

Jemma Baker
10 South Colonnade,
Canary Wharf,
London,
E14 4PU.

Email: RetailStakeholderTeam@ofgem.gov.uk

Date: 23rd August 2023

“Consumer standards statutory consultation” – So Energy Response

Dear Jemma,

So Energy is a leading energy supplier providing great value 100% renewable electricity to homes across England, Wales and Scotland. We have consistently been recognised by our customers and the wider industry for our outstanding customer service since we were founded in 2015, including being a Which? Recommended Provider and have topped the Citizens Advice’s Supplier League Table. So Energy is one of the early adopters of the EUK Vulnerability Commitment launched in 2020, helping create a better customer experience for vulnerable customers year on year. In August 2021, So Energy merged with ESB Energy, and our combined business now supplies over 300,000 domestic customers. As one of the last challenger suppliers left in the market and one that is backed by ESB’s resources and expertise, So Energy is able to provide a unique view of the quality of service in today’s energy market.

We welcome the opportunity to respond to this consultation. We would like to draw your attention to the following key points of our response:

1. The proposals set out in this consultation demand an impact assessment. The additional costs faced by some suppliers appear much greater than Ofgem’s estimates and there is evidence to suggest that these higher costs will be borne disproportionately by smaller suppliers and new entrants, creating substantive barriers to entry and expansion in the energy retail market. Previous impact assessments related to regulations that ‘already exist’ do not appear to capture the requirements set out in this consultation. The expectations set out here in terms of outcomes and cost represent a step change when compared to what impact assessed when these rules were originally introduced.
2. Many of the proposals set out in this package interplay with one and other such that the cost to serve increases significantly. Ofgem can achieve similar outcomes for consumers while reducing costs by making the following changes:
 - a. Replace the out of hours metering faults requirement with a standardised questionnaire for DNOs to capture meter fault information and an SLA on suppliers following up to contact the customer first thing the next morning.
 - b. Remove the firm expectation that a supplier must provide 17 additional opening hours in order to be more contactable for customers who work 09:00 to 17:00 Monday to Friday. Allow at least 4 months from when the decision is made on extended hours to stand up new teams in order to deliver extended opening hours.
 - c. Tie the requirement to provide a free enquiry service to specific debt journeys, which is similar to existing Vulnerability Commitment expectations.
 - d. Provide suppliers with the tools to deliver a 3-minute call wait time across a range of contact volatility by incorporating this expectation into the separate price cap operational cost review. Manage supplier performance with existing enforcement powers in the interim.
 - e. Provide a defined list of customer representatives that may ‘skip the queue’ for the purpose of obtaining immediate assistance. Without such a list, the requirement is essentially unworkable.
 - f. Avoid duplication and confusion by tying reputational incentives to the existing

Citizens Advice rating.

We provide answers to each of the consultation questions below. Separately, we have provided information on the cost of implementing these proposals. We would be more than happy to discuss any of our response bilaterally – please don't hesitate to get in touch.

Question 1: Do you have any comments or questions on our proposed licence changes to improve supplier contact ease?

Question 2: Do you have any comments or views on our proposed contact ease guidance document? We would welcome evidence of ways in which suppliers are already delivering best practice.

So Energy does not agree with the majority of proposals within this consultation. We expect proposals of this magnitude to have followed an impact assessment, considering the adverse effects the proposals could have on competition. Due to the way in which Ofgem have drafted the licence changes and guidance we cannot discuss one without the other. The drafting of the licence conditions leaves too much room for interpretation and the prescriptive nature of the guidance illustrates a significant problem – that changes to the guidance could be made in the future (such as when the decision is issued) that are extremely costly and impactful but will not be subjected to a proper consultation or impact assessment. We view the purpose of the guidance document is to further elaborate on the problem statement each licence condition is trying to solve, so suppliers can better address the issues stated by Ofgem. Instead, the problem statements are vague and supporting evidence flawed. We have covered each 'contact ease' proposal below and pointed out our concerns with the drafting and projected costs. We also provide insight to current processes and offer suggestions on next steps.

