

Wednesday 31 May 2023 (submitted Friday 2 June)

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

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Utility Warehouse was one of the first 'challenger' brands when it entered the retail energy market over 20 years ago, and we have a unique perspective in that we operate across numerous regulated markets: energy, telecoms and insurance. Today we serve over 800,000 households.

We have set out below our views on Ofgem's proposals for a new consumer standards framework and priority service measures for ease of contact. We disagree with the proposals for several reasons, particularly because they do not appear to be supported by evidence, they overlook the ongoing efforts by suppliers to improve customer service this winter, and seem to ignore other less interventionist and potentially more effective options that are available to Ofgem. We are happy to work with Ofgem on building a more achievable proposal that is based on stronger evidence and delivered in a more realistic timeframe.

### **Evidence - ease of contact**

There appears to be a weak link between the evidence on customer satisfaction for ease of contact, and the priority measures Ofgem proposes to put in place by winter to improve ease of contact. For example, as reported in the last wave of research<sup>1</sup>, the most common reasons customers contacted their supplier were: 1) to provide a meter reading, 2) to report an issue/query with a smart meter, or 3) to discuss a query with a bill. None of these reasons would constitute an out of hours emergency. Further, the research only tells us how easy/difficult it was to contact a supplier; the research does not provide reasons for any difficulties. This is a crucial omission. Therefore, based on this research there can be no assumption that Ofgem's proposed interventions set out in Table 3, e.g. around call centre opening times, will improve (or have any effect at all on) the metrics of this survey in the future. If this research cannot justify the proposed measures, we caution its use to justify new prescriptive licence conditions.

While the MCR reports provide more relevant information for Ofgem in making an assessment of why customers may have struggled to contact their supplier, Ofgem is only referencing MCR data on call waiting times for Q2 2022. We have two key concerns with the MCR data Ofgem is relying on to justify its proposals: firstly, Q2 2022 MCR data reflects a period in time that was not necessarily reflective of normal circumstances (rising prices<sup>2</sup>, cost of living crisis, and the resulting in high call volumes); and secondly, at least for UW, performance improved by Q1 2023<sup>3</sup> meaning that any poor performance was likely driven by the impact of external pressures in 2021-22 and does not necessarily warrant regulatory intervention. Similar trends were seen in the MCR results for the average percentage of calls answered (for UW).

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<sup>1</sup> [Consumer Perceptions of the Energy Market Q4 2022 | Ofgem](#), page 16.

<sup>2</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1107499/quarterly\\_energy\\_prices\\_uk\\_september\\_2022.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1107499/quarterly_energy_prices_uk_september_2022.pdf)

<sup>3</sup> UW submitted Q1 2023 data - albeit we are not aware that this same data was collected from all suppliers. In any case, Ofgem could access more recent data.

As such, we don't think Ofgem can justify a market-wide mandatory intervention based on the ease of contact evidence provided to date. Instead, we would encourage Ofgem to consider sharing best practice in the industry and driving up performance of individual suppliers (we have provided information on our activities further down). It may also make more sense to strengthen existing codes of practice/voluntary measures such as the EUK Vulnerability Commitment and test whether softer policy tools could have the desired impact, before moving to any new prescriptive regulation.

### **Evidence - overlooking the impact of external factors on the market conditions**

It's not clear that Ofgem has calibrated its analysis to properly consider the impact of the constant change the sector has experienced over the last four years: covid, the energy crisis, multiple supplier failures, market consolidation, unusual regulatory and governmental interventions such as the market stabilisation charge and the multiple energy subsidy schemes, as well as ongoing general inflation and rising cost of living. Customers are contacting their suppliers more than they used to, for reasons attributable to all these market disrupting factors and - the most obvious yet significant reason - because their energy bills have more than doubled over a short period.

We appreciate that it is difficult to quantify the impact of these factors on either supplier customer services or customer attitudes/satisfaction levels (noting that price is usually a key driver in satisfaction), but it should not be disregarded and we note other areas of Ofgem policy seeks to account for such impacts.

For example, Ofgem recently published its decision on TDCVs<sup>4</sup> to remove the year 2020 from the methodology, essentially because it shows the exceptional impact of three national lockdowns on energy consumption, which is out of line with future projections and 'normal' levels that show a reduction in energy usage. While this is not a perfect comparison, it demonstrates that there is a wider acceptance across Ofgem that the impacts of external factors (in this case national lockdowns) should be considered carefully in designing future policy and how it affects consumers.

We would be happy to work with Ofgem and industry to develop a more sophisticated approach to benchmarking the sector that takes account of the external changes it has been through.

### **Market conditions do not appear to justify new prescriptive mandatory rules**

It is not clear that the market conditions upon which the proposals on contact ease are based warrant the need for a rule-based approach. In section 3.16, Ofgem explains that its proposed approach is '*using mandatory standards for specific, targeted areas where consumer harm is identified*'. The outcome of the research that Ofgem points to does not indicate that call centre opening hours, the lack of availability of a free phone number, or the location of a free phone number are causing customer harm. We do not see where Ofgem has identified a link between the research and the proposed changes to justify the need for '*mandatory standards or specific, targeted areas of consumer harm*'.

