

# Consultation

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## Consultation on framework for consumer standards and policy options to address priority customer service issues

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We are consulting on proposals to further drive up standards in the retail energy sector for all consumers. This includes proposals to make it easier for customers in vulnerable situations to contact their supplier and to require suppliers to provide tailored support for customers who are struggling to pay their bills as soon as possible. We are also consulting on an overarching consumer standards framework, which sets out how we plan to regulate to drive up standards in the longer-term and seeks views on how we can continue to most effectively monitor and track consumer standards issue going forwards. We would like views from people with an interest in consumer standards. We particularly welcome responses from energy suppliers, consumer groups, and charities. We would also welcome responses from other stakeholders and the public.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the

non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

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## **Foreword**

### **Policy Consultation on framework for consumer standards and actions to address priority customer service issues**

Our key priority as a regulator is to protect consumers, especially those who are vulnerable, by ensuring they are treated fairly. The unprecedented rise in global energy prices has put severe strain on energy markets and, as a result, the current retail market is one with fewer suppliers, where affordability issues have become of paramount importance and consumer satisfaction has been in decline. We welcome the support that government has provided so far through schemes such as the Energy Price Guarantee and are working collaboratively on potential options for the future, such as a social tariff.

Our aim is to drive standards up across industry and significant work is underway to address this. Last year, we launched a series of market compliance reviews (MCRs) into the processes and practices of energy suppliers. These reviews, along with setting out our expectations on good practice and more consumer research, has begun a culture change in our engagement with the energy retail sector, with a stronger focus on obtaining proactive assurance that suppliers are set up to deliver high standards for consumers and are fit to operate in the market.

We think there is still more that we can do. Our monitoring of the market and feedback from stakeholders shows us that the customer service being provided by suppliers is not consistently meeting consumer needs. We recognise the high and volatile wholesale energy prices and wider economic pressures are impacting customer service levels, however, our evidence so far suggests these issues are more systemic. To protect consumers, our rulebook already includes existing consumer standards which suppliers must follow and we are taking action to ensure that those rules are followed.

It is important that our regulatory framework drives the best outcomes for consumers, and as a regulator we are able to proactively identify issues and respond quickly and efficiently to address problems as they arise. To tackle this, this document sets out proposals on:

- An overarching consumer standards framework that sets out how we regulate to raise consumer standards including the balance between prescription and outcome-based regulation and how we propose to use this to address the key customer service issues that are prevalent (Chapters 2 and 5, and Annex 3);

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- Proposals for specific improvements we could make to the existing rules to help consumers get better outcomes this winter in priority areas; and
- Seeks views on how we can continue to most effectively monitor and track consumer standards issues going forwards.

Based on feedback received to date, and to further build off our learnings from the MCRs processes, we have identified the following three priority issues<sup>1</sup> to consider whether specific improvements on our existing rules for domestic suppliers are necessary for this year.

1. **Involuntary pre-payment meter (PPM) installation:** We have received reports that customers may be experiencing poor customer service levels from suppliers with forced switching to pre-payment meters with either warrants or remotely. Consumers should be protected from unfair and dangerous switching practices. This priority issue is already being addressed with the recent publication of our 'Code of Practice on involuntary PPM'<sup>2</sup> which we intend to transition into the supply licence later in the year.
2. **Contact ease:** It is becoming increasingly difficult for consumers to contact suppliers. This issue is already a subject of our compliance and enforcement work<sup>3</sup> and we expect consumers to be able to contact their suppliers and have their queries resolved in a timely manner. **We want to ensure that consumers in vulnerable situations have a dedicated method of contact that meets their needs and we are consulting on the introduction of a new rule to mandate this.**
3. **Tailored advice/support for customers struggling with their bills:** Customers struggling with their bills are not being identified and therefore not reliably being offered timely advice, customer service, and tailored debt/repayment plans. This is already a focus of our compliance work, in particular the best practice guidance that was published last year on our expectations for those in payment difficulty<sup>4</sup> and wider compliance activity. With our proposal we aim to ensure that all consumers are given suitable advice tailored to their individual circumstances. **We are now consulting on the introduction of new rules that are proposing to require a supplier**

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<sup>1</sup> [Priority issues are the domestic issue that we have identified as our areas of focus for the winter 23/24.](#)

<sup>2</sup> [Involuntary PPM - Supplier Code of Practice | Ofgem](#)

<sup>3</sup> [E.ON Next Energy Limited: Provisional Order | Ofgem, The Provisional Order states the action that E.ON is required to take to make it easy for customers to contact them and to ensure that customer service arrangements and processes are complete, thorough, fit for purpose and transparent.](#)

<sup>4</sup> [Good practice for supporting customers in payment difficulty | Ofgem](#)

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**to offer default payment plans for consumers early and preventing suppliers from requiring a minimum repayment.**

As the energy market continues to rapidly evolve, there will be other areas in the future where we may need to use our consumer standards framework to ensure that standards remain fit for purpose, or to develop new standards where required. For instance, potential areas may include the decarbonisation of heat, the rapid growth of smart connected appliances, emergence of new demand-side response services, and individual consumers becoming energy producers. We will take into consideration our Consumer Interest Framework (CIF) in any future standards we develop to drive positive outcomes for consumers.

**Scope**

The non-domestic market review work, set out in our Call for Input<sup>5</sup>, will focus on priority issues to implement this winter to support non-domestic customers. To ensure our future framework of regulation considers the entire customer base holistically, adjusting where necessary, our forward-looking consumer standards framework will encompass both the domestic and the non-domestic markets.

**Approach to stakeholder engagement**

In parallel to this consultation, we have been engaging with industry participants and key consumer groups via a series of roundtables to explore the issues set out in this document in more depth. We are also planning to commission consumer research to understand consumer expectations and their views on the options being considered.

**Proposed next steps**

We will consider all the evidence we receive and depending on the assessment of this evidence, plan to publish a statutory consultation in July. This is where we will consider licence condition changes needed to deliver changes in our priority customer service issues, and our proposed way forward on the consumer standards framework.

We look forward to hearing from you.

**Jemma Baker, Deputy Director, Future Retail Markets**

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<sup>5</sup> [Call for input on the Non-Domestic gas and electricity market | Ofgem](#)



## 1. Introduction

### Chapter summary

Protecting consumers remains our key priority, especially those who are vulnerable. We expect suppliers to treat their customers fairly and provide them with a consistently high quality of service, and to continually work on improving the level of consumer standards they provide. Where consumers may be struggling with their bills, it is essential that they receive the appropriate services and support to protect and assist them.

### What are we consulting on?

Evidence on the domestic energy market outlines customer service quality issues and decreases in consumer satisfaction with customer service from their energy supplier. Further evidence and stakeholder feedback have highlighted a range of customer service issues in the market, from which we identified two key priority areas to target, with the intention of reviewing other issues in future. As such, we have identified that there are specific concerns around the ability of consumers to contact their suppliers and a lack of processes and governance for tailored advice and support for those struggling with their bills. As a result, we are consulting on proposals to bridge the gap on existing consumer standards to address these issues (see Chapter 3 for detail on changes we propose), and on a new overarching consumer standards framework to underpin these priority standards and any future standards we may develop (See Annex 3).

As part of the approach under this framework, we are also seeking to test and trial forms of reputational incentives. These are intended as a first step towards developing more substantial longer-term incentive options. At a later stage, we may propose to put processes in place to test and trial regulatory and financial incentives, once we have had further opportunity to develop how this would work best in the energy supply market. Further details of our early views on potential incentive options this winter and over the longer-term are contained in Annex 3. The potential use of incentives could introduce a new approach that is similar to the way these are utilised in the regulation of network companies under their price control framework, RIIIO, (Regulations=Incentives, Innovation and Outputs), and which could stimulate competition between suppliers to continuously improve consumer customer service satisfaction. While we recognise that financial rewards are not currently an option in the retail sector, there are a number of other options that may be explored in the future. We consider that this approach could drive better performance from suppliers to deliver consistently higher quality of service,

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avoid poor performance and encourage positive supplier culture shifts by stimulating competition to improve outcomes for consumers.

Furthermore, this work aims to build on previous work we have carried out. Last year, Ofgem launched a series of MCRs reviewing the processes and practices of energy suppliers and the outcomes for consumers. These reviews, along with setting out our expectations on good practice with industry has resulted in a stronger focus on obtaining proactive assurance that suppliers are set up to deliver high standards for consumers and are fit to operate in the market. As a result, we want to ensure we further address issues that led to and were further identified in our MCRs on customer service standards<sup>6</sup> and customers struggling with their bills.<sup>7</sup>

Collectively, these proposals aim to ensure that consumers receive a high quality of service, irrespective of the supplier they are with. Further, they will ensure that well performing suppliers continue to not only maintain those standards but seek to drive further improvements. Our holistic framework will enable us to ensure any changes we make are future-proof to meet the needs of a rapidly evolving sector with new market participants.

Below we outline the consultation chapters where we discuss these issues.

**Evidence on customer service standards and addressing the challenges:** This section outlines the rationale for this policy consultation. It presents evidence which suggests customer service satisfaction and quality are longer-term issues in the market, and then summarises the immediate options and consumer standards framework proposals to address these challenges.

**Our approach to addressing priority customer service issues:** In this chapter, we set out our proposals to address the priority issues identified in Chapter 2 and our rationale for these actions. We are proposing to build on the existing framework in a number of ways:

- Introducing some specific new requirements.
- Potential use of reputational incentives (for example, highlighting best practice).

**Assessment and monitoring of the immediate options:** This section covers our initial assessment of the proposed immediate priority policy interventions. It outlines potential supplier costs, improvements expected from the policy proposals, and outlines

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<sup>6</sup> [Ofgem review reveals that customer service standards of energy suppliers must improve | Ofgem](#)

<sup>7</sup> [Market Compliance Review into customers struggling with bills | Ofgem](#)

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some potential competition impacts of the interventions. This section also outlines data sources we may use to monitor our chosen priority issues.

**Consumer standards framework:** In this chapter, we introduce our work on the consumer standards framework, outlining its scope as well as questions for stakeholders. We direct the reader to Annex 3 for a detailed description of the full framework being proposed.

**Context and related publications:** With many consumers struggling with their bills, it is more critical than ever that suppliers provide them with good service. Building on the existing framework and the outcomes from our Market Compliance Reviews, we are considering the need to develop and implement reforms to drive up standards for all consumers. We are asking for input from all interested parties on:

- An overarching consumer standards framework that sets out how we regulate to raise consumer standards including the balance between prescription and outcome-based regulation and how we will use this to address the key customer service issues that are prevalent (Chapter 2 and annex 3);
- Proposals for specific improvements we could make to the existing rules to help consumers get better outcomes this winter in priority areas and;
- How we can continue to most effectively monitor and track consumer standards issues going forward.

## **Consultation stages**

Following this policy consultation we will be working to analyse the information received and use this to inform our minded to position which will be set out in a statutory consultation in summer, with an aim to issuing our final decision on changes in autumn for implementation by winter.

## **How to respond**

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on this document's front page.

We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations).

## **Your response, data and confidentiality**

You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the UK's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see annex 5.

If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

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### General feedback

We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

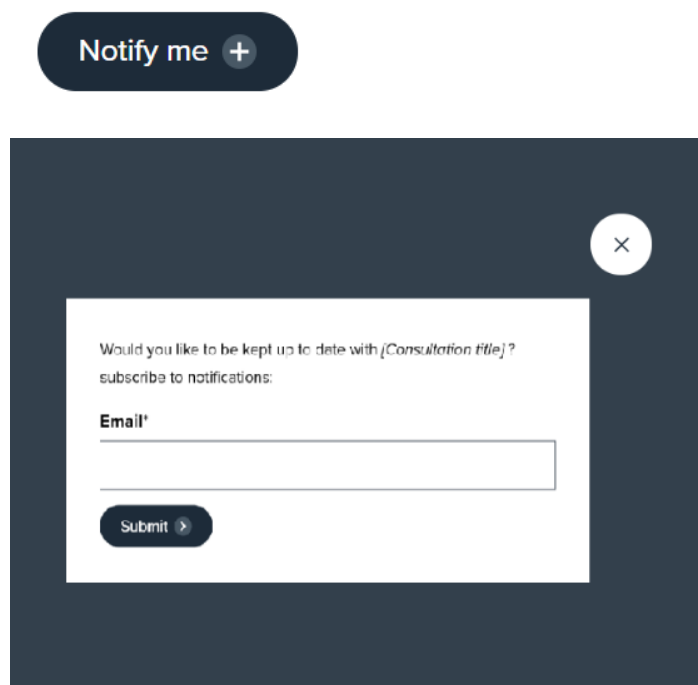
1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to [stakeholders@ofgem.gov.uk](mailto:stakeholders@ofgem.gov.uk)

### How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website.

[Ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)



Once subscribed to the notifications for a particular consultation, you will receive an email to notify you when it has changed status. Our consultation stages are:

**Upcoming** > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

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## 2. Evidence on customer service standards and addressing the challenges

### Chapter summary

Evidence suggests customer service satisfaction and quality are longer-term issues in the market.