Free Enquiry Services

Ofgem has worded the 'free enquiry service' proposal and the 'identify and prioritise vulnerable customers' proposal in such a way that, in practice, suppliers will have to offer freephone to everyone. When the 'freephone number' licence conditions and guidance are considered in concurrence with the licence conditions and guidance to 'identify and prioritise vulnerable customers', it is difficult to see a method of complying with the regulations unless we provide freephone to all customers.

For example, the licence drafting for 31.G.3C says "When providing the enquiry service the licensee must implement appropriate processes to identify and provide the enquiry service free of charge to Domestic Customers in Vulnerable Situations"¹. Taken in isolation, suppliers could discharge their obligation by deploying the freephone number for defined customer journeys associated with vulnerability, such as payment difficulty. However, in the guidance, Ofgem go on to say "We know that many Customers in Vulnerable Situations do not self-identify as being 'vulnerable'. We would therefore expect suppliers to design any services targeted specifically at Domestic Customers in Vulnerable Situations to focus more on a customer's characteristics or circumstances"². In other words, the free enquiry service for vulnerable customers must be available to customers who could potentially be vulnerable but have not disclosed that information to us. Due to the nature of vulnerability, people can become vulnerable at any given time, it can be personal, and it is something that people do

¹ Consumer Standard Statutory Consultation, Ofgem, 2023, P.79, <https://www.ofgem.gov.uk/publications/consumer-standards-statutory-consultation>

² Consumer Standard Statutory Consultation, Ofgem, 2023, P.95, <https://www.ofgem.gov.uk/publications/consumer-standards-statutory-consultation>

not always wish to disclose. to the guidance in effect places an expectation on suppliers to offer the free enquiry service to all customers.

Ofgem have stated that the free enquiry service should consist of a freephone number. Offering a freephone number for the entire customer base increases suppliers' cost to serve. According to Henley Research, people prefer calling freephone numbers with 65% of customers sharing that they were more likely to call when it's free of charge³. Therefore, we expect the guidance on this licence proposal to increase call volume while at the same time Ofgem is expecting suppliers to hold a 3-minute call wait time. Phone is the most difficult contact channel to resource as expectations on answer/response times are most challenging. Suppliers need to staff to meet peak call volumes. Therefore, we anticipate that there will be an increase to the cost to serve due to the supply of a freephone number to all customers. Without an appropriate price cap adjustment, the impact of this proposal could have serious implications on suppliers' financial stability and is therefore an "important"⁴ proposal requiring a full impact assessment.

Opening Hours for All

Ofgem's drafting is not clear and has left the supplier community confused. 31G.3A reads:

"(a) Offer a range of contact methods that meet the needs of the licensee's Domestic Customers, including those of its Domestic Customers in Vulnerable Situations;
(b) Be available to receive enquiries and offer assistance, guidance, or advice at times that meet the needs of Domestic Customers, including those of Domestic Customers in Vulnerable Situations; and
(c) Be available 24 hours every day to receive enquiries from, and offer assistance, guidance, or advice to, Domestic Customers who are experiencing an interruption in supply of electricity in circumstances where the interruption in supply is such that it is the licensee's responsibility to resolve it."⁵

In the guidance, Ofgem go on to say "we would expect a supplier to be able to justify and explain how their enquiry service opening hours meet customers' needs if a licensee is:

- Open, via a range of contact methods that meet customers' needs, less than: o 2 hours a day outside 09:00-17:00 Monday - Friday.
- 7 hours in total over the weekend; or
- Open, via a range of contact methods that meet customers' needs, significantly less than the enquiry services of other licensees."⁶

Please note that So Energy read the licence drafting to mean suppliers must open 10 hours a day during weekdays *and* a further 7 hours over the weekend because "many customers work between 09:00-17:00 during Monday to Friday"⁷. Ofgem states that threshold for extended hours was "based on the bottom 20th percentile values of hours offered by the suppliers included in the analysis, beyond the eight hours of 09:00-17:00 during the week and any hours on the weekend, through any contact method."⁸ This presents several problems:

³ Henley Business School - <https://www.henley.ac.uk/research/research-centres/the-henley-centre-for-customer-management>

⁴ Impact Assessment Guidance, Ofgem, 2020, P.2, <https://www.ofgem.gov.uk/publications/impact-assessment-guidance>

