

23/08/2023

Dear Jemma,

Good Energy's response to the Consumer Standards Statutory Consultation

Thank you for the invitation to respond to this consultation. Good Energy supplies 100% renewable electricity and carbon-neutral gas to homes and businesses across the UK. Good Energy is working towards a renewable future, helping to support technologies including wind, solar, biofuel and tidal. Our purpose is to power the choice of a cleaner, greener future together.

Summary

- Good Energy supports efforts across the industry to improve consumer standards.
- An impact assessment and more robust evidence based on supplier specific data is required before implementing the ease of contact proposals to ensure actual needs of customers are being met. These changes are material and complex which disproportionately impact smaller suppliers.
- Proceeding at pace, without due consideration of the true costs suppliers will face, risks creating unintended consequences for the retail market. Ofgem should reflect on how these proposals may inadvertently discourage innovation.
- A phased approach to implementation is necessary, with an extended implementation period for the ease of contact proposals required. The material nature of the changes, in addition to the lack of clarity on Ofgem's expectations makes an eight-week implementation unachievable.
- Barring some final clarifications from Ofgem, the proposals relating to customers struggling with their bills and reputational incentives can be achievable for implementation in December, but these changes should be based on supplier evidence.
- All of the ease of contact proposals have unresolved queries and clarifications, which poses serious challenges for preparation and planning. Ofgem needs to provide urgent clarity following feedback from stakeholders, along with a more reasonable implementation period.
- Clarification is also required on the proposed guidance document. The current drafting could be interpreted as the introduction of minimum standards, which we do not believe is the original intent.



Introduction and general reflections

Firstly, we would like to welcome the opportunity given to all stakeholders to take part in the previous workshops.

Good Energy supports efforts across the industry to improve consumer standards. As a supplier who has recently achieved a 5-star 'excellent' rating on Trustpilot¹, we care deeply and work tirelessly to improve consumer outcomes. We remain committed to working with Ofgem, Government and other stakeholders on measures to support consumers through an extremely challenging affordability crisis.

Nonetheless, we still maintain deep reservations about specific proposals as part of this consultation and the potential unintended consequences this could leave on the energy retail market.

We will address the specific proposals and concerns in turn, but as a wider reflection to start, we are concerned with the limited evidence base that is being used to justify these proposals, which in some cases will present material changes or costs for suppliers and create change that don't represent the best interests or needs of our customers.

In a recently published call for input², Ofgem has begun a separate piece of work on the development of a competition framework – one of the key recommendations from the 2022 Oxera report on the same subject.³ Promoting the right balance between competition and regulation is central for a healthy functioning retail market.

Yet, the move to more minimum standards, underpinned by a limited evidence base, risks inadvertently discouraging innovation and may also pose additional barriers for new entrants' ability to enter the market.

We understand that Ofgem is moving at pace and intends to publish a decision in October, with a view to these changes coming into effect from December this year. Our ask is that Ofgem reflects carefully on the stakeholder feedback and concerns with this implementation timeline.

A more pragmatic solution would be to take a phased approach, allowing for the ease of contact proposals to have an extended implementation time to account for the complex and material changes they pose to suppliers.

Finally, in this intervening period before a decision is published, Ofgem should reflect carefully on other related developments, both within Ofgem and Government. This includes but is not limited to the

¹ <https://uk.trustpilot.com/review/www.goodenergy.co.uk>

² <https://www.ofgem.gov.uk/publications/development-competition-framework-domestic-retail-market>

³ <https://www.ofgem.gov.uk/publications/review-of-gems-regulation-energy-supply-market>

government's call for evidence on unlocking innovation in the retail market⁴, Ofgem's call for input on a competition framework and a recent roundtable hosted by Ofgem on domestic debt – all of which have important interactions with these policy proposals – potentially preventing best outcomes in these other workstreams.

Evidence base

Given the materiality and fundamental changes to how suppliers will be expected to operate under these proposals, we would expect a robust and conclusive evidence base to justify these specific interventions.