Data we collect as part of regular monitoring from our joint Consumer Perceptions in the Energy Market survey with Citizens Advice shows overall domestic consumer satisfaction with customer service from their energy supplier decreased from 74% in Q4 2018 to 66% in Q4 2022.<sup>8</sup>

Citizens Advice customer service data shows that between Q4 2017-Q4 2022 there has been wide variation in customer service performance across energy suppliers in England.<sup>9</sup>

From further monitoring information and data we already collect, we have also identified specific immediate concerns arising around the ease of contacting suppliers, and suppliers identifying and supporting/advising customers struggling with their bills.

Of those consumers who had recently contacted their supplier, the percentage of consumers who reported that it was very or fairly easy to contact their supplier gradually dropped from 73% to 58% between Q4 2018 and Q4 2022 respectively. In parallel, those who reported it as difficult doubled from 13% to 26%.<sup>10</sup>

Q4 2022 Social Obligations Reporting (SOR) analysis showed that there were around 3.4m domestic accounts in debt or arrears for over 91 days (6.5% of all accounts), to the financial value of around £2.3bn. Average debt (where a repayment plan is in place) sat at £848 for electricity and gas combined, whilst average arrears (where no repayment plan is in place) was £1,853.<sup>11</sup>

To address these issues, we outline proposals on enhanced customer service standards for winter 23/24, and on an overarching consumer standards framework that would underpin these changes and any future improvements we may propose. These proposals aim to ensure suppliers provide consumers with a consistently high quality of service

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<sup>8</sup> [Ofgem and Citizens Advice Consumer Perceptions of the Energy Market Survey, Q4 2022](#)

<sup>9</sup> [Domestic energy supplier performance data - Citizens Advice](#)

<sup>10</sup> [Ofgem and Citizens Advice Consumer Perceptions of the Energy Market Survey, Q4 2022](#)

<sup>11</sup> Ofgem analysis of data provided by suppliers.

now and in future. Note that information relating to non-domestic issues have been set out separately in the Call for Input on non-domestic market.

## **Evidence on customer service challenges**

### **Customer service quality and satisfaction in the energy market need to improve**

- 2.1 Customer service quality has been a long-running issue in the market. Citizens Advice customer service data shows that between Q4 2017 to Q4 2022<sup>12</sup> there has been wide variation in customer service performance across energy suppliers in England. While the data shows evidence of good customer service amongst some suppliers, it also highlights a need for significant improvement in customer service quality for a range of poorly performing suppliers across all periods.
- 2.2 Furthermore, data we collect and assess as part of our regular monitoring on domestic consumer satisfaction with customer service from their energy suppliers shows this has declined over time. Overall satisfaction decreased from 74% in Q4 2018 to 66% in Q4 2022.<sup>13</sup> Over the same period, Chart 1 below shows how different supplier types have performed on this measure. Medium-sized suppliers saw the largest fall in customer service satisfaction, followed by large suppliers, while small suppliers saw the smallest decrease.

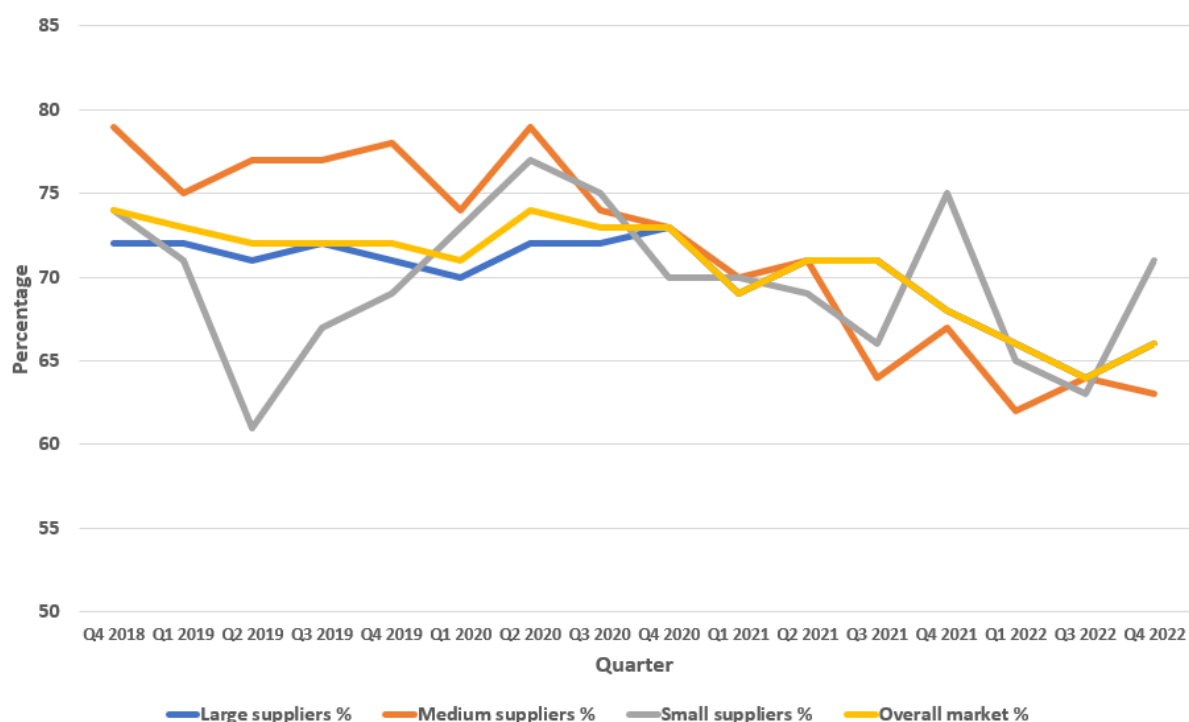
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<sup>12</sup> [Domestic energy supplier performance data - Citizens Advice](#)

<sup>13</sup> [Ofgem and Citizens Advice Consumer Perceptions of the Energy Market Survey, Q4 2022](#)

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2.3 Chart 1: Percentage of domestic consumers satisfied or very satisfied with overall customer service (GB) – Q4 2018 to Q4 2022<sup>14</sup>



2.4 Source: Ofgem and Citizens Advice Consumer Perceptions of the Energy Market survey Q4 2022. Note that the survey was not run in Q2 2022, so no data is available for that quarter. Furthermore, from Q4 2020, the trend for large suppliers mirrors the overall customer satisfaction trend.

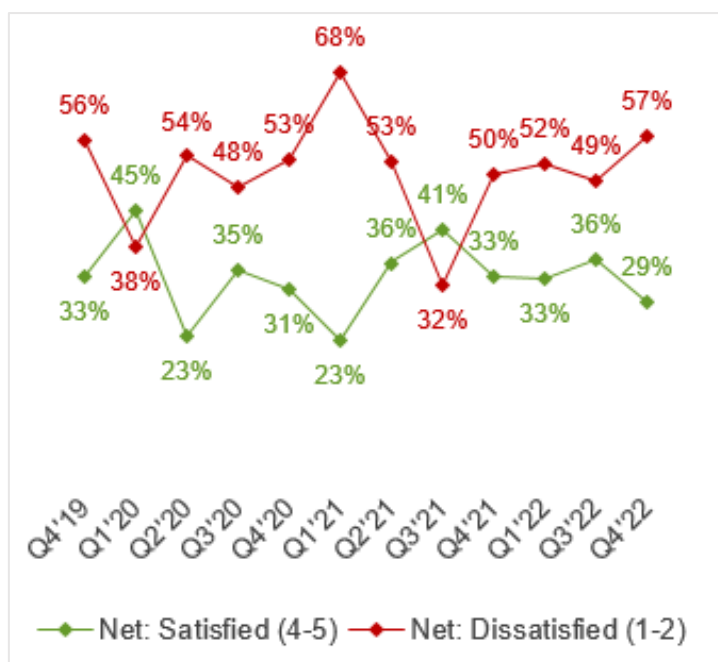
2.5 Other customer service issues also exist in the market. For example, Chart 2 below shows that over half of domestic consumers who complained reported being dissatisfied or very dissatisfied with complaint handling in Q4 2022 (57%). It also shows this trend has remained persistently high throughout 2022, and for significant periods since Q4 2019.<sup>15</sup>

<sup>14</sup> The figures in the chart are split by supplier size groups – large, medium, and small. From Q3 2020 the following classification applies: the category 'large' refers to those suppliers whose market share exceeds 5% in at least one fuel, 'medium' is for those exceeding 1% in at least one fuel but remaining below 5% in both fuels and 'small' for suppliers with market share below 1% in both fuels. Note that suppliers may move across different supplier types in different periods depending on their classification in that period

<sup>15</sup> [Ofgem and Citizens Advice Consumer Perceptions of the Energy Market Survey, Q4 2022](#). Consumers were asked to answer the question "Please can you tell me how satisfied or dissatisfied you are with the following aspects of your complaint: The overall handling of the complaint" and answered either 'dissatisfied' or 'very dissatisfied'.



2.6 Chart 2: Overall complaint handling satisfaction (GB) – Q4 2019 to Q4 2022<sup>16</sup>



2.7 Source: Ofgem and Citizens Advice Consumer Perceptions of the Energy Market survey Q4 2022. Note that the survey was not run in Q2 2022, so no data is available for that quarter.

2.8 The following evidence explores trends for the two immediate priority standards we are consulting on for winter 23/24: Improving the ease of contacting suppliers, and identification and advice/support provided by suppliers to customers who are struggling with their bills. These areas were prioritised through an internal assessment process and by working with our stakeholders.

### Consumers have been finding it increasingly difficult to contact their suppliers

2.9 Our recent MCR on customer service found significant issues such as long call waiting times, and difficulties faced by consumers when contacting suppliers.<sup>17</sup> Furthermore, between Q4 2018 and Q4 2022, of those consumers who had recently contacted their supplier, the percentage of consumers who reported that it was very or fairly easy to contact their supplier gradually dropped from 73% to 58%. In parallel, those who reported it as very or fairly difficult doubled from

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<sup>16</sup> *ibid*

<sup>17</sup> [Ofgem review reveals that customer service standards of energy suppliers must improve | Ofgem](#)

13% to 26%.<sup>18</sup> In Q4 2022, among those consumers who were dissatisfied with their supplier's customer service, the most common reason they gave for this was difficulties contacting their supplier.<sup>19</sup> When asked what effective outcomes would look like for contact ease, stakeholders at our roundtables mentioned they would want it to be easier to get in touch with and discuss more issues with suppliers.