⁵ Consumer Standard Statutory Consultation, Ofgem, 2023, P.79, <https://www.ofgem.gov.uk/publications/consumer-standards-statutory-consultation>

⁶ Consumer Standard Statutory Consultation, Ofgem, 2023, P.87-88, <https://www.ofgem.gov.uk/publications/consumer-standards-statutory-consultation>

⁷ Consumer Standard Statutory Consultation, Ofgem, 2023, P.87, <https://www.ofgem.gov.uk/publications/consumer-standards-statutory-consultation>

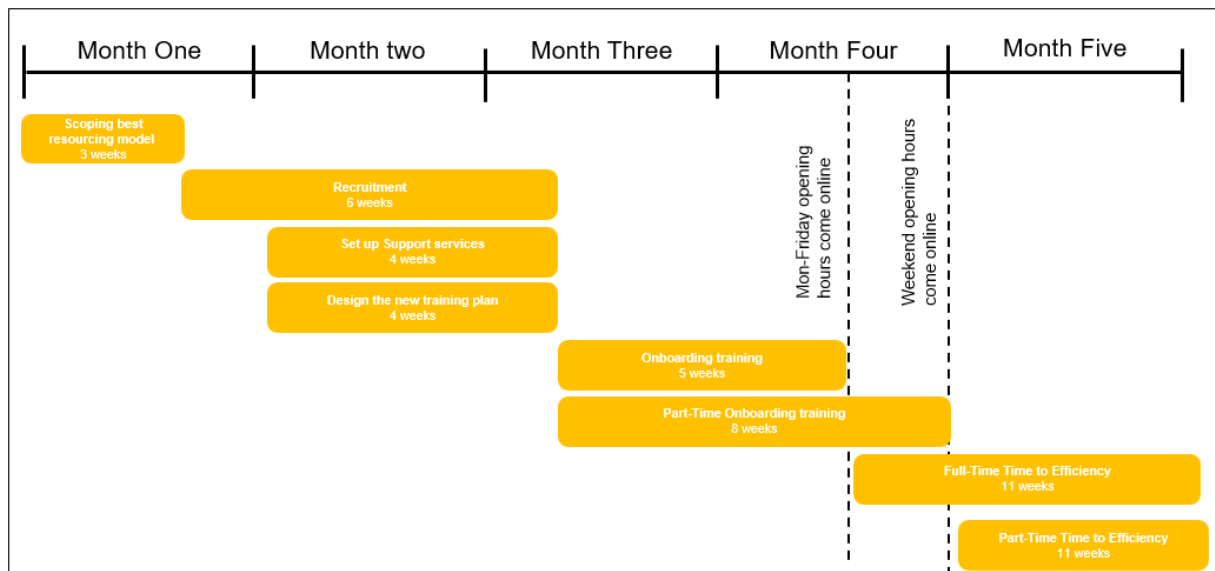
⁸ Consumer Standard Statutory Consultation, Ofgem, 2023, P.88, <https://www.ofgem.gov.uk/publications/consumer-standards-statutory-consultation>

1. We cannot find a consumer needs analysis related to opening hours referred to in footnotes 104 to 107 in the consultation document, beyond the statement that “many customers work between 09:00-17:00 during Monday to Friday”.
2. The wording of the analysis implies that any supplier that offered hours 09:00-17:00 hours was excluded from the percentile analysis. It ignores the possibility that customers have factored in opening hours in the decision to choose and remain with their supplier. If a large proportion of the market is served by suppliers offering 09:00-17:00, that implies that for a large proportion of customers, 09:00-17:00 meets their needs.
3. The analysis is based on “through any contact method” but Ofgem had made clear their expectation that multiple contact methods be available through extended hours. It is not a like for like comparison and opening further contact channels has cost implications.
4. The analysis doesn’t make clear why, from a consumer needs perspective, 17 additional opening hours are needed to meet the needs of customers that work 09:00-17:00.

In other words, it’s unclear where Ofgem’s expectations on opening hours are derived from – the analysis appears to be missing and what is presented appears to be deeply flawed and incomplete. Ofgem should reconsider their expectations around opening hours and the rationale underpinning those expectations.