In our view, we are yet to see this justification and are therefore concerned at the push to move forward quickly without appropriate consideration on the retail market.

We find it extremely problematic that the DNOs are yet to share the evidence with all stakeholders as part of the consultation process. If the evidence is showing substantial volumes as they suggest, this information should be made available. Without the transparency, it is impossible for suppliers to understand the issue described. If the DNOs are not forthcoming, Ofgem must request a formal RFI.

Turning to the impact assessment, it is particularly concerning that Ofgem considers that an impact assessment is not required as part of this workstream. We note that Ofgem addresses this in the consultation, with the reason being 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'*.

Our view is different. From our perspective, the changes proposed, as well as the policy context, meets the definition of 'important'. Taking Ofgem's initial estimates from the consultation (£3.66p/customer), this represents a ~£110m cost to the industry – but of course this figure could be even larger, as costs haven't been reliably collected from suppliers. These costs are also not isolated to just front-line staff – these proposals have wider cost implications such as IT & HR support.

It is concerning that one of the assertions for an impact assessment *not* being required relates to Ofgem's view that the proposed changes are either not new or don't present material new costs, or both.

First, these are new requirements, as represented by the new SLCs that have been drafted and the new minimum expectations in the draft guidance.

On the second point, there has been no consistent attempt to gather evidence on the costs suppliers will face from the introduction of these proposals. It becomes challenging to say that on the one hand

⁴ <https://www.gov.uk/government/consultations/towards-a-more-innovative-energy-retail-market-a-call-for-evidence>

the proposals don't represent significant material increases, when there hasn't first been an attempt to quantify the anticipated costs from all suppliers.

Finally, we welcome the publication of the consumer research alongside this consultation. This publication has however revealed an extremely limited research sample size, which is again concerning when used as justification for bringing in these measures.

Gaining views from just 33 participants is not sufficient and cannot possibly reflect the domestic consumer base across all suppliers. Ofgem should have conducted a data-led approach to properly understand consumer needs across diverse supplier bases. If this had been completed, we do not believe expectations, such as a minimum of 7 hours phone cover over the weekend would have been drafted as a requirement for all suppliers in the market.

For Good Energy, our customer insights highlight a need for frequent email support over mornings, evening and weekends, which we currently provide to our customers at an appropriate scale. Adding a market-wide expectation for all suppliers to offer phone cover is a problematic conclusion, as we do not feel Ofgem are considering how suppliers are already meeting the needs of consumers out of hours. We also understand that new entrants are coming to market with no advertised phone service at all.⁵

Before Ofgem considers bringing the material changes, further consumer research is required, along with full impact assessment.

Implementation and costs

We welcome the specific request from Ofgem on feedback for implementation timelines. We believe the reputational incentives proposals are achievable for this December and should the proposals for supporting and identifying consumers struggling with bills be based on a data led/automation-based approach, we believe these too can be achievable for December this year.

However, as others have also made clear in the supplier workshops, **we do not believe the ease of contact proposals are achievable for a December implementation in their current form.**

Ofgem should reflect carefully on feedback from stakeholders and seek a pragmatic solution to implementing the ease of contact proposals. They present complex, material and substantial changes to customer operation functions, including changes to employment contracts. An eight-week turnaround to deliver this is not sufficient and poses serious risks to successful implementation, particularly for smaller suppliers like Good Energy, where we pride ourselves on an in-house, UK based service and therefore do not benefit from economies of scale that others can achieve through outsourced support centres.

On costs, it is very difficult to put together estimates, since clarifications are still required on the specific proposals and accompanying guidance and DNOs are yet to share their evidence. To take one

⁵ <https://www.fuseenergy.com/>

example, we have begun gathering initial cost estimates from third parties for the 24/7 service. Using the potential estimates we have heard from DNOs (although they are still to share data with suppliers), we estimate that the additional cost to Good Energy per call is around ~£541 (we estimate at one per month).