## **Improvements need to be made for advice and support for customers struggling with their bills**

2.10 The MCR into customers struggling with their bills found that while there was evidence of good practice, there were significant issues around processes and governance for those struggling with their energy bills. Prompted by this review, we reported on the outcome of issues we found which ranged from minor through to severe weaknesses or failings amongst the suppliers involved,<sup>20</sup> and, where necessary, we have already taken compliance and enforcement actions to address identified breaches. The MCR also found that in Q1 2022 customers in debt were on average, £773 in arrears on their energy bills and not yet on a debt repayment plan, although this differed amongst suppliers.<sup>21</sup> Furthermore, Chart 3 below shows that average debt for those not yet on a repayment plan was £1,056 for electricity accounts and £797 for gas accounts in Q4 2022, having increased significantly since Q3 2012.<sup>22</sup> To supplement this, our analysis of Q4 2022 Social Obligations Reporting (SOR) data showed that there were around 3.4m domestic accounts in debt or arrears for over 91 days (6.5% of all accounts), to the financial value of around £2.3bn. Average debt (where a repayment plan is in place) sat at £848 for electricity and gas combined, whilst average arrears (where no repayment plan is in place) was £1,853.<sup>23</sup>

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<sup>18</sup> [Ofgem and Citizens Advice Consumer Perceptions of the Energy Market Survey, Q4 2022](#)

<sup>19</sup> [ibid](#)

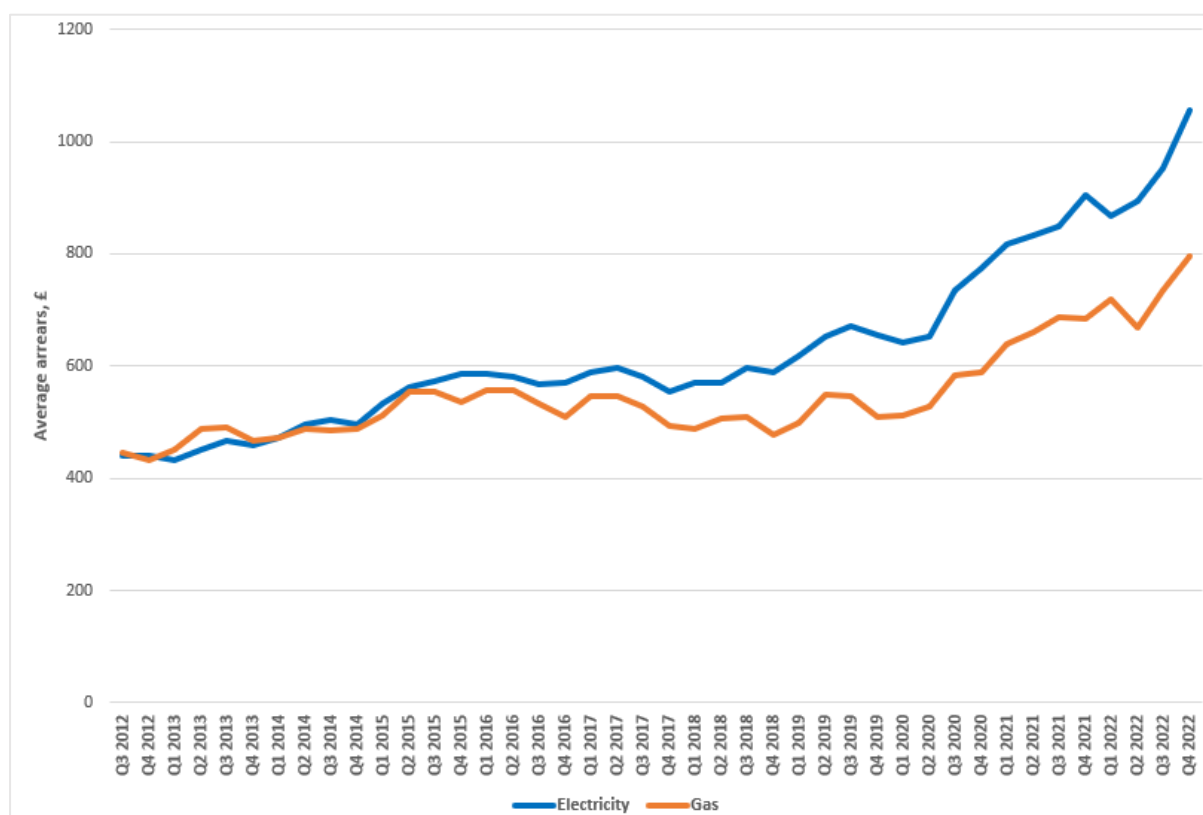
<sup>20</sup> [Market Compliance Review into customers struggling with bills | Ofgem](#)

<sup>21</sup> [ibid](#)

<sup>22</sup> Ofgem data portal - Average debt level where there is no arrangement to repay the debt (arrears) [All available charts | Ofgem](#) . A customer is considered in arrears if they have not paid a bill for longer than 91 days/13 weeks, and there is no formal arrangement to repay the debt.

<sup>23</sup> Ofgem analysis of data provided by suppliers.

2.11 Chart 3: Average debt level where there is no arrangement to repay the debt (arrears)<sup>24</sup>



2.12 In Q4 2022, two fifths (40%) of consumers who were falling behind with their bills or unable to top up had no contact with their supplier about this, and just over a third (34%) of credit meter consumers who have fallen behind on bills said the supplier offered to help them create a repayment plan.<sup>25</sup> When we asked our stakeholders at our roundtables what effective outcomes would look like for advice and support for customers struggling with their bills, they mentioned they would want improvements in tailored debt management and further repayment instruments.

**Are these issues longer-term trends?**

2.13 Some stakeholders have indicated to us that lower quality customer service (particularly on contact ease) may be a consequence of the strain placed on the retail energy market due to the recent covid pandemic and energy crisis, and not

<sup>24</sup> Ofgem data portal - Average debt level where there is no arrangement to repay the debt (arrears) [All available charts | Ofgem](#) . A customer is considered in arrears if they have not paid a bill for longer than 91 days/13 weeks, and there is no formal arrangement to repay the debt.

<sup>25</sup> [Ofgem and Citizens Advice Consumer Perceptions of the Energy Market Survey, Q4 2022](#)

reflective of longer-term market trends. The evidence above shows that while there is evidence of good practice amongst some suppliers, data shows customer service quality has been an issue in the market since at least 2017. It also shows there has been decreasing satisfaction with customer service since the end of 2018, a decrease in contact ease in the same period, and a general lack of supplier processes and governance around identifying and supporting customers struggling with their bills. Therefore, we conclude that while these trends may have accelerated in recent years, they do represent customer service issues that existed a number of years prior to the covid pandemic and energy crisis. Furthermore, while we have taken previous compliance and enforcement action where breaches have been identified including from the MCRs we conducted and are continuing to engage with suppliers on the MCR findings to ensure they deliver improvements to their customer service<sup>26</sup>, the ongoing trends have highlighted the need for further improvements to consumer standards.

### Further evidence

2.14 We are planning to build on this insight with further independent consumer research, ahead of statutory consultation, to understand consumer views on the proposed options being considered for contact ease and tailored advice.

### Addressing the challenges

2.15 To address the challenges identified above, we propose changes to our existing domestic market regulations. We believe that we can best meet the needs of consumers now and in the future through a dual approach. We are proposing:

- **A consumer standards framework (Annex 3):** This aims to drive up standards for all consumers and will set out how we regulate to raise consumer standards including the balance between prescription and outcome-based regulation. This framework incorporates Ofgem’s compliance and enforcement strategy and a dedicated monitoring framework to underpin it.<sup>27</sup> It also proposes some early thinking to incorporate greater use of reputational and financial incentives. We intend to use this framework for pursuing the priority options and it will provide a consistent, holistic approach for any standards we may develop over the longer-term.

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<sup>26</sup> [Ofgem completes review of suppliers' customer service and complaints handling | Ofgem](#)

<sup>27</sup> See Consumer Standards Framework Annex (Annex 3) for our vision of monitoring. See Chapter 4 for initial assessment and monitoring indicators for the priority customer service issues.

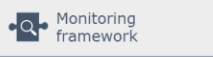
- **To address priority customer service issues (Chapter 3):** We consider it necessary to address current priority customer services issues before winter 2023/24 by introducing new/revised standards and acting to ensure that these rules are followed. As outlined previously, the domestic priority areas we have identified are improving the ability of consumers to be able to contact their suppliers and ensuring suppliers identify and provide tailored advice and support for customers struggling with their bills as soon as possible.
- 2.16 The identification of issues for the non-domestic market has been separately set out in the Call for input.<sup>28</sup> Changes to the non-domestic market rules to be implemented this year will be set out in our summer consultation on non-domestic market issues. Our development of a forward-looking consumer standards framework will, however, encompass both domestic and non-domestic retail energy markets and we will consider if and where any adaptations may be needed, as appropriate.
- 2.17 Notably, any customer service issues for the non-domestic market will be considered as part of our non-domestic market review. In assessing our options to pursue, we focused on areas where Ofgem would have the regulatory remit to implement new solutions to drive more effective customer service outcomes. Table 1 below provides a high-level overview of how the consumer standards framework will be applied to the winter 2023 priority issues and how it will apply to future Ofgem policymaking. The framework is set out in full in Annex 3.

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<sup>28</sup> [Call for input on the Non-Domestic gas and electricity market | Ofgem](#). Please note this call for input closed on 31 March 2023. Further updates will be published in summer 2023.

**Consultation** - Consultation on framework for consumer standards and policy options to address priority customer service issues

2.18 Table 1: Application of consumer standards framework for winter priorities

		Consumer Standards Framework			
		Combination of rules-based and principles-based	Designed to deliver positive outcomes for consumers	Test and trial broader incentives and deterrents	Compliance and enforcement strategy
Winter 2023	Contact ease	<ul style="list-style-type: none"> <li>Enhanced guidance for existing principle-based standards</li> <li>Consider new prescriptive standards to address harms</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced protections for priority situations</li> <li>Work with industry on best practice guidance</li> </ul>	<ul style="list-style-type: none"> <li>Use of reputational incentives</li> </ul>	<ul style="list-style-type: none"> <li>Market Compliance Review (MCR) conducted into supplier customer service</li> </ul>
	Tailored advice	<ul style="list-style-type: none"> <li>Enhanced guidance for existing principle-based standards (building on good practice published in Sep-22)</li> </ul>	<ul style="list-style-type: none"> <li>Build on existing work for additional guidance and expectations to support customers in vulnerable situations</li> </ul>	<ul style="list-style-type: none"> <li>Use of reputational incentives (e.g. publication and comms of supplier performance)</li> </ul>	<ul style="list-style-type: none"> <li>MCR conducted into support for consumers struggling with their bills</li> </ul>
Future policy making	Future standards	<ul style="list-style-type: none"> <li>Framework will be used to provide a consistent, holistic approach to enhancing existing standards needed and developing any new ones over the longer term</li> </ul>			
Monitoring Framework (including evaluation of standards)					
					

### **3. Our approach to addressing priority customer service issues**

#### **Chapter summary**

This section outlines and summarises the approach to the two proposals we are consulting on in this document, ie to improve the ability of consumers to be able to contact their suppliers and ensuring suppliers identify and provide tailored advice and support for customers struggling with their bills as soon as possible. It also sets out our early view on a proposed approach of introducing reputational incentives in our priority areas.

#### **Questions<sup>29</sup>**

1. Do you agree with our assessment on what good looks like for the issues consumers are facing relating to the priority issues of contact ease and identification and support/advice for consumers struggling with their bills. Are there any issues missing?
2. Do you have any views on potential options to address priority issues and do you agree with the extra requirements we are proposing? Please supply evidence to support your response.
3. Do you have any evidence that suggests that we should be considering additional and/or different rules beyond what we have proposed? Please supply evidence to support your response.
4. Do you agree with our proposed approach of introducing reputational incentives in our priority areas? Please supply evidence to support your response.

#### **Summary of our proposed approach**

- 3.1 We have reviewed potential options to improve supplier performance to address the priority customer service issues we have identified. There are already requirements in place for suppliers to address both contact ease and identification and support/advice for customers struggling with their bills. We are using our MCR processes and best practice guidance to drive up standards in these areas. We are proposing building on the existing framework in a number of ways:

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<sup>29</sup> Further Consumer Standards Framework details can be found in Annex 3

- Introducing some specific new requirements.
- Use of reputational incentives (for example, highlighting best practice).

3.2 We discuss our proposals for each priority area in turn below.

### **Summary of proposed interventions for this winter to address priority issues**

3.3 Our new framework will build on our existing consumer standards. The current Supply Licence Conditions (SLCs) contain requirements that seek to address the issues consumers are experiencing regarding contact ease and identification and support/advice for customers struggling with their bills (see Tables 2 and 4 below). However, it is becoming increasingly difficult for consumers to contact suppliers. This issue is the focus of our compliance and enforcement work,<sup>30</sup> and we expect consumers to be able to contact their suppliers and have their queries resolved in a timely manner. We want to ensure that customers in vulnerable situations have a dedicated method of contact that meets their needs and we are consulting on the introduction of a new rule to mandate this. Furthermore, customers struggling with their bills are not being identified and therefore not reliably being offered timely advice, customer service, and tailored debt/repayment plans. This is already a focus of our compliance work, in particular the best practice guidance that was published last year on our expectations for those in payment difficulty<sup>31</sup> and wider compliance activity. With our proposal we aim to ensure that all consumers are given suitable advice tailored to their individual circumstances. We are now consulting on the introduction of new rules that are proposing to require a supplier to offer default payment plans for consumers early and preventing suppliers from requiring a minimum repayment.

### **Contact ease**

3.4 As discussed above, it is becoming increasingly difficult for customers to contact suppliers to get information, advice and support. There are concerns with customers not being able to reach their suppliers or suppliers taking an excessive amount of time to answer calls. Our evidence shows contact ease has

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<sup>30</sup> *ibid* footnote 3.

<sup>31</sup> *ibid* footnote 4.



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dropped significantly since Q4 2018<sup>32</sup>, and average call wait times have increased.<sup>33</sup>

**What does good look like?**

- 3.5 To establish a starting position for improvements we have been considering what good outcomes look like for contact ease.