In addition, Ofgem have not fully understood the cost of operationalising these proposals. So Energy have conducted a cost analysis based on suppliers having to do an additional 2 hours each weekday and 7 hours on the weekend, which shows a far greater implementation cost than the £3.66 estimate in Ofgem’s consultation, using a weighted average approach. We expect that part of this difference is due to how the various components combine to increase cost – for example, the requirement to be open across multiple channels leads to additional IT support staff costs.

Finally, So Energy does not agree with Ofgem’s proposed timescales for implementation but appreciates that Ofgem has provided an opportunity to provide input and evidence. ‘Opening hours for all’ presents several obstacles to most suppliers current operating models – some suppliers may offer elements of Ofgem’s expectations but too our knowledge no supplier is currently offering this combination of hours, contact channels and call wait time performance. A substantial proportion of the market offers 9-5 and for these suppliers, extending hours to meet Ofgem’s requirements will be challenging as it may involve renegotiation of employment contracts, engaging with outsource providers or directly employing new teams of workers. The timeline below represents the length of time needed to recruit new teams of workers to cover the additional hours. Note we do not consider the alternative approaches to have considerably shorter implementation timelines, for example, savings on recruitment timelines from using an outsource provider are offset by the requirement to negotiate with and procure the outsource provider in the first place:



4 months marks the point that an advisor will take up their role and be in the position to answer queries but an additional 2/3 months is needed before the advisor is expected to be fully proficient and productive.

24/7 Enquiry Services for Customers Without Supply Due to Supplier Issues

The costs of providing this service are disproportionately more expensive for smaller supplier and new entrants. The combination of the requirement to provide multiple contact channels (necessitating IT support) and a 3-minute call wait time necessitate a minimum level of hourly resourcing and support, due to the very small anticipated volumes of meter-fault related contacts, it will cost a small or new supplier the same amount to provide this service as an incumbent supplier that has 20x more customers. That means the cost per customer is 20x lower for the incumbent supplier on a per-customer basis.

Data from the REC R0053 modification working group estimates that for a supplier of So Energy's size, it could expect to receive circa 175 out of hours meter fault calls per year. **So Energy estimates the cost of providing this service to be approximately £5,000 per call.**

Therefore, it is essential that Ofgem carry out a distributional analysis of the cost incurred as part of a full impact assessment in order to ensure that a sufficient price cap allowance is provided to address the issue of barriers to entry and expansion into the retail market. Ofgem's suggested price cap allowance of £3.66 per customer is clearly not sufficient to allow smaller suppliers to meet their costs. It is "important"⁹ that Ofgem do a thorough impact assessment on proposals impact our operating hours.

So Energy has concerns about the customer experience under the new 24/7 enquiry service proposal. Ofgem's current proposals means nineteen plus numbers for emergency situations for active switching customers in addition to the existing 105 emergency number. Ofgem's proposed approach will increase confusion amongst customers as to when to call 105 verses their suppliers out of hours number. It is far more likely that a power cut is due to a DNO issue than a faulty meter¹⁰. Ofgem's proposal increases the likelihood of customers dialling the wrong number and having a bad experience. We cannot expect the customer to differentiate between the 105 number the supplier number. This requires a certain degree of fundamental knowledge of how energy is supplied to homes and whether it is a meter or a

⁹ Impact Assessment Guidance, Ofgem, 2020, P.2, <https://www.ofgem.gov.uk/publications/impact-assessment-guidance>

¹⁰ A review of Ofgem's Energy Network Indicators indicates that 28-50% of customers experience a DNO interruption per year. On the other hand, data from the R0053 modification indicates that 0.1% of customers experience an out of hours meter fault.

network issue. This is not knowledge commonly instilled in the British public. It is akin to 999 being split out into separate numbers for heart attacks, strokes and brain aneurysms and expecting the caller to know which one to dial.

