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Future Retail Markets
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Email to: RetailStakeholderTeam@ofgem.gov.uk

31 May 2023

Dear Jemma

Consultation on a framework for consumer standards and policy options to address priority customer services issues

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore, offshore wind and solar generation, and energy storage. With around six million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We welcome the opportunity to comment on Ofgem's proposed consumer standards framework and the new specific requirements aimed at addressing priority customer service issues. We agree that ease of contact and support/advice for customers struggling with their bills are priority issues for both customers and energy suppliers. However, we have concerns that the specific requirements Ofgem are proposing will not achieve the stated intent and instead could prove to be counterproductive.

Energy prices have increased massively over the past two years and, despite the government's welcome support through the Energy Price Guarantee (EPG) and Energy Bills Support Scheme (EBSS), typical domestic energy bills are currently more than double what they were at the beginning of 2021. As a result of this more domestic customers than ever before are struggling to pay their energy bills which has driven a substantial increase in the number of customers contacting their supplier for support across all available contact channels. For example, the number of telephone calls we received from customers in Q4 2022 (176k) is 59% higher than the number of calls received in Q4 2020 (111k), and the average duration of customer calls has increased by 10% over the same period.

Suppliers have also played a pivotal role in implementing the various government support schemes designed to help customers afford their energy bills. In addition to this, since the beginning of 2021 over 30 energy suppliers have ceased trading impacting millions of customers. The remaining energy suppliers, including EDF, have taken on these customers

through the Supplier of Last Resort process. All these factors have placed significant demand on suppliers' resources during a period of challenging market conditions.

Despite the challenges all suppliers have faced we have remained dedicated to providing our customers with a high standard of service which can be demonstrated by our consistently high ranking in Citizens Advice Energy Supplier Rating (ESR). We have also recruited additional energy advisors and have invested in new systems designed to improve efficiency and deliver even better outcomes for our customers.

Our detailed responses are set out in the attachment to this letter, however, the key points we have identified are:

- Neither of the two options proposed to improve ease of contact for customers are appropriate for delivering the stated intent and could instead exacerbate the issues experienced by customers as suppliers attempt to offer multiple channels across a wider operating window.
- Ofgem already has the necessary powers to deal with underperforming suppliers, we would encourage Ofgem to use these powers rather than place additional burdens upon the entire industry.
- The proposed requirement for suppliers to extend their opening times does not guarantee better outcomes for customers and will result in significant additional costs that would need to be reflected in the Default Tariff Cap (DTC), increasing energy bills for customers.
- Implementation of these proposals for winter 2023/24 is unrealistic and will place further regulatory and financial burdens on suppliers such as recruitment and training of additional advisors to cover a wider operating window.
- There are existing industry processes in place that protect certain priority customers outside of usual opening hours such as the friendly non-disconnection periods. There are also limitations to what services suppliers can offer outside of usual hours.
- A single consumer framework that applies to all customers may not be the most suitable approach as domestic and non-domestic customers have fundamentally different needs and behaviours that must be considered.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact Tamara Dowson or myself. I confirm that this letter and its attachment may be published on the Ofgem website.

Yours sincerely

Barry Adley
Residential Operations Director

Attachment

Consultation on a framework for consumer standards and policy options to address priority customer services issues

EDF's response to your questions:

- 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?**

We agree with Ofgem's assessment of what good looks like for the issues customers are facing relating to ease of contact and support/advice for consumers struggling with their bills. However, the two options Ofgem has proposed and the specific requirements for improving ease of contact would not ensure that all suppliers deliver what Ofgem deems to be good practice and could instead exacerbate the issues experienced by customers. Please see our response to question 2 for further detail on our concerns relating to Ofgem's proposals.

- 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.**

We strongly disagree with the proposed options for addressing ease of contact, specifically a requirement to extend opening hours. In our view, the fundamental issue is that customers are struggling to contact their supplier during usual opening hours rather than there being a specific need to contact suppliers out of usual hours. Therefore, neither of the two options proposed by Ofgem are appropriate for delivering the stated intent and could instead be counterproductive as suppliers attempt to offer multiple channels across a wider operating window.

Ofgem already has the relevant powers to deal with any supplier they deem to be underperforming and should use their existing powers rather than burden all suppliers by imposing prescriptive requirements. The proposed requirements would also disproportionately impact some suppliers more than others, for example suppliers who have a higher proportion of prepayment customers or vulnerable customers compared to their competitors. We would also encourage Ofgem to recognise the unique pressures placed on suppliers' resources due to a significant increase in customer contact driven by high energy prices, market volatility and the broader cost of living crisis.

