



SUPPLIER OF LAST RESORT BRIEFING

BACKGROUND

The purpose of this paper is to highlight the key factors behind a successful Supplier of Last Resort (SoLR) delivery, before, during and after securing the right to take on customers as part of Ofgem's SoLR process. Further, we detail the experience and services DDC Outsourcing Solutions (DDC OS) can provide for UK Energy Suppliers during this process.

The SoLR process aims to protect the interests of existing and future consumers. In the event of a supplier failure, the priority is to ensure that all customers continue to receive their gas and electricity. For DDC OS this doesn't stop here, we believe customers should continue to receive quality and knowledgeable customer services that parallels or improves the existing experience.

After a SoLR has been announced, either by a supplier, or a creditor entering an insolvency process, or by Ofgem using its powers to revoke a license, a SoLR needs to be appointed. Ofgem can direct any gas or electricity supply licensee to take over responsibility for a failed supplier's customers after revocation of the failed supplier's licence and, makes this selection after being satisfied that the supplier could carry this out effectively.

Any supplier can submit a 'bid' to become the SoLR. Ofgem needs to be convinced the potential SoLR can supply the additional customers without significantly prejudicing its ability to continue to supply its existing customers and to fulfil its contractual obligations for the supply of gas and/or electricity. In the past DDC OS has been highly effective in taking on the end-to-end capabilities of the failed supplier, supporting the SoLR, getting involved as soon as possible to ensure minimal impact on the customers.

INFORMATION GATHERING

Good quality information about a failing supplier's portfolio enables potential SoLR's to assess the impact on their existing business of supplying additional customers. It also enables a SoLR to provide a better service to those customers.

At this stage, the data is mostly high-level, aggregated portfolio information provided to potential SoLR's to enable them to assess their ability to supply the additional customers. Specific customer details (where these are available) will only be released by Ofgem to a supplier when it has been appointed.

Though Ofgem would always prefer to be able to appoint a SoLR that had consented to the role, it will consider using its powers to direct a supplier without its consent. Here at DDC OS we are renowned for our flexibility, adjusting to meet our clients demands with short timescales. With a sudden and sharp increase

in customers, this is vital to a successful transition. A transition we are well experienced in. DDC OS can support the process as and when required, however, the earlier we become involved the more transformational we can be. We can review the data and pull together not only an operational plan, but if needed, a service recovery plan. This would front-load the SoLR take-over, so we can hit the ground running, and place the portfolio into a business-as-usual state as soon as possible.

SELECTING THE SoLR

Remember, Ofgem will give preference to those suppliers that volunteer for the role of SoLR, all things being equal. Therefore, it pays to be proactive in demonstrating as a volunteering supplier that the new influx of customers can be serviced quickly and effectively. This is because customer interest is at the top of Ofgem's list for selecting the SoLR.

A SoLR should also have robust arrangements in place that will enable it to supply the failed supplier's customers economically and efficiently. All suppliers should demonstrate that they can supply additional customers without jeopardising supply to existing customers.

Here are some of the key areas DDC OS can support:



Front office customer services teams



Hybrid cost models optimising onshore & nearshore



Increase cash flow and collectability with cost effective services



Back office processing teams



Highly skilled billing function



Highly skilled metering function



Highly skilled industry exceptions function



Decrease revenue leakage



Utilities focused outsourcing solutions

OFGEM ASSESSMENT

Ofgem will assess the issues that the supplier would face in processing the failed supplier's customers. In particular, they will assess the supplier's ability to assimilate customer information and issue bills without undue delay.

Ofgem will assess the supplier's ability to deal with customer enquiries, considering draft letters, notices, Q&As prepared, call centre capability and billing arrangements

Ofgem will assess the supplier's ability to deal with PPM customers acquired as part of a last resort supply direction.

Ofgem will consider the potential SoLR's prices, considering the explanation given by the supplier for the difference, if any, between its deemed contract prices in normal circumstances and its deemed contract prices under a last resort supply direction. It will also assess the supplier's proposals in respect of consumers who have credit balances with a preference for those agreeing to honour these balances.



SOLR ONBOARDING

DDC OS can support with a variety of onboarding approaches to the SoLR process. We can work in conjunction with other industry parties, to optimally transfer customers to the supplier portfolio.

Lift and shift: where we take the failing supplier as it is and shift it into our organisation, on behalf of the SoLR, with existing systems, industry partners and agents.

Mass registration: where we can facilitate the bulk registering of the customer portfolio onto the SoLR system and provide the communication and processes to service the new customers.

Lift and shift with change of agent: where we take the failing supplier as it is and shift it into our organisation, on behalf of the SoLR, with existing systems, but facilitating a Change of Agent to the SoLRs preferred partners of choice. A phased approach is recommended.

System migration: where we can support the data cleansing and fallout of a migration of customer data to a new system and then service the new customer base from there.

Back billing fallout: any of the above approaches that result in billing fallout, our team can ringfence and recover the position, as it would with any of the exception management positions in the failing suppliers' portfolio.

DDC OS can at this point deep dive into the data to determine the best approach for operations as well as any service recovery plans that may be needed. We can also provide the outbound communications campaign to notify customers for which the SoLR has become the supplier telling them (according to Ofgem obligations) :

- The failed supplier is no longer supplying them
- The SoLR is their supplier from the date of appointment
- They are supplied under a deemed contract
- They may switch to another supplier if they wish to
- The charges payable and how those charges are determined

At this point, in our experience a robust retentions strategy needs to be in place, to give those customers the best deal possible and continue to remain profitable for the SoLR. Therefore, we recognise that our price point as well as our ability to deliver services is key in this retention strategy success.

GB ENERGY PART OF CO-OPERATIVE ENERGY AND DDC OS: A SOLR CASE STUDY

Check out the work we did on this award-winning campaign at www.ddcos.com/case-studies