With this in mind, it makes sense why the DNO has kept its messaging clear to electricity consumers. The DNO's message is simple, if the power is out or if you are confused about having no power, then call 105. We believe DNOs arrived at this messaging because anything more than this would be too confusing for customers. This is evident in a few of the DNO's publicity campaigns:

- Scottish Power Energy Networks – [Power is out? – It doesn't matter who you pay your bill to.](#)
- Energy Networks Association - [The consumers in a power cut are often left 'unsure' of what to do.](#)
- Western Power Distribution - [Power for life English TV advert 105 - YouTube](#)

In these videos the DNO tells the consumer that 105 is the right number to call if your 'power is out' regardless of 'who you pay your bill to'. This approach ensures vulnerable customers are accounted for instead of getting into the specifics of whether it is the DNO or the supplier responsible. If the objective of this proposal is to allow customers to contact someone responsible and receive reassurance that their issue will be resolved, then leveraging the existing capability provided by DNOs is the most common sense and cost-effective approach. As a supplier we would be open to having a standardised questionnaire that network operators would complete with the customer and send back to suppliers to action. This would allow DNOs to assure customers that their issue will be picked up first thing in the morning. As a way of providing reassurance, suppliers could be made subject to an SLA to attempt to contact the customer by a certain time.

This alternative approach:

- resolves the issue of creating barriers to entry and expansion by requiring small and large suppliers to incur similar costs offering out of hours capabilities;
- provides customers with a single number to call for off supply issues; and
- provides reassurance to customers that if the root cause of their issue is likely a faulty meter, that it will be addressed within a specific timescale.

Identify and Prioritise Customers in Vulnerable Situations

So Energy does not know how to operationalise Ofgem proposals on identifying and prioritising Customers in Vulnerable Situations.

We could make some changes to our IVR which of course does have an associated cost and lead time. However, once that capability is in place it will be difficult to choose proxies for vulnerability and pressing need that do not make the IVR very complicated, prone to gaming by the unscrupulous or that will prioritise the wrong person due to difficulties in setting the correct criteria.

We are more unsure of how to manage the third-party representatives in line with the licence drafting. There are over 166,000¹¹ registered charities in the UK, any of which could conceivably call So Energy on behalf of a customer. However, the drafting does not limit itself to charities. Any representatives such as energy brokers would qualify, so long as they're acting in the interest of their customers (noting that what matters qualify as requiring immediate assistance is a matter for debate).

¹¹ How Charities Work, <https://howcharitieswork.com/about-charities/how-many-charities/#:~:text=There%20are%20about%20166%2C000%20charities.of%20just%20under%20%C2%A348bn.&text=4%2C000%20in%20Northern%20Ireland.>

In conclusion, there is a substantial risk that each supplier will operationalise this proposal in a very different way, choosing different representatives for prioritisation, leading to inconsistencies in the experience of representatives. Feedback from the workshops Ofgem has organised has indicated that frustration among representatives has stemmed from long call wait times. Ofgem could potentially resolve this issue by curating an authorised list of representatives. However, if Ofgem were to have difficulty doing this, then it must understand that suppliers will face identical difficulties. Alternatively, the requirement to meet a 3-minute wait time across a range of contact volumes, provided adequate funding is provided to meet that objective, should greatly reduce that frustration. In that context, the proposal does not bring sufficient consumer benefit for the level of complexity and implementation challenges it presents.

Different methods of contact

Ofgem have not considered how expensive this requirement is when applied to out of hours operations. As stipulated in the guidance, that's at least one non-digital (phoneline), one digital (webchat) and any other method appropriate for customers with special communication needs. Because we need multiple contact methods available we must provide out of hours IT support should anything go wrong with those communication channels, which drives up the cost. This is without any cost analysis of providing multiple language support, which has been suggested as an additional capability in workshops. It is "important"¹² that Ofgem do a thorough impact assessment on how these proposals interact with existing other proposals.

Contacting Suppliers and Getting Timely and Appropriate Response

For an expectation of a 3-minute call wait time to be met, operational allowances must keep track with the level of volatility in customer contact. However, the operational allowance still has not been updated, despite dramatic rises in price, the number of customers subject to the price cap and the move to a quarterly cap. In Ofgem's 'Price cap: call for Input on the Operating Cost Allowances Review' it says "The intention of the operating cost allowances review is to consider whether changes to the allowances are appropriate, and if the allowances still reflect the efficient costs a notional efficient supplier may incur"¹³. "where future changes potentially increase costs for suppliers, we intend to consider whether these costs are incremental to the efficiently incurred benchmark and whether they are offset by any benefits"¹⁴ Given the intent of the call for input, Ofgem should wait for the Opex review to conclude before raising the expectation that a 3-minute call wait time can be maintained at any level of contact volume. Only then can a clear and accurate picture of what call wait times performance could be under the current allowance and how much more funding is needed to get achieve 3 minutes when contact volumes are especially high.