Ofgem also needs to consider the possibility that suppliers may once again be administering government financial support schemes this winter. At the time of writing, this hasn't been confirmed but is of course a possibility pending a government decision. Factors like this should be given appropriate consideration prior to an Ofgem decision, due to the additional administrative burden this will place on operational teams.

Ease of contact

Extending opening hours

One of our biggest concerns relates to Ofgem's expectations in the guidance document that suppliers should be operating a minimum of 7 hours in total over the weekend. This marks a substantial shift since the previous consultation and represents significant cost implications plus challenges in attracting and retaining staff.

We note that this is in the guidance document. However, with the licence condition requiring suppliers to give due consideration to the guidance, this proposal could be interpreted as a prescriptive requirement, which we don't believe is the intention of the guidance document. Specifying conditions in the guidance has the impression that 'minimum standards' are effectively being written into the guidance.

Therefore, Ofgem needs to either provide clarity on the prescription in the guidance and if suppliers are to be subject to enforcement if open less than 7 hours across the weekend. Or if not, conduct a thorough impact assessment of the cost implications for suppliers operating extended hours across the weekend.

If mandated, we believe we could be looking at having to recruit at least five new full-time employees – but we cannot start that process until we have clarity on the expectations. Ultimately, these proposals risk staff leaving the sector at a hugely critical time as we enter another challenging winter, which is a deep concern.

Finally, further clarity is required on Ofgem's expectations regarding the provision of a phoneline for the extended hours. We note that the requirement should 'meet the needs' of consumers. Good Energy's consumers overwhelmingly prefer to contact us via email for instance and we'd therefore interpret that our contact methods during the extended hours can be tailored to our customers' needs and preferences, via email for instance. If our interpretation is wrong, we need Ofgem to clarify swiftly.

24/7 service for customers who have lost power or gas due to supplier issues



We welcome the updates on this proposal, notably that suppliers can provide or procure this service. Nevertheless, we have concerns about the intent and possible unintended consequences this introduction may cause. From our own evidence, our customers are not driving demand towards DNOs for supplier metering issues out of hours. It is mistaken to rush to implement a significant proposal like this, without serious reflection of the customer demand from all stakeholders – not just the DNOs (who still haven't made their evidence transparent).

As a smaller supplier, we are concerned about the evidence base that is used to justify this service. If we use the assumptions from the DNOs, Good Energy could feasibly be looking at potentially one call a month, or most likely less, out of hours. That represents an enormous cost for a potentially extremely limited scenario.

Ofgem should reflect carefully on rushing to implement this for this winter, not just for the immediate cost implications that smaller suppliers will disproportionately face, but the impact that this will also have on new entrants' ability to enter the market.

There also needs to be consideration of the unfair disadvantage this will present to smaller suppliers in the market, as larger suppliers will potentially be able to benefit from economies of scale and move quicker to implement a change like this.

We are also very concerned about the practicalities and then potential negative consumer experiences that could emerge. First, it is unfair and extremely challenging for a consumer to decipher whether a metering emergency is the responsibility of the DNO or supplier. Second, suppliers will be put in a very difficult situation if consumers start using this service for non-metering faults – which could lead to a poor customer interaction.

Third, as mentioned by suppliers on many occasions now, we will be limited in what we can achieve during the middle of the night if a customer calls – with remedial action only realistically available the next morning for metering faults. If this service is just intended for reassurance, then Ofgem needs to help communicate and make this clear as part of larger consumer expectations piece of work.

Finally in the latest supplier workshop there was some confusion around expectations on the provision of this service via multiple channels. Our interpretation is that a phoneline is sufficient for this service, but we would appreciate clarity on Ofgem's expectations. This ambiguity on expectations is delaying suppliers from taking proactive steps, which will ultimately add further challenges to implementation.

If it goes beyond a phoneline, that will of course result in higher costs for supplier – which Ofgem will need to gather evidence on.