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<sup>32</sup> [Ofgem and Citizens Advice Consumer Perceptions of the Energy Market Survey, Q4 2022](#)

<sup>33</sup> [Energy company customer service plummets at "worst possible time", says Citizens Advice - Citizens Advice](#)

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3.6 Table 2: Issues customers face and what effective outcomes look like for contact ease

<b>Area of focus</b>	<b>What issues are customers experiencing?</b>	<b>What does good outcomes look like?</b>
Finding methods of contacting supplier	Many customers struggle to find methods of contacting their supplier (eg difficulties finding or being offered a freephone number). <sup>34</sup>	Customers are able to easily and clearly identify methods of contacting their supplier.
Method of contact meeting different customer needs	Across suppliers, a range of contact methods do exist to meet different customers' needs.  However, there are limited methods of contact specifically for customers in vulnerable situations (eg customers running out of credit/disconnected or seeking help paying bills). <sup>35</sup>	Customers, in particular customers in vulnerable situations, are able to identify a method of contacting their energy supplier that meets their needs.
Contacting suppliers and getting timely and appropriate response	Many customers are increasingly struggling to get in touch via all contact methods <sup>36</sup> , and more recently, many are regularly waiting for an unreasonable amount of time. <sup>37</sup>	Customers, in particular customers in vulnerable situations, are able to contact their supplier in a timely manner via their chosen contact method and get query resolution.

<sup>34</sup> In Q4 2022, the [Consumer Perceptions of the Energy Market survey](#) found that only around half (53%) of consumers do recall being provided with a freephone contact number to use if they have concerns about falling behind on paying their energy bills and/or running out of credit on their prepayment meter. By contrast, 27% do not recall being given this information from their supplier in the past 6 months.

<sup>35</sup> *ibid.* Furthermore, Ofgem desk research has found inconsistencies in the availability of freephone numbers for consumers in vulnerable situations. While some suppliers advertise freephone numbers for general queries and separate emergency numbers, this is not the case for all suppliers. For example, some suppliers may use less clear methods such as interactive voice response to separate emergency calls from general contact rather than advertising these contact numbers online or elsewhere. Furthermore, while suppliers generally have email or social media accounts, responses may not be provided until the next working day.

<sup>36</sup> In Q4 2022, the [Consumer Perceptions of the Energy Market survey](#) found that contact ease had dropped for consumers contacting suppliers via phone, live chat, email and through apps.

<sup>37</sup> [MCR into customer service](#) and [Energy company customer service plummets at "worst possible time", says Citizens Advice - Citizens Advice](#)

**New requirements we are proposing to introduce for Contact Ease  
(Methods of contact meeting different consumer needs)**

- 3.7 As outlined in Annex 2, there are already existing standards around contact ease. For instance, standards which require that suppliers are easy to contact, that suppliers offer a range of contact methods to meet different needs and provide information to consumers in a timely manner. Our proposals build on these standards to address the limited methods of contact currently available for customers in vulnerable situations.

**What we are proposing to introduce**

- 3.8 We are proposing the following options by refining existing standards and/or introducing new standards to provide priority methods of contact that are appropriate for customers in vulnerable situations.

3.9 Table 3: Proposed options

<b>Proposed options</b>
<p><b>Option 1</b></p> <ul style="list-style-type: none"><li>• Free phone number (from landline and mobiles)</li><li>• That is easy to locate (for example, on a main website/app/prominent on a bill)</li><li>• Open extended hours, for example, 7am – 10pm Monday to Sunday</li><li>• Has the ability to distinguish customers that identify as being vulnerable and require help/support as they could be at the risk of issues such as:<ul style="list-style-type: none"><li>o going off supply / run out /running out of credit</li><li>o have an affordability issue and are at risk of going off supply</li><li>o require urgent debt advice/support</li></ul></li><li>• Offer free alternative methods of contact which should include but not limited to, dedicated email address and webchats that are monitored for extended hours, such as, 7am-10pm Monday to Sunday.</li><li>• All requirements above should be provided in line with accessibility needs of customers.</li></ul>
<p><b>Option 2</b></p> <p>As above except:</p> <ul style="list-style-type: none"><li>• Free phone number (from landline and mobiles) that is easy to locate (for example, on a main website/app/prominent on a bill) and open 24 hours a day / 7 days a week.</li><li>• Offer free alternative methods of contact which should include but not limited to, dedicated email address and webchats that are monitored 24 hours a day / 7 days a week.</li><li>• All requirements above should be provided in line with accessibility needs of customers.</li></ul>

### **Why we are proposing this intervention**

3.10 The options we have proposed will seek to address a lack of priority methods of contact for customers in vulnerable situations. To build on the MCR and survey evidence outlined in the introduction, we have carried out additional research which showed that there is no consistency across the market in the approach to customers in vulnerable situations. Some suppliers already offer dedicated free phonelines to these customers but this is not widespread. Of the 18 suppliers reviewed, only 4 suppliers have freephone general contact numbers and even less have a freephone number that is available 24/7. Some suppliers also have a contact email address and/or web chats. However, most are not monitored out

of hours and therefore these customers are still unable to raise urgent issues. By introducing this standard, we want to give these customers an expectation that they have access to the same support no matter which supplier they are with.

### **How would we introduce this requirement?**

- 3.11 We have identified that we could refine and/or make changes to the following SLCs, for both gas and electricity: SLC 0.3 (d) Treating Domestic Customers fairly; SLC 4A Operational Capability; SLC 27.8A Customers in payment difficulty; and SLC 31F Encouraging and Enabling Engagement. We have included a table which outlines the details related to the SLC's in the Annex 2.

### **Identification and support/advice for customers struggling with their bills**

- 3.12 It is important to note the scale of the affordability challenge currently facing consumers. In Q4 2022, 3.4 million domestic customer accounts were in debt or arrears for over 91 days.<sup>38</sup> In developing consumer standards to address this area we are looking to build on broader work already being undertaken by Ofgem and Government to address the affordability challenge. For example the Government's Energy Price Guarantee scheme,<sup>39</sup> MCRs (in particular our MCR on PPMs) and Government's ongoing work looking at social tariffs. It is also important to acknowledge the substantial role suppliers will have to play should their customers get into payment difficulty.

### **What does good look like?**

- 3.13 To establish a baseline for improvements we have been considering what good outcomes look like for identifying and providing support and advice for customers struggling with their bills.
- 3.14 Table 4: Issues consumers experience and what effective outcomes look like for identification and support/advice for customers struggling with their bills

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<sup>38</sup> Ofgem analysis of data provided by suppliers. Note that this figure is based on accounts and is treated separately for electricity and gas, therefore this figure is not for households.

<sup>39</sup> [Energy Price Guarantee scheme](#)

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<b>Area of focus</b>	<b>What issues are consumers experiencing?</b>	<b>What does good look like?</b>
Identifying customers who are struggling with their bills/in payment difficulty	Many of such customers are not being identified and offered support. <sup>40</sup>	Suppliers make use of data and customer interactions to identify customers who may be struggling with their bills.
Debt prevention	Many consumers that are in debt are seeing these debts increase. <sup>41</sup>	Consumers at risk of payment difficulty are supported to help manage their finances (eg offered suitable debt repayment plans at the earliest opportunity, flexibility on billing timetables) and avoid building up debt (eg energy efficiency). There is recourse to remedies or accountability under our enforcement regime where supplier actions contribute towards debt (eg shock bills).
Proactive engagement	Some suppliers are not proactively contacting customers in payment difficulty <sup>42</sup>	Suppliers make proactive contact with customers in payment difficulty through a range of communication methods.
Suppliers engage with consumers compassionately	Some consumers do not consider that suppliers listen to their concerns and engage with them sensitively, <sup>43</sup> and debt communications that are not compassionate in tone and do not focus on available solutions may lead to worse consumer outcomes <sup>44</sup>	Suppliers provide clear information about debt and engage with consumers sensitively and compassionately about how they can provide support

<sup>40</sup> The MCR into customers struggling with their bills found that while there was evidence of good practice across suppliers, there were also significant issues with processes and governance around supporting customers struggling with their bills.

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Area of focus	What issues are consumers experiencing?	What does good look like?
Debt support	Some consumers are not receiving tailored support to meet their needs <sup>45</sup>	Suppliers provide consumers with tailored support to meet their needs (eg signposting to charities, appropriate repayment plans, provide of credit, hardship funds).
Debt recovery	Suppliers are not providing tailored debt paths based on consumer needs and recovery actions are not always fair and proportionate. Work in this area is being taken forward as part of our involuntary PPM workstream <sup>46</sup>	Suppliers tailor debt paths according to consumer situation. Debt recovery actions are fair and proportionate. Work in this area is being taken forward as part of our involuntary PPM workstream.

**New requirements we are proposing to introduce for Identification and support/advice for customers struggling with their bills (Debt Support)**

3.15 As outlined in Annex 2, there are already existing standards around identification and support/advice for customers struggling with their bills. For instance, our standards require suppliers to treat customers fairly, and to ascertain domestic customer’s ability to pay and take that into account when calculating instalments. There are also standards that ensure customers are billed fairly and accurately and provide customers struggling with their bills

<sup>41</sup> The overall number of customers in debt fell in Q4 2022 but the average value of debt (for those in debt) increased. The overall value of domestic debt/arrears >91 days dropped by around £100m in Q4 2022.

<sup>42</sup> The [Q4 2022 Consumer Perceptions in the Energy Market survey](#) showed that 60% of credit meter consumers who had fallen behind in their bills got in contact with their supplier for support. This continues to be driven by consumers reaching out first (43%), rather than suppliers contacting consumers to offer support (18%)

<sup>43</sup> The [Q4 2022 Consumer Perceptions in the Energy Market survey](#) showed that a fifth (20%) of credit meter consumers in debt disagreed that suppliers were communicating with them in a sensitive way.

<sup>44</sup> [Debt communications messaging: Evidence from customer and behavioural insights | Ofgem](#)

<sup>45</sup> The [Q4 2022 Consumer Perceptions in the Energy Market survey](#) showed that a fifth (20%) of credit meter consumers in debt disagreed that suppliers were offering support that is appropriate to the consumers’ needs and a fifth (20%) also disagreed that suppliers were offering support options that are helpful. A tenth (10%) of consumers reported they received no support options at all

<sup>46</sup> [Prepayment rules and protections: a call for evidence | Ofgem](#)

additional support. Our proposals build on these standards to provide tailored support for customers who are struggling with their bills.

## **What we are proposing to introduce**

3.16 We are proposing to introduce requirements to offer tailored repayment plans at the earliest opportunity for those customers at risk of struggling to pay their bills. This standard would require suppliers to start contacting and offering suitable debt repayment plans<sup>47</sup> at the earliest opportunity and make every effort possible to do this for customers suppliers have been unable to make successful contact with. For customers who pay monthly this could be after two missed monthly payments and for those paying quarterly after one missed payment. Alternatively, this could be immediately after a customer has contacted the supplier to inform them that they are struggling to pay their bill. In our recently published PPM code of practice<sup>48</sup> we outline that suppliers should make 10 contact attempts by a range of methods and site welfare visit before installing an Involuntary PPM. The process for offering suitable repayment plans will align with this process and should occur either alongside one of these contact attempts or before depending on the timing of the aforementioned missed payment(s). We are also proposing to end minimum repayment rates for customers on debt repayment plans to ensure that repayment plans are proportional and tailored to meet the individual needs of consumers.

## **Why we are proposing this intervention**

3.17 Since the start of the retail energy crisis, we have seen consumer debt levels rise significantly. In Q1 2022, our MCR into customers struggling with their bills found that consumers not yet on a debt repayment plan were on average £773 in debt,<sup>49</sup> while in Q4 2022, SOR analysis showed that average arrears (where no repayment plan is in place) was £1,853.<sup>50</sup> Furthermore, Chart 4 and Chart 5 below show that between 2019-2022, there was wide variation across suppliers in average arrears for those not yet repaying a gas or electricity debt, with some consumers accruing significantly high levels of arrears.<sup>51</sup> There are

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<sup>47</sup> A suitable debt repayment plan should be tailored to a customers needs and in line with their ability to pay.

<sup>48</sup> [Involuntary PPM - Supplier Code of Practice | Ofgem](#)

<sup>49</sup> [Market Compliance Review into customers struggling with bills | Ofgem](#)

<sup>50</sup> Ofgem analysis of data provided by suppliers.