Question 3: Do you have any comment or questions on our proposed licence changes to better support customers struggling with their bills?

At Earliest Opportunity, Proactively Contact, Identify and Provide Support to Customers that are Struggling with their Bills

Ofgem have not put in a 'reasonable steps' requirement in the licence draft for establishing contact with the customer which will drive up costs. This means we can't make a judgment call on what is reasonable for each case. In the licence drafting says:

¹² Impact Assessment Guidance, Ofgem, 2020, P.2, <https://www.ofgem.gov.uk/publications/impact-assessment-guidance>

¹³ Price cap: call for Input on the Operating Cost Allowances Review, Ofgem, P. 6-7. <https://www.ofgem.gov.uk/publications/price-cap-call-input-operating-cost-allowances-review>

¹⁴ Price cap: call for Input on the Operating Cost Allowances Review, Ofgem, P.16. <https://www.ofgem.gov.uk/publications/price-cap-call-input-operating-cost-allowances-review>

“27.5 Subject to 27.5A, the licensee must offer each of the services set out in paragraph

27.6 when it becomes aware or has reason to believe that a Domestic Customer is having or will have difficulty paying all or part of the Charges.

27.5B In complying with 27.5 the licensee must make proactive contact with Domestic Customers at the earliest opportunity to identify whether a customer is in payment difficulty, by contacting the Domestic Customer no later than after:

- (a) two missed monthly scheduled payments; or
- (b) one missed quarterly scheduled payment; or
- (c) a customer has informed the licensee that they are unable to make the next scheduled payment.

27.8A For the purposes of ascertaining a Domestic Customer’s ability to pay as set out

in paragraph 27.8, the licensee must give due consideration to:

- (a) Having appropriate credit management policies and guidelines, which includes:
 - (i) Allowing for customers to be dealt with on a case-by-case basis; and
 - (ii) Linking staff incentives to successful customer outcomes not the value of repayment rates.
- (b) Making proactive contact with customers, which includes:
 - (i) Making early contact to identify whether a customer is in payment difficulty as set out in 27.5B;
 - (ii) Regularly reviewing methods of proactive contact to ensure they meet the needs of customers, in particular in circumstances where the licensee has not made successful contact with the customer;
 - (iii) Using every contact as an opportunity to gain more information about the customer’s ability to pay when the licensee becomes aware or has reason to believe the customer is having or will have payment difficulty; and
 - (iv) Making customers aware of debt advice services when they raise concerns about their ongoing ability to pay, in accordance with Supply Licence Condition 31G.”¹⁵

The current drafting requires suppliers add continually add additional steps and cost to their contact process, even if the likelihood of each additional step is very low. Beyond the cost of the additional steps themselves, it the obligation to continually review the contact process will require significant resourcing and use of analytical tools. Suppliers should be allowed to use their discretion so that steps that have a low likelihood of success can be avoided on the basis that they’re unreasonable. However, the current drafting does not consider this factor and will inevitably lead to significant costs driven by multiple site visits. By including the term “all reasonable steps”, Ofgem would allow suppliers to meet the proposal’s objective while keeping costs under control.

Question 4: Do you have any comments or questions on our proposed licence changes to require suppliers to publish information on their customer service performance, as

¹⁵ Consumer Standard Statutory Consultation, Ofgem, 2023, P.75-76,
<https://www.ofgem.gov.uk/publications/consumer-standards-statutory-consultation>

measured by Citizens Advice?

Reputational incentives

So Energy does not agree with Ofgem's proposal to implement an additional public facing measure of customer experience. Ofgem will likely confuse customers as to which measure to rely on: Citizens Advice's existing league table or Ofgem's new performance report. Citizens Advice is a trusted consumer body which has established a league table that is widely used by customers and third-party representatives. Ofgem is not a consumer-facing organisation and does not have the same level of trust within the public eye. We would like to know what benefit a Ofgem-led measure of customer experience would bring to consumers that the Citizens League table does not and if there is disparity, why Ofgem did not work with Citizen Advice to include it in the recent and new draft of the league table. If Ofgem feel the Citizens Advice league table is incomplete, we recommend Ofgem work with Citizens Advice to enhance the league table so that there is one reliable source for customers to depend. We think this is the best experience for the customer.