Prioritisation of customers in vulnerable situations

As mentioned in the previous workshop, we would welcome further clarity from Ofgem on their expectations for 'which consumers' are expected to be prioritised under these proposals. There appears to be different interpretations for stakeholders on the use of 'may require immediate assistance'.



Our initial interpretation is that the definition of domestic customers in vulnerable situations is broad and covers things like financial vulnerability for example. It is vital for Ofgem to clarify this.

If a broader definition is the correct interpretation, then that makes it very difficult to develop data, analytics and system automation to prioritise customers within our queues. It will also make it impossible to develop in time for December.

Using data and analytics for the PSR or set requirements (for example aged balance), makes it easier to develop automation and would be the preferable solution from our perspective, as opposed to a manual solution via a switchboard. Using the PSR can be the starting point, with a data-led approach crucially giving Ofgem the option to evolve the scope as new data emerges.

A broad definition will make it harder for suppliers and could lead to negative customer experiences. This is a challenge that Ofgem will need to consider, along with the likelihood that suppliers will take different approaches to achieving this requirement.

A compromise would be to allow for a more pragmatic solution, where extra time is given for development, pending the clarity on Ofgem's expectations. Or at a push, being more specific for this winter and clarifying that prioritisation is just concentrated on PSR customers from December, with a view to a possible broader expansion later on (as long as this can be identifiable through account data).

Finally, we don't believe the other options in the guidance are suitable or achieve the objectives here. As an example, if we are on a call and are probing for signs of vulnerability, it will be a poor customer experience if we then have to put them to the back of the queue if they don't hit the certain requirements.

Offering a range of contact methods

We require clarity from the current draft guidance, in particular clarification on what Ofgem considers to be a 'non-digital method of communication' beyond a phoneline. For instance, would post be an acceptable method.

Ofgem also needs to provide clarity on what methods are required for customers with special communication needs. In the latest workshop, there was discussion around multiple language services for example. Taking this one example, this has only just been mentioned at the last minute, so we require further clarity and a review of an appropriate implementation time, given suppliers will not have had a sufficient amount of time to plan and make preparations.

Support & advice for consumers struggling with bills

Engaging at the earliest opportunity

We note that Ofgem has taken a more prescriptive approach to these proposals. As a result, there is a need for further guidance on expectations. They include –



- How many contact attempts are suppliers required to make after the two missed monthly payments or one missed quarterly payment?
- Does the attempt to contact have to be successful? There will clearly be issues if the answer to this question is 'yes', as it is not always possible to successfully contact customers. A best endeavours or all reasonable attempts would be more appropriate, in keeping with existing licence conditions.

Lastly, we recognise that this final point might be slightly out of the scope of this consultation. However, we feel it would be beneficial if Ofgem were to provide guidance or a steer on the extent to which a supplier can reasonably query a customers' expenditure form as part of the ability to pay checks. This is in the context of the prioritisation of energy costs versus other expenditure items – things like Netflix subscriptions as one example.

Trialling the use of reputational incentives

Good Energy remains broadly supportive of the introduction of the proposal to require the Citizen's Advice STAR rating to be published on individual supplier websites. We note that there has not been any further prescriptive guidance on *exactly* how this should be displayed on websites. We believe that suppliers should have flexibility in how we are able to display this, with due consideration to the SLC.

In terms of the longer-term consumer satisfaction, which Ofgem plans to lead on, we are again fairly supportive of this, with the important caveat that all stakeholders are given an opportunity to feed into the design and development of this new measure.

As we have seen with this policy consultation, we have concerns on the size of the consumer research that has been used to justify these proposals – with 33 participants a very small sample size given the materiality of the changes proposed. It is important to ensure that the longer-term work has a more appropriate research sample size.

I hope you have found our response helpful. If you would like more information, or have any questions about our views, please do not hesitate to let me know.

Kind regards,

Simon Shaw
Regulatory Affairs Lead