<sup>51</sup> Ofgem analysis of data provided by suppliers. We are aware that the data show this is not the case for all suppliers in the retail energy market, and that some suppliers may have customers who on balance have higher energy bills than others or customers with different characteristics, and that inflation may have affected these figures across years. Also note that for some suppliers, the data also include nil data returns for some years, and this has been included in the charts below.

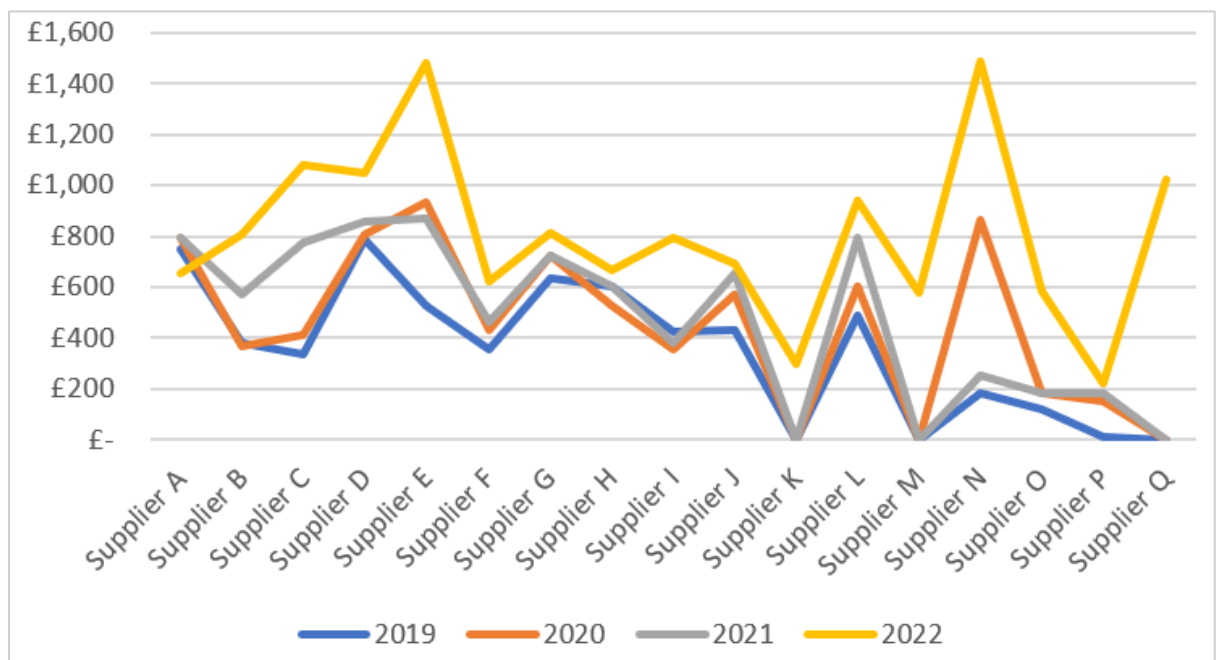


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concerns that a number of suppliers are not effectively engaging with their customers at the earliest opportunity to ensure they are on debt repayment plans tailored to their needs, and that this has been an issue in the market over a number of years.

3.18 As we set out in the previous chapter, further data from the SOR analysis referenced previously shows that average debt (where a repayment plan is in place) sat at £848 for electricity and gas combined,<sup>52</sup> which is significantly lower than those without a repayment plan. Thus, this proposal aims to ensure consumers are offered a default repayment plan at the earliest opportunity, with a view to reducing their overall energy debts effectively.

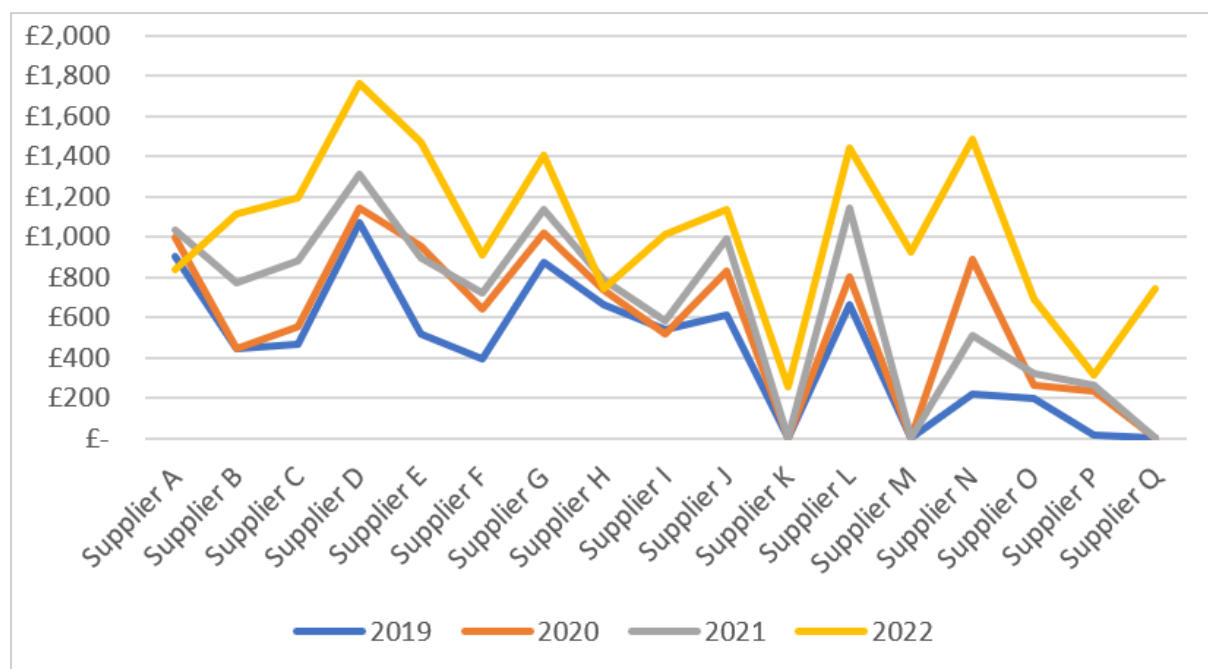
3.19 Chart 4: Average arrears for those not yet repaying a debt – gas<sup>53</sup>



<sup>52</sup> Ofgem analysis of data provided by suppliers.

<sup>53</sup> Ofgem analysis of data provided by suppliers. See footnote 51 for issues to consider when interpreting this chart.

3.20 Chart 5: Average arrears for those not yet repaying a debt – Electricity<sup>54</sup>



### How would we introduce this requirement?

3.21 There are already rules in place to ensure that customers struggling to pay their bills are able to receive additional support (see Annex for details of applicable SLCs), however, to introduce this standard we have identified that we would amend SLC 31.G and SLC 0.3 (d) for priority methods of contact.

### Reputational incentives

#### What are we proposing to introduce?

3.22 Our early view is to introduce a new rule requiring suppliers to clearly display details of website hyperlinks to customer service data from a specified third-party organisation such as Citizens Advice, prominently on their websites. The Ofgem website will also sign-post to this external survey.

#### What are we proposing this intervention?

3.23 These are potential initial steps towards introducing more developed incentives in the future. These basic reputational driven requirements would be a starting point towards encouraging a positive shift in supplier culture to consider more

<sup>54</sup> ibid

broadly, the importance of delivering quality of service to customers as part of the overall energy supply service.

- 3.24 We consider that making such survey results conveniently available on supplier websites will promote increased transparency on relevant sources of customer service related data to consumers, which may assist in informing their choices. Further details of our early views on potential incentive options this winter and over the longer-term are contained in Annex 3.

### **How would we introduce this requirement?**

- 3.25 This potential requirement compelling suppliers to sign-post to customer service data of a third-party organisation, would be formalised by creating a new licence condition. We would engage with Citizens Advice and other stakeholders to develop this requirement.

## 4. Assessment and monitoring of the immediate options

### Section summary

This section covers our initial assessment of the proposed immediate priority policy interventions. It outlines potential supplier costs, improvements expected from the policy proposals, and outlines some potential competition impacts of the interventions. This section also outlines data sources we may use to monitor our chosen priority issues.

### Questions

5. Do you agree with what we have set out in the assessment chapter? Please provide supporting evidence with your views. For evidence regarding additional costs, please provide quantitative data.
6. Using the list of prospective data items we present in the monitoring chapter as a guide, what other additional data items could we aim to collect and from what data sources? Do you consider there are any challenges you may face when collecting/providing these? If so, please provide any supporting evidence you have.

### Assessing the immediate options

- 4.1 We have conducted an initial assessment of our potential interventions for the priority issues, contact ease and advice/support for customers struggling with their bills. We recognise the potential costs to suppliers and highlight potential improvements that interventions may lead to and discuss some of these issues below. We are aware that this is not an exhaustive list and would invite stakeholders to raise any additional concerns, with evidential support, in response to this document.

### Costs to suppliers of implementing standards

- 4.2 For both key issues, stakeholder feedback suggested the following supplier costs of these interventions:
  - **Increased financial burden:** There may be costs associated with these interventions, such as through increases in customer call centre representatives. Suppliers suggested at our roundtables that the price cap may need to be adjusted to reflect increased costs and that higher costs may stifle innovation investment.

- **Increased regulatory burden:** The winter 23/24 timescale for the interventions may not allow suppliers sufficient time to adjust their business models.
- **May reduce attractiveness of market:** Cost implications of new standards may raise barrier to entry into the market.

4.3 Note that some of these costs are currently incurred by suppliers under the gas and electricity licence conditions already in place. In providing feedback, we encourage stakeholders to differentiate between these and additional costs of the specific new proposals we outline in Chapter 3.

### **Improvements expected from contact ease intervention**

4.4 **Contact Ease:** We expect that introducing priority methods of contact such as a freephone number for vulnerable customers that is easy to locate<sup>55</sup> may make it easier for these customers to contact their supplier and may lead to an increase in overall customer satisfaction.

4.5 **Third-party organisations:** Improved contact ease may lower burdens on third party organisations, such as consumer groups and charities. In 2022, Citizens Advice reported they helped 50% more people with energy issues than the year before, and more than double that of 2020.<sup>56</sup> We are aware that this may be related to impacts of the increase in wholesale energy prices.

### **Improvements expected from identification and support/advice for customers struggling with their bills intervention**

4.6 **Advice and support:** We expect introducing the additional requirements on suppliers, as in Chapter 3, may result in more customers who are in payment difficulty being placed on repayment plans that are tailored to their specific needs. This could lead to an increase in overall customer satisfaction and potentially more efficient debt management by suppliers resulting in consumers building up less debt.

4.7 **Third-party organisations:** Improved supplier advice and support may reduce the burden on third party organisations such as Citizens Advice and others, similar to improvements from the contact ease intervention.

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<sup>55</sup> As per the proposed options in Chapter 2

<sup>56</sup> [Social tariff now essential in era of high energy bills - Citizens Advice](#)

## **Competition Impacts**

4.8 As part of our initial assessment of the interventions outlined in this document, we have explored potential positive and negative competition impacts below.

4.9 Positive competition impacts:

- For suppliers meeting the standard, improved contact ease could mean further competition on non-price elements. This may provide a benefit to those who have not historically benefitted from competition or promote switching amongst suppliers.
- Reputational incentives may encourage suppliers to compete on customer service to drive continuous improvement in performance levels.

4.10 Negative competition impacts:

- Interventions may have uneven impacts on the resilience of different suppliers and their ability to compete. For example, large suppliers may have more ability to invest in improving contact ease, where smaller suppliers may lack access to capital markets in practice. Alternatively, smaller suppliers may have newer more flexible processes and systems allowing faster and simpler changes to their customer facing systems.
- New standards may deter new entrants into the market and businesses who cannot afford to compete may exit the market due to the potential increased financial and regulatory burdens.

## **Monitoring and evaluation**

4.11 In line with our proposal for a dedicated monitoring framework that will form part of the overarching consumer standards framework, set out in Annex 3, we will enhance our existing monitoring activities to enable earlier identification of issues and a more proactive approach to resolving these. It will be important to monitor progress in the priority areas and ultimately evaluate our approach to addressing these issues. To help do this, we have developed a list of potential data items from existing data sources that are regularly updated (Table 5 and 7) and data items that we don't currently have access to that would help us better monitor performance (Table 6 and 8). We will explore embedding any new data elements into the existing data sources to achieve minimal impact on stakeholders. For example, this could be through a new customer contact

Request for Information (RFI) we are currently developing.<sup>57</sup> Additionally, we will request certain data metrics already collected, at increased cadence, to reflect current market conditions, emerging issues, and customer challenges being faced. The current frequency of annual or quarterly data for some metrics is considered insufficient. Note that suppliers will still be expected to provide all data requested through current monitoring arrangements.