Question 5: Could you provide any further, detailed evidence on the potential costs and benefits of our revised proposals?

So Energy are very concerned by Ofgem's lack of willingness to conduct an impact assessment on the current proposals. Our cost analysis suggests that if these proposals are not covered by the cap allowance, small and new entrant suppliers will incur disproportionately large costs compared to incumbent suppliers. Therefore, it constitutes a barrier to entry and expansion. In the statutory consultation Ofgem state "Our guidance on impact assessments sets out the reasons why a proposal may be considered to be important for the purpose of section 5A. In line with that guidance, in order for a proposal to be considered important it needs to have a significant impact on suppliers. We consider that the consumer standards framework proposals and policy options to address priority customer service issues do not meet the definition of 'important' as set out in section 5A or our guidance"¹⁶ However, So Energy view the proposals differently and find that the policy options and proposals do meet the definition of 'important'. According to the Ofgem Impact Assessment guidance, interventions that significantly impact 'competition in British markets' and 'gas and electricity prices' are examples of importance under SLC 5A¹⁷. So Energy sets out evidence below that show that Ofgem's proposals lead to a large increase in the cost to serve and indicate that the distribution of these costs lead to a situation whereby a single price cap allowance will either create significant barriers to entry and expansion in the market or increases in energy prices.

Extended Hours & 24/7 Enquiry Service

It's unclear where Ofgem's expectations on opening hours are derived from – analysis appears to be missing and what is presented appears to be deeply flawed and incomplete. Ofgem should reconsider their expectations around opening hours and the rationale underpinning those expectations.

Ofgem have not fully understood the cost of operationalising these proposals. So Energy have conducted a cost analysis based on suppliers having to do an additional 2 hours each weekday and 7 hours on the weekend, which shows a far greater implementation cost than is estimated in Ofgem's consultation, using a weighted average approach. Using a weighted average has created an unfair advantage on the larger incumbent supplier. Suppliers are not

¹⁶ Consumer Standard Statutory Consultation, Ofgem, 2023, P.6, <https://www.ofgem.gov.uk/publications/consumer-standards-statutory-consultation>

¹⁷ Ofgem Impact Assessment Guidance, 2020, P11. <https://www.ofgem.gov.uk/publications/impact-assessment-guidance>

identical in customer type or portfolio size, the bigger suppliers draw the weighted average down leaving the small supplier financially exposed. As a result, Ofgem's £3.66 cost per customer per year is not representative of the real-world cost for smaller suppliers¹⁸ or new entrants. When assessing the proposals and potential costs we included:

- New policy areas:
 - Freephone to all customers – see our feedback above on the current drafting of the licence conditions and guidance on freephone availability.
 - Additional 2 hours on each weekday and 7 hours on the weekend.
 - Out of hours support via different contact methods
- Standard requirements:
 - Frontline customer service staff
 - IT support staff to support multiple contact methods
 - Additional staff to support staff working unsocial hours and increased overall staffing:
 - Learning & Development Personnel
 - HR Personnel
 - Talent Personnel
 - Payments Personnel

All in all the costs were far beyond the figure Ofgem provided. Ofgem should review each customer's own cost analysis in conjunction with the Opex RFI via the weighted average method. However, Ofgem will need to check the weighted average through a distributional analysis to ensure the cost implications are fully accounted for and do not create an unintentional barrier to market entry.

When tabulating costs, the analysis made clear that the 24/7 enquiry service was particularly costly for smaller suppliers. The combination of the requirement to provide multiple contact channels (necessitating IT support) and a 3 minute call wait time necessitate a minimum level of hourly resourcing and support. Due to the very small anticipated volumes of meter-fault related contacts, it will cost a small or new supplier the same amount to provide this service as an incumbent supplier that has 20x more customers. That means the cost per customer is 20x lower for the incumbent supplier on a per-customer basis.