Instead, these market considerations appear to sit more appropriately in the category: '*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.*'<sup>5</sup> Opting for a prescriptive mandatory rule in this case would appear to be reactive and out of sync not only with Ofgem's commitment to move towards more principle-based regulations, but also with its own logic around when to introduce prescriptive rules.

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<sup>4</sup> <https://www.ofgem.gov.uk/publications/decision-typical-domestic-consumption-values-2023>

<sup>5</sup> [Consultation on framework for consumer standards and policy options to address priority customer service issues](#), page 54, section 3.16

## **A coordinated industry effort may increase awareness of priority services and improve customer satisfaction**

Suppliers can make every effort to communicate to consumers that priority service support is available to them, but if consumers do not actively engage with their supplier or read bills/communications (either due to a vulnerability or apathy) they will be unaware of that support. This is evidenced in the recent Energy Bill Support Scheme (EBSS), where £130<sup>6</sup> million worth of vouchers remains unredeemed by traditional prepayment meter customers, due to lack of engagement despite reminders from suppliers. We believe more could be done at an industry level in collaboration with Ofgem and the Government to raise awareness of the priority service support that already exists for consumers and we would encourage Ofgem to consider what could be done to help consumers better understand what support is available to them.

We support the proposal from Energy UK to consider a joint ease-of-contact strategy for this winter, between Ofgem, Government, Consumer Groups and Suppliers. Crucially this is something that suppliers should be able to take their own approaches to achieving and, for this winter, be based on existing metrics (which will likely vary from supplier to supplier given imminence).

## **Sharing good practice is an effective way of identifying issues and creating improved outcomes for consumers**

We encourage Ofgem to take into account the existing good practices and processes implemented by suppliers to provide support to vulnerable customers. Notably, in response to Ofgem's package of work on prepayment meter (PPM) customer support, suppliers will have already considered the further ways in which they can support customers, particularly those in vulnerable situations, and they will be implementing necessary improvement actions as part of that work.

We would encourage Ofgem to use supplier best practice, which includes these new improvements on PPM customer journeys, to help drive up performance of individual suppliers. For UW, our key initiatives include:

- The introduction of a free phone number for customers facing financial hardship which connects them to our specialist Ability-to-Pay team who are trained in assisting customers in payment difficulties.
- To support prepayment meter customers, we have extended opening hours from 8:30 am to 8:00 pm on weekdays and we have an emergency helpline for after-hours assistance provided by Lowri Beck, our metering partners, who can schedule emergency appointments for customers off supply.
- Additionally, we have non-disconnect periods for customers with prepayment meters. This means that customers will not face self disconnection overnight, alleviating concerns and risk of going off supply. This is in place from 4:00 pm to 10:00 am on weekdays and from 4:00 pm on Fridays to 10:00 am on Mondays during weekends.
- In December 2022, we launched our Prepayment Relief fund, which is dedicated to supporting customers who may be struggling to top up their meters. This fund provides a

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<sup>6</sup><https://www.gov.uk/government/news/claim-your-energy-voucher-day-launches-final-push-to-get-remaining-130-million-in-support-to-prepayment-meter-customers>

one-off credit to customers and the credit will not need to be repaid. To further support customers on prepayment meters, we have also increased the amount of emergency credit available on traditional prepayment meters from £10 to £20. Further, we proactively wrote to customers who we considered most at risk to encourage them to contact us for support if needed.

- We offer SignVideo and Relay services to customers with hearing and speech impairments. These services facilitate seamless communication and ensure that all customers, regardless of accessibility needs, can easily reach us for assistance.
- Furthermore, we are proud to have been one of the initial signatories to the Energy UK Vulnerability Commitment. This commitment goes beyond existing regulations to provide enhanced support for customers in vulnerable circumstances. Energy UK has created a valuable resource in the Vulnerability Commitment Good Practice Guide, which encourages the sharing of industry-leading customer support practices among suppliers.
- In readiness for winter 2023, we have put in place plans to ensure customers are adequately supported. We have increased our engineer cover by 30% to ensure that we can promptly resolve any meter related issues and in June we will be opening a regional hub with over 80 agents dedicated to supporting prepayment meter customers.

### **Ofgem's proposals are potentially extremely costly**

The cost of implementing Ofgem's proposals for ease of contact require careful consideration. The recent draft RFI from Ofgem on operating costs will only give Ofgem costs up to Q1 2023; it doesn't forecast future costs. We encourage Ofgem to consider and share with suppliers how they will project costs for the proposals in this consultation.

We propose a thorough cost benefit analysis is undertaken before progressing these proposals. Ofgem is likely to discover that the costs are enormous and difficult to justify (given the points made on the lack of evidence to support this intervention). Naturally, these costs would need to be built into the operating costs of the price cap, which would lead to further increases for consumers and potentially a negative impact on customer satisfaction levels. Further, Ofgem's review of operating costs is still pending and if a review is undertaken, suppliers will not be able to recover costs until winter 24/25. This is out of sync with the implementation timescales proposed by Ofgem.