Should these changes be implemented the costs associated with this will be substantial and will need to be recoverable through the DTC, which will in turn result in higher energy bills for customers and potentially drive further customer contact, placing further strain on supplier resources. Requiring suppliers to extend their opening hours with an unrealistic timeline for implementation will also impose additional burdens, such as recruiting additional energy advisors in a challenging labour market and delivering training in a short time frame in order

to cover a wider operating window from this winter. The shorter tenure of some of these new recruits across a wider operating window, where it is harder to ensure sufficient support and management oversight, could also reduce the quality of service that customers ultimately receive during these periods. Ofgem must consider the value driven by any intervention they make against the significant trade-offs associated with these proposals.

We do, however, recognise that suppliers could do more to distinguish and appropriately prioritise incoming customer contact where they are vulnerable and/or are at risk of issues such as going off supply or running out of credit. More could also be done to clearly communicate the industry processes that are already in place to support certain priority customers out of usual hours such as non-disconnection periods for prepayment customers and Guaranteed Standards of Performance (GSoP). We also agree that suppliers should offer a wide range of contact channels that meets their customers' needs such as email and other forms of digital communication. However, all of these improvements could be achieved without requiring suppliers to extend their opening times.

In relation to proposals regarding identification and support/advice for customers struggling with their bills we are broadly supportive of Ofgem's proposals. However, the supply licence already sets out clear requirements on suppliers in this regard and, therefore, we would encourage Ofgem to use their existing powers to deal with any supplier that they deem to not be fulfilling their licence obligations. Any additional bad debt related costs associated with Ofgem's proposed changes must also be reflected in the DTC to enable suppliers to recover these costs promptly.

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.

Please see our response to question 2, improvements to ease of contact and identification of priority customers could be achieved without incurring the significant cost associated with requiring suppliers to extend their opening hours.

4. Do you agree with our proposed approach of introducing reputational incentives in our priority areas? Please supply evidence to support your response.

We are supportive of Ofgem's proposed reputational incentives. We agree that requiring suppliers to clearly display links to customer service data from a specified third-party organisation prominently on their website would benefit customers. This would also provide an appropriate reputational incentive for suppliers that encourages good performance while providing information to customers that helps them make an informed choice when choosing their energy supplier.

It is, however, important that this requirement is applied consistently across all suppliers and that a single source of information that measures the right metrics is signposted so as to avoid confusing customers with competing sources of information. The Citizens Advice ESR is

a well-established and trusted resource for customers that ranks suppliers using actual customer service data rather than qualitative surveys. We would support the use of Citizens Advice ESR as the specified third-party data source to which suppliers must signpost customers via their website. However, it is important to note that Citizens Advice are currently consulting on changes to their ESR therefore, we would encourage Ofgem to consider whether this tool continues to measure the right metrics to ensure suppliers are appropriately incentivised to deliver high standards of customer service.

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.

Please see our response to question 2 which sets out the impacts and trade-off's we have identified in relation to Ofgem's proposals to extend supplier opening hours.

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

In addition to the significant demand placed on supplier resources by increased customer contact driven by the cost of living crisis, suppliers have and continue to dedicate significant resources to provide Ofgem with the necessary information as part of their Market Compliance Reviews (MCR) and Requests for Information (RFI), as well as devote resources to implement and deliver the various government support schemes. It is important that Ofgem avoid unnecessary duplication when requesting additional data from suppliers that may be provided elsewhere, and where new data points can be derived from information Ofgem already retain they do this rather than place additional demands on supplier resources.

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?

In our view, a principle-based approach is a far more effective way of encouraging innovation and competition between suppliers, driving better outcomes for customers. However, where Ofgem require suppliers to deliver specific outcomes, a rule-based approach may be most appropriate in certain situations. Ofgem must consider the balance of their approach to future regulation to ensure that good outcomes are delivered for customers while ensuring innovation and competition is encouraged.

More broadly, a single consumer standards framework that applies to all customer types may not be the most suitable approach as domestic and non-domestic customers have fundamentally different needs and behaviours that must be considered. Ofgem's approach should be tailored to the needs of different customer types to ensure appropriate outcomes are delivered.

**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.**

Please see our response to question 4 which sets out our views on the proposed reputational based incentives for this winter. However, in relation to potential future financial incentives Ofgem should consider that while financial incentives may be effective in other areas such as energy networks, competition and financial incentives already exist in the retail energy market such as price regulation and switching.

EDF
May 2023