- 4.12 We are keen to receive feedback on our suggested data sources, including the viability of prospective data items. Our aim is to work towards a set of indicators that will provide a holistic view on how well the market is achieving our customer service preferred outcomes (see Tables 2 and 4), along with wider monitoring data. We are aware of limitations of several individual data items and have therefore tried to use a selection of different data items targeting each key issue to ensure we minimise misinterpretation of the data.
- 4.13 In the future, some of these data items may inform key performance indicators, where, and if they are needed. We may also consider using the regular data from the Consumer Perceptions of the Energy Market survey and other sources to; (1) support the assessment of the impact of any policy changes implemented for Consumer Standards (2) identify trends where future policy may need to focus, and (3) identify where further qualitative research is needed to “deep-dive” directly with consumers to better understand issues.

### **Existing and prospective data items**

- 4.14 Table 5: Existing data items currently collected that could be used to monitor contact ease policy interventions

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<sup>57</sup> Subject to stakeholder consultation in Q2 2023.

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<b>Data item</b>	<b>Description</b>	<b>Source</b>	<b>Reporting frequency</b>
Overall contact ease	Customer perception on how easy it is to get in touch with a supplier	Ofgem/Citizens Advice	Every 4 months
Overall contact ease by method/channel	Same as overall contact ease, broken down by method type such as phone or email	Ofgem/Citizens Advice	Every 4 months
Preferred method of contacting supplier	What methods customers prefer using to contact their suppliers	Ofgem/Citizens Advice	Every 4 months
Average wait times	Average waiting times for calls to be answered	Citizens advice	Quarterly
Complaints resolved by next working day (large, medium, and select small suppliers)	Proportion of complaints received by suppliers that are resolved by the end of the next working day	Ofgem data collected from suppliers	Quarterly
Complaints resolved between date complaint received and 56 calendar days (eight weeks) (large, medium, and select small suppliers)	Proportion of complaints received by suppliers that are resolved within 56 calendar days (eight weeks)	Ofgem data collected from suppliers	Quarterly



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4.15 Table 6: Prospective data items that could be used to monitor contact ease

<b>Data items</b>	<b>Description</b>	<b>Intent</b>
Average call wait time for longest 10% of waits	Average of call wait times for the 10% longest call wait times	To capture longer wait times that may otherwise be hidden in the overall average
Call data for out-of-hours contact	Average call wait times and call duration between the hours of 8pm and 8am <sup>58</sup>	This should provide additional information on the demand for out of hours contact
Customer satisfaction with priority number call handling	Customer satisfaction rating specific to supplier's priority phone number.	We cannot currently measure how satisfied people are with support when they are in a vulnerable situation. We want to be able to target this situation more specifically
Freephone contact numbers	Confirmation of availability and visibility of a priority freephone contact number	To be used to identify suppliers who have chosen to provide a priority freephone contact number and where it is located

4.16 Table 7: Existing data items currently collected that could be used to monitor advice/support for customers struggling with their bills

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<sup>58</sup> We are aware that suppliers have different opening times for different lines and this will be taken into consideration

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<b>Data items</b>	<b>Description</b>	<b>Source</b>	<b>Reporting frequency</b>
Total number of supplier customers	Total number of customers per supplier	Ofgem data collected from suppliers	Quarterly
Number of failed arrangements on a debt repayment arrangement per week	Number of customers who have failed to make their debt repayment	Ofgem data collected from suppliers	Quarterly
Number of customers repaying a debt on a debt repayment arrangement	Number of customers repaying a debt including non-PPM customers on payment arrangements and all PPM customers with a debt	Ofgem data collected from suppliers	Monthly
Number of customers disconnected for non-payment of debt	Number of customers who have been disconnected due to non-payment of debt	Ofgem data collected from suppliers	Quarterly
Average debt per customer in arrears who are not yet on a debt repayment arrangement	Customers who are in debt arrears and do not have a debt repayment plan in place	Ofgem data collected from suppliers	Monthly
Customer satisfaction of support received from suppliers about paying their bills	Customers who are satisfied or very satisfied with the support they have received from their supplier about paying their bills. Data from a survey question	Ofgem/Citizens Advice	Every 4 months
Customers who have received contact from their supplier in the past 3 months with advice of paying energy bills	Survey question: Has your supplier(s) contact you (via phone, email, app, letter, or another way) in the past 3 months to give you information or advice about paying your energy bills	Ofgem	Quarterly

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<b>Data items</b>	<b>Description</b>	<b>Source</b>	<b>Reporting frequency</b>
Customer satisfaction with the level of empathy or concern showed towards their query	Survey question: How dissatisfied or satisfied you were with the level of empathy or concern showed towards your query	Ofgem/Citizens Advice	Every 4 months
Number of suppliers who are a member of the Energy UK Vulnerability Commitment	The Energy UK vulnerability commitment has many requirements for suppliers to aid vulnerable customers, such as additional training for call centre staff	Energy UK	Ad-hoc basis

4.17 Table 8: Prospective data items that could be used to monitor advice/support for customers struggling with their bills policy interventions

<b>Data items</b>	<b>Description</b>	<b>Intent</b>
Number of rejected payment arrangement proposals before agreement	Average number of rejected payment arrangement proposals before a repayment arrangement is agreed	To gain more insight into the debt journey of customers
Data on training of staff on debt management/vulnerable customers	Information regarding training regularity on specifically debt management and vulnerable customers	To allow us to monitor the level of targeted training and frequency. This may help us develop further best practice
Customer satisfaction of customers in vulnerable circumstances receiving support from suppliers	Customer satisfaction data on support received from suppliers for customers in vulnerable circumstances when contacting their supplier in difficult circumstances	To gather more specific data that focuses in on vulnerable customers
Number of customers who have used supplier's grant funds	Number of customers who have successfully received additional funding from a grant fund or other financial support from a supplier	To measure how widely used this option is

## 5. Consumer Standards Framework

### Questions

7. Do you have any comments on the factors that should be considered in determining whether to use principle-based or rule-based approach to setting standards?
8. Do you agree with our early view of reputational based incentive options for winter 2023 and the potential incentive options for development over the longer-term?  
Please provide explanations to support your responses.

### What is the consumer standards framework?

- 5.1 Consumer standards are an important tool in Ofgem's regulatory framework. As the energy market continues to evolve, we are proposing to create an overarching framework for the development and implementation of standards which will bring together various regulatory activities to provide a more cohesive and holistic approach. This framework will ensure standards are designed to deliver positive outcomes for consumers by: using a balance of rules-based and principle-based standards; ensuring standards are accompanied by a tailored monitoring framework and an evaluation process; and by incentivising suppliers to deliver continuous improvements to performance levels.
- 5.2 The full framework which is being proposed can be found in Annex 3.

### Scope

- 5.3 To ensure our future framework of regulation considers the entire customer base holistically, adjusting where necessary, our forward-looking framework will encompass both the domestic and the non-domestic markets.

## **Annex**

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## **Annex 1: Questions to guide evidence gathering**

### **Questions relating to our approach to addressing priority customer service issues – Chapter 3**

1.1. **Question 1:** Do you agree with our assessment on what good looks like for the issues consumers are facing relating to the priority issues of contact ease and identification and support/advice for consumers struggling with their bills. Are there any issues missing?

1.2. **Question 2:** Do you have any views on potential options to address priority issues and do you agree with the extra requirements we are proposing?

1.3. **Question 3:** Do you have any evidence that suggests that we should be considering additional and/or different rules beyond what we have proposed?

1.4. **Question 4:** Do you agree with our proposed approach of introducing reputational incentives in our priority areas?

### **Questions relating to Assessment and Monitoring of Options - Chapter 4**

1.5. **Question 5:** Do you agree with what we have set out in the assessment chapter? Please provide supporting evidence with your views. For evidence regarding additional costs, please provide quantitative data.

1.6. **Question 6:** Using the list of prospective data items we present in the monitoring chapter as a guide, what other additional data items could we aim to collect and from what data sources? Do you consider there are any challenges you may face when collecting/providing these? If so, please provide any supporting evidence you have.

### **Consumers Standards Framework – Chapter 5**

1.7. **Question 7:** Do you have any comments on the factors that should be considered in determining whether to use principle-based or rule-based approach to setting standards?

1.8. **Question 8:** Do you agree with our early view of reputational based incentive options for winter 2023 and the potential incentive options for development over the longer-term? Please provide explanations to support your responses.

## Annex 2: Existing licence conditions for priority customer service issues

2.1 Table 1: Contact ease and existing SLCs

Issue/Area Focus	Existing standards/Licence conditions <sup>59</sup>
Finding methods of contacting supplier	<p>Suppliers are already required to provide information in a form and at a frequency that is sufficient to enable the consumer to quickly and easily understand how to contact supplier. This includes:</p> <p><b>Encouraging and enabling engagement SLC 31F</b> - This SLC sets out an overarching consumer engagement objective that suppliers must act in a manner which is designed to promote each customer to engage positively with their energy supply.</p> <p><b>Treating domestic customers fairly SLC 0.3 (c)</b> – Suppliers must make it easy for customers to contact them, acting promptly and courteously to put things right when they/representative makes a mistake, and ensuring customer service arrangements/processes are thorough, complete and transparent.</p> <p>The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 Allocation and maintenance of adequate resources for complaints handling – This regulation requires suppliers to “receive, handle and process” customer complaints in an efficient and timely manner.</p>
Method of contact meets different consumer needs	<p>Suppliers are required to have different methods of contact that meet different consumer needs. We have existing licence conditions in this area to address this issue:<sup>60</sup></p> <p><b>Encouraging and enabling engagement SLC 31F</b> -This SLC sets out an overarching consumer engagement objective that suppliers must act in a manner which is designed to promote each customer to engage positively with their energy supply.</p> <p><b>Treating domestic customers fairly SLC 0.3 (d)</b> - Suppliers must identify each domestic customer in a vulnerable situation, in a manner which is effective and appropriate, having regard to the interests of the customer. Suppliers must also apply standards of conduct SLC 0.3 (c) to customers in vulnerable situations.</p> <p><b>Operational Capability SLC 4A</b> -This SLC sets out the requirements in which suppliers must be able to “efficiently and effectively serve each of its customers, identify and mitigate risks”.</p>

<sup>59</sup> SLCs in this table are from both the [gas](#) and [electricity](#) licences.

<sup>60</sup> SLC 26.5 (e) is concerned with domestic customers to be in accessible format that is appropriate to their needs based on their personal characteristics or vulnerable situation. This SLC has not been included in this section as its related to customers on the PSR.

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Issue/Area Focus	Existing standards/Licence conditions <sup>59</sup>
	<b>Customers in payment difficulty 27.8A</b> - Suppliers are required to make proactive contact with customers.
Contacting suppliers and getting appropriate response	<p>Suppliers are already required to make it easy for consumers to contact them and respond/provide information in a timely manner.</p> <p><b>Assistance and advice information SLC 31G</b> - Suppliers are required ensure that each customer is provided with information so they can quickly and easily understand who to contact if they have any issues.</p> <p><b>Encouraging and enabling engagement SLC 31F</b> - This SLC sets out an overarching consumer engagement objective that suppliers must act in a manner which is designed to promote each customer to engage positively with their energy supply.</p> <p><b>The Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 Allocation and maintenance of adequate resources for complaints handling</b> - The regulations requires suppliers to “receive, handle and process” consumer complaints in an efficient and timely manner.</p>

2.2 Table 2: Support/advice for consumers struggling with their bills and current SLCs

Issue/area of focus	Existing standards/ licence conditions <sup>61</sup>
Identifying consumers who are in payment difficulty	We have several existing licence conditions which set the rules for these issues:
Debt prevention	<b>Treating Domestic Customers Fairly SLC 0.3 (d)</b> - When dealing with consumers and consumers in vulnerable situations who are struggling with their bills, either to understand them or to pay them, suppliers are required to ensure that they are treated fairly.
Proactive engagement	
Suppliers engage with consumers compassionately	<p><b>Billing based on meter readings SLC 21B</b> - This SLC seeks to ensure that consumers are billed fairly and accurately.</p> <p><b>Priority Services Register SLC 26</b> -The priority service register (PSR) requires suppliers to identify vulnerable consumers and provide PSR services.</p> <p><b>Payments, Security Deposits, Disconnections and final bills (Customers in payment difficulty) SLC 27.8-11</b> - This SLC sets out that it is the duty of suppliers to “ascertain the Domestic Customer’s ability to pay and must take this into account when calculating instalments”.</p> <p><b>Self-disconnection SLC 27A.1</b> - Suppliers are required to provide support to consumers at risk of disconnection.</p>

<sup>61</sup> SLCs in this table are from both the [gas](#) and [electricity](#) licences.