Finally, we note that since suppliers are already undertaking new measures to support customers ahead of winter (as set out in our response), we urge Ofgem to carefully consider loading further costs onto the industry that would accompany the implementation of high cost and permanent regulation, particularly given the rushed implementation timeframe and lack of substantive impact assessment to justify the right approach.

## Questions from the Consultation document

<b>1</b>	<b>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?</b>
	While the outcomes are reasonable, the means proposed to achieve those outcomes is not properly supported with evidence or impact/cost assessment. We believe this carries risk that the proposals will be ineffective and risks having an overall negative impact on consumers due to the potential for wasted investment.
<b>2</b>	<b>Do you have any views on potential options to address priority issues and do you agree with the extra requirements we are proposing?</b>
	<p>We believe strengthening the EUK Vulnerability Commitment would be a more sensible approach. Similarly, we believe a more collaborative approach across Government, Ofgem, consumer groups, and suppliers is more likely to achieve positive consumer outcomes.</p> <p>We disagree with the proposals on ease of contact for the reasons given in our response.</p> <p>We are comfortable with the proposals around tailored debt repayment plans according to the consumer situation, and we already have this in place. However we disagree with proposals to end minimum repayment rates as this would be counterintuitive to supporting customers out of debt. Debt repayment holidays could be an alternative Ofgem could consider.</p>
<b>3</b>	<b>Do you have any evidence that suggests that we should be considering additional and/or different rules beyond what we have proposed?</b>
	<p>As described in the opening section, we believe Ofgem should review best practice in the industry because many suppliers are already taking positive proactive steps to improve customer service ahead of winter. We think a more coordinated approach with the industry to improve ease of contact could achieve better results than a prescriptive rules-based approach to keep call centres open overnight. We also suggest Ofgem considers whether the EUK Vulnerability Commitment could be strengthened to achieve improved outcomes for consumers.</p> <p>As per response to Q2, we disagree with proposals to end minimum repayment rates as this would be counterintuitive to supporting customers out of debt. Debt repayment holidays could be an alternative Ofgem could consider.</p>
<b>4</b>	<b>Do you agree with our proposed approach of introducing reputational incentives in our priority areas?</b>
	Given this information already exists for consumers to access, we do not have any objections to it being linked directly on our website.
<b>5</b>	<b>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.</b>
	We aren't against focused, targeted, clear RFIs; we acknowledge that Ofgem needs to collect data as part of their duties but Ofgem must ensure data collection is not repetitive or overly burdensome on suppliers. We urge Ofgem to communicate better with its various departments to ensure it isn't repeating requests for data that already exist. Ofgem should also be mindful of the increasing cost to suppliers in complying with RFIs and reporting requests.

6	<p><b>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.</b></p>
	<p>As above, where data requests are clear and targeted, we are happy to provide the requested information. However, when the data requests are ambiguous or request data that we do not hold, it can be challenging to comply in a useful and timely manner. We urge Ofgem to work with suppliers in advance of requesting data to ensure it exists in their systems in a format that can be extracted usefully for Ofgem's purposes. Similarly, we urge Ofgem to avoid repeated requests and to avoid clustering requests as the same teams will be responding to each request simultaneously.</p>
7	<p><b>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?</b></p>
	<p>We disagree with how Ofgem has applied its determining factors to current market conditions.</p> <p>As set out in our opening section, it is not clear that the market conditions upon which the proposals on contact ease are based warrant the need for a rule-based approach. In section 3.16, Ofgem explains that its proposed approach is <i>'using mandatory standards for specific, targeted areas where consumer harm is identified'</i>. The outcome of the research that Ofgem points to does not indicate that call centre opening hours, the lack of availability of a free phone number, or the location of a free phone number are causing customer harm. We do not see where Ofgem has identified a link between the research and the proposed changes to justify the need for <i>'mandatory standards or specific, targeted areas of consumer harm'</i>.</p> <p>Instead, these market considerations appear to sit more appropriately in the category: <i>'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.'</i><sup>7</sup> Opting for a prescriptive mandatory rule in this case would appear to be reactive and out of sync not only with Ofgem's commitment to move towards more principle-based regulations, but also with its own logic around when to introduce prescriptive rules.</p>
8	<p><b>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.</b></p>
	<p>This appears to be very early thinking from Ofgem and some of the proposals represent a huge shift in how it manages compliance currently. We would welcome more engagement on these proposals to be able to consider their merits above and beyond the tools that are already in use. For example, in terms of reputational issues the Supplier Performance Reports already exist (in addition to other customer service performance surveys) and in terms of financial penalties, the risk of enforcement action is already severe and represents a constant consideration for suppliers; thus we are unclear of the evidence base for new more complicated financial penalty options.</p>

<sup>7</sup>[Consultation on framework for consumer standards and policy options to address priority customer service issues](#), Page 54, section 3.16