and should explain the PSR in their communications.

Restricted meter and time of use tariff consumers

Consumers who are on restricted meters or have time of use tariffs might find the pricing change challenging. They may require more information or support around:

- Understanding new timings if moved to a new time of use tariff, or understanding the implications of being moved to a new single rate tariff
- Understanding their final bill or how usage was allocated across their meter registers
- Energy efficiency advice if they are facing considerable cost increases
- Understanding the implications of the change for the specific consumers, for instance what it means for a consumer on an EV tariff, or for a consumer with electric heating

Administrators and the administration process

Many administrators are new to the SoLR process themselves, and will not know what common processes are for the energy industry. Suppliers should be prepared to have to explain specific industry processes. Where possible administrators with experience of dealing with the SoLR process should communicate with each other and share best practice.

Suppliers and administrators should initiate contact as soon as possible to plan the process. They should arrange when communications will be sent out, and how to refer issues between each other. Administrators should make sure that they communicate regularly with suppliers and the relevant third parties (Ofgem, Citizens Advice, OS:E) throughout the process.

Several problems can cause significant delays in an administrators debt collection and billing calculation activity. These include

- poor systems inherited from the failed supplier
- poor billing data
- outstanding complaints and challenges relating to billing

These issues may not be apparent to an administrator or supplier before they take on the debt book.

Consumers may not be aware that they were in debt with the failed supplier and the final bill or debt-collection notice could come as a shock. Suppliers and administrators should be honest with the consumer that the final bill from the old supplier may take time to produce, and that anything owed to the old

supplier will need to be paid back. They should also be upfront with consumers about how it will need to be paid, including if they will not be able to agree a long repayment plan.

It is important that the final bill is presented as a final bill, and not a debt collection notification. It should be laid out in an accessible way, and present usage data, dates the billing period covers, and a summary of debit against usage.

Suppliers who don't take on debt or final billing

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 via their licence. This means that consumers don't automatically have the

- Options to pay for debt via alternative methods (such as fuel direct or prepayment meters)
- Ability to negotiate a long repayment plan
- Protection of back-billing against supplier errors

Figure 1 below shows the difference in the way debt is dealt with depending on the route the process takes.



Figure 1: The SoLR debt process

Source: Citizens Advice ['Picking up the Pieces'](#) report

While administrators remain outside of the same requirements as suppliers, we would hope that debt and final billing will be adopted by the SoLR.

Advice for suppliers if the administrator (and/or DCA) handle debt and billing

It is important to highlight that best consumer outcomes are most likely to be achieved when acquiring suppliers take on existing consumer debt. Where the SoLR does not do so, many consumers will face debt collection issues.

Suppliers should be aware that administrators might be chasing consumers for debt, and that consumers don't have the same protections as they would if an energy supplier collects debt. Some administrators have asked consumers for the whole debt in one payment, others have given very short repayment timescales. These may cause knock-on-effects for the consumer when paying for their current energy usage. An example of good practice is a supplier who decided to treat all consumers who received a bill from the administrator as transiently vulnerable due to the bill-shock they experienced.

The supplier should make sure that the consumers know who the administrator is (and DCA if relevant), and are informed of the timescales for the debt collection process. This can prevent confusion with the consumer being contacted by an unknown company asking for money.

Advice for administrators and DCA's if they are handling debt and billing

Administrators should also be aware that consumers may be confused about who they are and why they are contacting them. The administrator should explain clearly who they are to consumers in correspondence, and include further information on their website. A frequently asked questions section on the website can be extremely helpful to consumers.

Where suppliers and administrators have appointed a debt collection agency (DCA), this can cause further confusion for consumers. Both the supplier and the administrator should make clear in their communications who the DCA are, and what their role is. The DCA should also use their own communications (website, social media) to explain to consumers their role.

Administrators often commented that they underestimated the amount of contact they would receive from consumers. Administrators often inherit poor quality data and a legacy of poor billing practices from the failed supplier. This can mean that many consumers do not even know they are in debt, and may have long running issues with their previous supplier.

We would expect administrators to treat consumers fairly and follow the guidance of the energy supply licence for billing and debt collection. [Ofgem's advice to administrators](#) is that they and DCA's behaves and communicates with

consumers “in accordance with the expectations of a domestic energy consumer”. This will lead to better outcomes for consumers, and will reduce the number of complaints that administrators and suppliers receive.

General advice when handling debt and billing

Consumers who have fallen into arrears with their new supplier might be chased for two debts. This may confuse the consumer if they don't understand why they are being billed twice. Suppliers and administrators should attempt to harmonise debt collection, and offer extra support to consumers who are experiencing multiple collection activities.

Whoever is collecting the debt (the supplier, administrator or DCA), this should be presented as a final balance and not 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 consumers can query their bill.

It is useful for Citizens Advice and the Extra Help Unit (EHU) to have contact details for the administrators and DCA's, so we can liaise directly with them for issues that arise.

SoLR checklist

It is important that consumers are reassured and receive accurate information about the SoLR process. We have provided this checklist for suppliers, administrators and DCA's to ensure that they have the information needed, as well as a guide to what information we require. Each SoLR is unique and additional information might be needed depending on the supplier who has failed.

Supplier checklist

On the day of 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
- For DD consumers: guidance if consumers should cancel their DD, and what the process for DD is going forward

- For prepay consumers: the methods they can use to top up, contacts if they are having difficulties, and any changes or extensions to friendly credit periods
- For smart consumers: whether and how their meter will be affected

As the information becomes available

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

Administrator and DCA checklist

As soon as possible

- Contact details, methods and opening hours for affected customers
- Contact details for Citizens Advice and EHU use
- Who is responsible for debt, and debt collection
- Expected timeframes for sending final billing and subsequent debt collection
- Debt recovery plan, including timescales, numbers, and options given for consumers. If available, example letters and bills

Third party communications

All suppliers we spoke to for this guide highlighted the importance of having open and clear communications with third parties from day one, including Ofgem, the administrators, Citizens Advice and the EHU.

Good quality, independent advice. For everyone, for 80 years.

We give people the knowledge and confidence they need to find their way forward - whoever they are, and whatever their problem.

Our network of charities offers confidential advice online, over the phone, and in person, for free.

With the right evidence, we show companies and the government how they can make things better for people.



citizensadvice.org.uk

Published February 2018

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.