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<b>Issue/area of focus</b>	<b>Existing standards/ licence conditions<sup>61</sup></b>
	<p><b>Provision of Emergency Credit and Friendly-hours Credit SLC 27A2-A4, Provision of Additional Support Credit SLC 27.A5-A7, Provision of Information SLC 27.A8</b> - In supporting consumers in vulnerable situations and consumers who are struggling with their bills, suppliers are required to provide some additional support in the form of emergency support credit or additional support credit. These SLCs are there to ensure that suppliers provide this support.</p>
Debt support	<p>Standards already in the supply licence that look to address debt support include:</p> <p><b>Treating Domestic Customers Fairly SLC 0.3 (d)</b> - Suppliers should treat consumers in vulnerable situations in a manner that is effective and appropriate.</p> <p><b>Payments, Security Deposits, Disconnections and final bills (Customers in payment difficulty) SLC 27.8-11, Provision of Emergency Credit and Friendly-hours Credit SLC 27A2-A4, Provision of Additional Support Credit SLC 27.A5-A7, SLC 31G, Assistance and advice information</b> - These SLCs are in place to ensure that consumers struggling to pay their bills are able to receive additional support.</p>

## **Annex 3: Consumer Standards Framework**

### **Overview of the framework**

- 3.1 Consumer standards are an important tool in Ofgem’s regulatory toolkit for delivering positive outcomes for consumers. With the energy market rapidly evolving and changing, there is a need for an overarching framework that will set out a more cohesive, consistent approach to monitoring existing consumer standards and developing/implementing new ones, to enable effective protection from future harms.
- 3.2 Our approach to standards has changed over time, in terms of how we use principle-based rules and more defined, prescriptive rules to regulate the retail energy market. From 2016 onwards there has been greater focus on the development of flexible principle-based consumer standards to strengthen our ability to protect consumers. These high level, outcome-based rules are designed to remove barriers to innovation and place the onus on suppliers to deliver positive outcomes, whilst enabling them freedom to determine how best to achieve these outcomes. At times there may also be a need to apply more detailed prescriptive rules as needed. More recently, we have also taken a new approach to proactively review the impact of existing rules through the MCRs that were conducted earlier this year.
- 3.3 As the energy market continues to change significantly in the coming years with the delivery of net zero, among other factors, this may lead to future consumer harms which will require new or enhanced existing standards. Our proposed framework will bring together various regulatory activities to provide a more cohesive, holistic, agile approach to developing and implementing future standards. This will ensure emerging concerns are identified and addressed timeously to deliver positive outcomes for consumers. We will build on our existing monitoring, compliance and enforcement functions to provide a more tailored approach to enhancing existing standards and developing new ones to ensure these are future-proof.
- 3.4 To inform the development of our proposals for this framework, we carried out a qualitative assessment. This involved engaging with stakeholders both internally and externally, conducting an internal review of current and previous Ofgem policies and taking into consideration customer service standards of regulators in other sectors and countries.
- 3.5 The components of our framework for consumer standards will comprise:

- A balance of rule-based and principle-based standards
- Standards that incentivise positive outcomes for consumers
- A more tailored approach to our robust monitoring framework
- Test and trial broader use of incentives/deterrents to deliver good performance
- Compliance and enforcement strategy that ensure rules are followed
- Evaluation of standards and how well they worked against set objectives

3.6 The framework design choices are not mutually exclusive and can be customised to address specific consumer harms and market conditions.

3.7 Below we outline what we envisage each of these components means in practice.

### **A balance of rule-based and principle-based standards**

3.8 There are various design choice considerations in developing standards such as whether these should be common to all consumers or two-tier to include enhanced standards for specific customer segments. We may also want to consider when it is appropriate to set voluntary or mandatory standards (these are discussed in section 3.3). Invariably, the building blocks of all our regulatory design choices are centred on rules-based, or principle-based approaches, and our regulations comprise both approaches to deliver consumer outcomes.

3.9 While we will continue to build on our commitment to move towards more principle-based regulations,<sup>62</sup> we also recognise that certain market conditions will require a detailed, rule-based approach. It is therefore important to achieve the right balance between these two approaches.

3.10 Rule-based standards are specific, defined and measurable rules that all suppliers must meet. These will generally be used where there is a need to prevent a particularly detrimental activity or require a supplier to act in a specific way. An example of this approach is illustrated in SLC 21B,<sup>63</sup> which requires all suppliers to make a bill or statement of account available to each

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<sup>62</sup> Ofgem (May 2016) [The future of retail market regulation – Update on the way forward | Ofgem](#)

<sup>63</sup> SLCS apply to both electricity and gas supply licences throughout this section, unless indicated otherwise.

customer at least twice yearly. In contrast, principle-based standards are high-level outcomes-based rules, however, they do not detail how suppliers must achieve the outcome for consumers. These can be broad or narrow principles. The former type are sufficiently generic to sit across multiple areas of policy and the latter would apply to specific policy areas. An example of a broad principle-based rule is illustrated in SLC 0.1, the Standards of Conduct, which requires that all customers are treated fairly, SLC 0.3 (c) demonstrates a narrower principle-based standard which requires suppliers to make it easy for a domestic customer to contact them but allows room for suppliers to decide how best to achieve this.

- 3.11 Getting the balance right is important in our use of rules-based and principles-based approaches to ensure we design standards that will best deliver the desired outcomes for consumers. There are several factors which would determine our approach. For instance, where we require commonality in approach from suppliers, where certain categories of consumers may need additional protection, or where there is a sound understanding of what 'good' looks like, then these factors may draw us more towards rules-based standards. On the other hand, if we expect significant change in the future, innovation is needed or it is clear that a 'one size fits all' approach would not be appropriate for consumers, we may be more likely to implement principles-based standards.

3.12 Table 1: Some of the pros and cons for both rule-based and principle-based standards:

<b>Principle-based standards</b>		<b>Rule-based standard</b>	
<b>Pros</b>	<b>Cons</b>	<b>Pros</b>	<b>Cons</b>
Focused on key outcomes, to deliver positive results for consumers, as onus falls on suppliers to tailor solutions to meet the needs of their customer base	Potentially more challenging to enforce (eg more subjective and open to judgement)	Tailored to address a specific problem or prevent a harmful outcome	Suppliers focused on implementing rules rather than achieving best outcomes
Allows flexibility and drives innovation	May be less tailored to address specific harms	Easier to enforce and measure	Risk of rules becoming outdated and not keeping pace with market changes
Places greater onus on the supplier to achieve positive outcomes for consumers	May require culture change and greater level of responsibility from suppliers. Also, less certainty for market participants on how to comply and risk of regulatory loopholes	Consistent supplier approach and consumer outcomes	Risk of limiting innovation

3.13 Our current thinking is to use principles-based standards that are tied to our Consumer Interest Framework, supported by guidance or other documents to provide clarity. These would be supplemented with prescriptive rules in specific circumstances, where these are more appropriate to protect consumer interests.

### **Standards designed to deliver positive outcomes for consumers**

3.14 When developing universal consumer standards, we consider that these should contain the following features to ensure robustness and alignment with any given policy intent:

- Have a clear objective

- Be evidence-based
- Be specific
- Be enforceable
- Be measurable
- Be achievable

3.15 Our proposed approach for consumer standards is to have universal, common protections for all consumers, with enhanced protections where necessary for consumers with additional needs, such as consumers in vulnerable situations. We will use these enhanced protections where harms are identified for such consumers, to ensure they receive adequate protection and are fairly treated. This is broadly in line with how Ofgem regulates currently. For instance, SLC 27A.1 requires all suppliers to take all reasonable steps to identify whether domestic consumers are self-disconnecting, and an additional protection where suppliers must consider whether the consumer is in a vulnerable situation when offering and providing support.

3.16 We consider that, as a general rule, standards should be mandatory and supported by voluntary standards where appropriate. Broadly, we would expect to use mandatory standards to address specific issues, and voluntary standards for emerging areas, for instance:

- Using voluntary standards for early adoption ahead of mandatory standards coming into force. For example, our current work on forced prepayment installations. We are in the process of putting into place voluntary standards in the form of a Code of Practice, that will work in tandem with existing licence rules and guidance. This will be followed by new mandatory standards in due course, when we formally consult on translating the Code of Practice into licence rules and/or guidance.
- Using voluntary standards for new or emerging areas where the outcomes we want are uncertain, or to use voluntary standards as a learning tool before embedding mandatory standards. For example, as the sector digitalises, we are reviewing our regulatory approach to keep pace. We put out 'Data Best Practice Guidance', which is now being followed by a formal adoption date of the principles in the Guidance for 1 of April 2023.

- Using mandatory standards for specific, targeted areas where consumer harm is identified. For example, SLC 25.4, which addresses suppliers selling techniques and ensures consumers are not pressured when buying.

3.17 We consider that using this mix of voluntary and mandatory standards will benefit consumers by creating a more fairer energy market which is driven to enhance overall service, keep up to date with the evolving energy market, and deliver positive outcomes for consumers.

### **Robust monitoring framework**

3.18 A robust monitoring framework is essential to ensuring a proactive approach in identifying areas where standards are needed, and to ensure these are effectively delivered. We consider that it is important to have a dedicated monitoring framework for consumer standards that will build on our existing monitoring activities to enable much earlier identification of issues, clear communication with stakeholders on performance and to ensure standards are having the intended effect.

3.19 **Principles:** Our monitoring framework will be guided by a range of principles to help achieve the purpose. These include, taking a strategic approach to data collection that is both cost effective and efficient, that builds on information already available to Ofgem and also external sources, taking into consideration who provides the data and how the information will be used. A strong focus on maximising the digitisation and automation of data to allow for easier data collection, storage and analysis. Ensuring that the data collected provides a holistic view of the retail market and supplier performance to increase our ability to identify emerging issues, and our understanding of the impact of standards implemented.

3.20 Some challenges to implementing and sustaining a robust monitoring framework may include not overloading suppliers or organisations with data requests, ensuring we are collecting and monitoring the right data and keeping this under review and adapting when necessary, and changing or adapting internal processes to improve the digitisation, automation and storage of data.

3.21 A tailored monitoring framework for consumer standards will help to protect against consumer harms with much earlier identification of issues that should enable resolutions to happen quicker, and it would ensure that any

interventions in the market would be continually monitored and improved, where necessary. We will continue to look at different approaches to improve monitoring.

3.22 **Evaluation:** Currently our compliance checks are our main tool for evaluation, and for recognising where enforcement action may need to be taken. We are considering how our monitoring could provide a more proactive and targeted approach to evaluation to ensure new or enhanced standards are fit for purpose and are achieving the underlying policy intent. The evaluation would allow for review/redesign of standards, where necessary. Some examples of how we may undertake an evaluation are:

- Comparing what has happened with what was expected under business as usual.
- An objective test of what changes have occurred; the extent of the changes, and for whom and why.
- Identifying any improvements that could be made to increase the impact and cost-effectiveness.
- Using a mixture of qualitative and quantitative methodologies to gather evidence and understand different aspects of the standards impact.

3.23 A targeted approach to evaluation will enable us to proactively identify any changes which may be needed. This will benefit consumers by ensuring any interventions are meeting their needs and driving the positive change that is required.

### **Test and trial broader use of incentives and deterrents to deliver good performance**

3.24 To encourage suppliers to make continuing improvements in quality of service that they provide to their customers and to discourage poor performance, we are considering options to test and trial the use of incentives and deterrents.