Data from the REC R0053 modification working group estimates that for a supplier of So Energy's size, it could expect to receive circa 175 out of hours meter fault calls per year. **So Energy estimates the cost of providing this service to be approximately £5,000 per call.**

Therefore, it is essential that Ofgem carry out a distributional analysis of the cost incurred as part of a full impact assessment in order to ensure that a sufficient price cap allowance is provided to address the issue of barriers to entry and expansion into the retail market.

Smaller supplier will not be able to meet these costs of £5,000 per call. It is "important"¹⁹ that Ofgem do a thorough impact assessment on proposals impact our operating hours.

Different methods of contact

Ofgem have not considered how expensive this requirement is when applied to out of hours operations. As stipulated in the guidance, that's at least one non-digital (phoneline), one digital (webchat) and any other method appropriate for customers with special communication needs. Because we need multiple contact methods available we must provide out of hours IT support should anything go wrong with those communication channels, which

¹⁸ Who do not specialise as prepayment providers but instead serve the broader non-prepayment market.

¹⁹ Impact Assessment Guidance, Ofgem, 2020, P.2, <https://www.ofgem.gov.uk/publications/impact-assessment-guidance>

drives up the cost. Out of hours IT support is a contributing factor to the £5,000 per call estimate, set out above.

This is without any cost analysis of providing multiple language support, which has been suggested as an additional capability in workshops. It is “important”²⁰ that Ofgem do a thorough impact assessment on how these proposals interact with existing other proposals.

General

If Ofgem move forward with these proposals smaller suppliers and new entrants will struggle to operate in the energy market and there will be a tangible barrier to entry. If new suppliers cease to enter the market and smaller suppliers are unable to make a profit, we will never see a return to effective competition. Furthermore, we have reviewed previous impact assessments around customer contact dating back to the introduction of Standards of Conduct. We cannot find any evidence that the expectations set out in this consultation, such as a 3-minute call wait time regardless of the level of volatility in customer contact, were considered when the relevant licence conditions were subjected to an impact assessment. What is characterised by Ofgem as interpretation of existing licence conditions represents a step change in expectations of suppliers. Therefore, an impact assessment is needed.

So Energy concerned with the reliance on consumer research from 33 recipients to underpin decisions that will cost consumers hundreds of millions of pounds. Associated with this, the limited time allowed to respond to this consultation, including the provision of cost data may lead to a flawed outcome that does not ultimately work in the interests of present and future consumers.

In summary, costs are far beyond the figure Ofgem provided for smaller and new suppliers. Ofgem should review each customer’s own cost analysis in conjunction with the Opex RFI via the weighted average method. However, Ofgem will need to check the weighted average through a distributional analysis to ensure the cost implications are fully accounted for and do not create an unintentional barrier to market entry.

Introducing new licence conditions that have a very broad distribution of costings between large incumbents and small suppliers/new entrants is very problematic in the context of the price cap. A single allowance must be provided Either a sufficient allowance is provided for new entrants, which risks providing more money to incumbents than is needed or not enough of an allowance is provided, which creates barriers to entry. The more material the overall cost, the more impactful the overfunding/barrier to entry issue. The solution to this problem is to craft regulations with a smaller distribution of costings. With this in mind, we have made a series of suggestions that lower the cost distribution and the overall cost of the proposals.

Question 6: Could you provide detailed evidence or information on the proposed timescales for implementation of our revised proposals?

We have expressed our concerns with the timescales throughout the response but have also provided Ofgem with some additional documentation that help demonstrate the time needed to operationalise these proposals.

In short, standing up entirely new teams to deliver new capabilities will take 4-5 months. Given the lack of certainty over the new requirements and their funding, we are not in the position to commence recruitment or procurement of additional outsource capability at this time. In addition, it is currently unclear exactly how long it may take to overhaul our IVR in order to comply with the new call triaging requirements, but it will likely entail several months

²⁰ Impact Assessment Guidance, Ofgem, 2020, P.2, <https://www.ofgem.gov.uk/publications/impact-assessment-guidance>

development work, testing and operationalisation.

Yours Sincerely,

Joshua Field
Regulation Manager