3.25 Broadly, incentives and deterrents fall into three categories and in Table 2 we provide examples of each type that we may already have in place or that we may consider introducing either by the end of 2023 or over the longer term. We also outline some risks and benefits in relation to each incentive:



3.26 Table 2: High level overview

Description	Example	Risks	Benefits
<b>Reputational</b>			
<p>Supplier revenue/costs can be impacted by customer and stakeholder judgements of performance.</p> <p>We can incentivise suppliers to continually improve performance by taking actions that will affect a supplier's reputation.</p>	<p>Ofgem publishes a Supplier Performance Report (SPR)<sup>64</sup> containing incidents of energy suppliers' non-compliance with their obligations under various government schemes.</p> <p>We may consider publishing a league table of supplier customer satisfaction, similar to ones produced by Citizen's Advice. We could also consider requiring suppliers to publish their own customer service metrics on their websites.</p>	<p>Lack of regulatory tools to ensure suppliers respond to incentive, and risk of suppliers not responding to the reputational incentive.</p>	<p>Can stimulate competition between suppliers to achieve higher quality of service standards and/ or prevent poor performance.</p> <p>It also helps consumers make more informed decisions about their supplier</p>
<b>Regulatory</b>			
<p>Our approach to regulation can impact a suppliers' costs (eg., level of regulatory burden) and revenue (eg. ability to innovate).</p> <p>We can drive supplier behaviour change by adapting our approach to regulatory requirements, depending on supplier performance.</p>	<p>Potentially, over the longer term, we may look at amending prescriptive reporting requirements to require more granular reporting for suppliers with poorer outcomes or potentially excluding those with highest customer satisfaction levels from an MCR.</p>	<p>The interest of consumers is paramount, which limits the potential to relax reporting requirements. The burden will be more granular reporting that some suppliers may potentially qualify to be excluded from.</p>	<p>Drives continuous improvement in performance and reduces regulatory burden.</p> <p>Potentially, could reduce regulatory costs for all. May also help support industry innovation</p>

<sup>64</sup> Details of Supplier Performance Report on Ofgem's website- [Supplier Performance Report \(SPR\) | Ofgem](#)

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Description	Example	Risks	Benefits
<b>Financial</b>			
<p>Financial incentives can be useful to drive supplier behaviour change and deter falling into poor performance. These can come in the form of financial rewards or penalties.</p> <p>Financial penalties under incentives are distinct in characteristic from the way these are used in standard enforcement actions for breach of regulatory obligations, where we may impose financial penalties or agree voluntary redress payments after the breach has occurred. There are cases which may be best addressed through enforcement action, whereas incentives in the form of financial penalties may provide a more targeted approach to achieving certain outputs and driving continuous performance improvements.</p> <p>Incentives in the form of financial penalties can also be fixed amounts that apply automatically or in</p>	<p>Under Guaranteed Standards of Performance (GSoP), suppliers must compensate customers where they fail to meet prescribed service levels or performance targets.</p> <p>Ofgem’s Broad Measure of Customer Satisfaction (BMCS) incentive is a cross sector incentive that applies to electricity and gas distribution network companies and has both upside and downside financial incentives.</p> <p>Over the longer term, we may:</p> <p>Consider exercising an option to introduce a new mechanism to impose fixed financial penalties automatically for non-compliance of certain types of quantifiable breaches. For example, failure to provide clear, relevant KPI disclosures.</p> <p>Build on existing GSoPs,<sup>65</sup> where these might be</p>	<p>Requires a robust framework for setting targets and assessing performance.</p> <p>Due to challenges which are discussed below, financial incentives in the forms of financial rewards are not being considered in the short term. However, we remain open to exploring these in the longer term.</p>	<p>Provides tangible consequences for suppliers that fail to meet agreed performance targets.</p> <p>Can stimulate competition between suppliers to achieve higher quality of service standards and make continuous improvements.</p>

<sup>65</sup> [Supplier Guaranteed and Overall Standards of Performance reforms – Final Decision and Statutory Instrument | Ofgem](#)

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Description	Example	Risks	Benefits
<p>certain circumstances where regulatory requirements are not met.</p>	<p>useful to set agreed performance levels for very specified activities.</p> <p>Explore the option of testing and trialling a customer satisfaction survey (CSS) similar to the one under the BMCS.</p> <p>As part of the CSS option suggested above, we may also consider publishing a supplier performance aggregated league table that sets out performance ratings for each supplier based on survey results/ scores from Citizens Advice and any customer service surveys we may gather in the future. Regulatory and reputational rewards may be used in place of financial rewards.</p>		

3.27 To inform our options for developing financial incentives over the longer term, we may reflect on learnings from the gas and electricity distribution network sectors, where the BMCS is used within the RIIO price controls framework to incentivise network companies to continuously drive high quality service standards. The BMCS includes a CSS component to encourage continuous improvements in customer service and a complaints metric to incentivise networks to improve their handling of customer complaints. Financial rewards/ penalties have been effectively used under this incentive package since it was first introduced in the 2012 legacy price control. The CSS has driven

meaningful improvements in performance, with industry average scores consistently improving year on year, prior to the pandemic.

- 3.28 For the retail sector, it may be beneficial to use incentives in certain circumstances to drive performance improvements and deter suppliers from falling below acceptable service levels. We consider that it may be useful to introduce fixed financial penalties as another tool to address contravention of regulatory obligations such as certain quantifiable “automatic” breaches, to prevent lower-level non-compliance, where this may be more appropriate than taking full enforcement action. For example, failure to provide accurate, relevant data under KPIs. Exploring this option in the future would require further engagement and consultation.
- 3.29 In determining the appropriate use of incentives in the form of financial rewards, there are a number of issues that would require further consideration, such as determining the funding source and designing the legal framework. In light of this, financial rewards are not currently being considered for implementation in winter 2023, although we do intend to consider developing and implementing these in the longer term. We will discuss the development of these potential proposals with stakeholders in due course.

### **Overview of our early thoughts on potential future options for testing and trialling incentives**

- 3.30 To encourage competition between suppliers to continuously improve customer satisfaction, we are considering exploring options to test and trial reputational incentives this winter. These are intended as a first step towards developing more substantial longer-term incentive options. At a later stage, we will put processes in place to test and trial regulatory and financial incentives, once we have had more time to develop how this would work best in the energy supply market.

### **Early view of potential options for incentives that we may consider testing and trialling in winter 2023**

- 3.31 Reputational- Ofgem website to clearly display details of website hyperlinks to customer survey results / ratings from a specified, well-established third-party organisation that collates customer service data on energy suppliers. This may include Citizens Advice.

- 3.32 Reputational- Require suppliers to clearly display details of website hyperlinks to customer survey results from a specified third-party organisation such as Citizens Advice prominently on their websites. This would be formalised through a licence change.
- 3.33 These basic reputational driven requirements would be an initial step towards encouraging a positive shift in supplier culture to consider more broadly, the importance of delivering quality of service to consumers as part of the overall energy supply service. We consider that these would be a meaningful first step that will supplement the priority options we have set out in Chapter 3 and will provide an increased level of transparency on relevant sources of customer service related data to consumers that may assist in informing their choices.

**Early view of options we may consider exploring to develop, test and trial various types of incentives over the longer-term**

- 3.34 Regulatory- Use regulatory incentives by increasing scope of RFI or MCR's for suppliers with poor outcomes, or potentially prescribing that a set of categorised suppliers need to comply with distinct levels of reporting subject to their performance.
- 3.35 Financial- Introducing a new mechanism to impose fixed financial penalties automatically for non-compliance of certain types of quantifiable breaches. For example, failure to provide clear, relevant KPI disclosures. We recognise that this option will require careful consideration of an appropriate methodology for calculating overall scores and extensive stakeholder engagement.
- 3.36 Financial- Drive outcomes for customer service KPIs such as timely complaints handling by penalising suppliers that fall below agreed targets through use of financial penalties.
- 3.37 Financial- Build on existing GSoPs,<sup>66</sup> introduced in 2016, to set agreed performance targets for specific activities/ outcomes.
- 3.38 Financial/ regulatory/ reputational- Drive continuous improvements in high quality service by testing and trialling a customer satisfaction survey similar to the one under the BMCS. Use a mix of reputational and regulatory incentives to reward high performance, and financial penalties to deter poor

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<sup>66</sup> [Supplier Guaranteed and Overall Standards of Performance reforms – Final Decision and Statutory Instrument | Ofgem](#)

performance. Overall customer service scores may then be published potentially bi-annually, in a performance league table on Ofgem's website.

- 3.39 Reputational- Publication of a supplier performance league table on Ofgem's website. Using supplier performance data from a range of established third party organisations such as Citizens Advice , to publish an aggregated performance league table that conveniently sets out all the scores, ratings or results for each supplier. We recognise that this option will require careful consideration of an appropriate methodology for calculating overall scores and extensive stakeholder engagement to ensure results are comparable and representative. This option would provide increased transparency to consumers on third party sources of supplier customer service data in a convenient, single location.
- 3.40 By introducing incentives and deterrents, these should drive better performance from suppliers to deliver consistently higher quality of service, avoid poor performance and encourage positive shifts in supplier culture by stimulating competition to improve outcomes for consumers. In addition, reputational incentives are also expected to provide consumers with increased transparency of energy suppliers' standing on customer service.

### **Compliance and enforcement strategy**

- 3.41 Ofgem is taking a more strategic and proactive approach to compliance and monitoring. This has been showcased by the recent MCRs. These reviews were a proactive measure where a thematic area was chosen, and a deep dive was conducted to assess for consumer harm. Suppliers were required to provide extensive information on their procedures and processes, and the analysis of this was made public.
- 3.42 In addition, our framework importantly aligns with Ofgem Compliance and Enforcement Strategy. The strategy recognises there is a need for a stronger alignment of monitoring, policy, compliance, and enforcement activities to identify and prioritise areas of greatest consumer harm. Ensuring that processes and decision-making are sufficiently coordinated to identify and progress cases that can benefit from enforcement action early and developing a model of greater-cross working to enable this.
- 3.43 Proactive compliance work needs to continue to build on a strong monitoring framework as previously discussed and should be complemented by a robust policy evaluation to ensure regulations and standards remain fit for purpose.

Any new standards which are developed must be easily enforceable. The evaluation of standards is discussed in Chapter 4.

- 3.44 In order to encourage compliance with standards, we are working on a communication strategy to ensure pre-emptive and strong messaging to regulated companies on what is expected of them regarding new standards, and the consequences for non-compliance.
- 3.45 Monitoring, compliance, and enforcement activities may need to be adapted for each new standard depending on the balance of different components used from the framework. For example, if financial or regulatory incentives were used, regular monitoring of supplier performance would be needed or if two-tier standards are implemented then increased compliance would be needed to ensure suppliers are adhering to the standard.
- 3.46 Overall, taking a more proactive and strategic approach to monitoring, compliance and enforcement will ensure harms to consumers can be detected far sooner and addressed swiftly to the benefit of all consumers.

### **Future facing framework**

- 3.47 Our proposal is for a consumer standards framework that will ensure Ofgem is prepared for the future, can proactively protect consumers in ever changing markets, and is able to respond timeously to emerging concerns/issues where new or enhanced standards may be needed. Additionally, it will ensure there is a clear, consistent, and more agile approach to developing new standards that are implemented to provide future-proof protections against consumer harms.
- 3.48 Our framework will allow flexibility to balance the extent to which we use the different components as appropriate, according to given energy market conditions. In testing and trialling incentives, we will have additional mechanisms to drive high quality service standards and deter poor performance, to achieve positive outcomes for consumers. This would be a new approach for Ofgem in regulating the retail market to drive the positive culture change we want to see from suppliers.

## **Annex 4: Ofgem duties**

- 4.1 Ofgem is the independent energy regulator for Great Britain. Our role is to protect consumers now and in the future by working to deliver a greener, fairer energy system. We operate in a statutory framework set by Parliament. This establishes our duties and gives us powers to achieve our objectives. We licence energy companies and make sure they stick to the rules of their licence and other duties the government sets or is in law. For example, consumer protection and competition laws. We work to protect energy consumers, especially those in vulnerable situations, by ensuring they are treated fairly. We are responsible for stamping out sharp and bad practice and ensuring fair treatment for all consumers. The government is responsible for setting policy for the energy sector and proposing changes to the statutory framework. Where we think there are policy gaps that affect consumers, we can call this out.
- 4.2 Ofgem has a primary duty towards consumers in vulnerable situations (our vulnerability duty) derives primarily from our principal objective, which is contained in the Gas Act 1986 and the Electricity Act 1989 (the Acts). How we interpret and apply our vulnerability duty is also informed by other sources, such as the Equality Act 2010 and human rights law.
- 4.3 We continually seek to improve the efficiency and effectiveness of our approach, and we regulate where necessary to protect consumers' interests and carefully consider whether any regulatory requirement we propose is proportionate.



## **Privacy notice on consultations**

### **Personal data**

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

#### **1. The identity of the controller and contact details of our Data Protection Officer**

The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at [dpo@ofgem.gov.uk](mailto:dpo@ofgem.gov.uk)

#### **2. Why we are collecting your personal data**

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

#### **3. Our legal basis for processing your personal data**

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

#### **4. With whom we will be sharing your personal data**

None.

#### **5. For how long we will keep your personal data, or criteria used to determine the retention period.**

Your personal data will be held for six months after the project is closed.

#### **6. Your rights**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services

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- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3<sup>rd</sup> parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

**7. Your personal data will not be sent overseas**

**8. Your personal data will not be used for any automated decision making.**

**9. Your personal data will be stored in a secure government IT system.**

**10. More information** For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".