



*Promoting choice and
value for all customers*

Date: 30 June 2010

Dear Colleague

Energy Ombudsman Review

The Energy Ombudsman (EO) scheme plays an important role in helping secure redress for energy consumers who remain dissatisfied with the way their energy company has handled their dispute.

The EO forms part of the new arrangements for consumer representation and redress put in place by Government in 2008. Its model is based on that operating in telecoms, financial services and other sectors – it operates independently but is funded by industry.

In accordance with Ofgem's role to approve redress schemes we have commissioned an independent review of the first year of the operation of the EO. In its first year (01/10/08 – 30/09/09) the EO has handled 6322 cases and secured redress for 3965 consumers including awarding £687,840 in compensation.

The purpose of the review was to compare performance against the published criteria, identify any areas where the scheme criteria should be amended, clarified or added to, and recommend improvements to the Energy Ombudsman (EO). Ofgem has today published the results of the independent review¹, conducted on our behalf by Sohn Associates and supported by customer satisfaction research² by Harris Interactive.

The main findings of the review include:

- the Ombudsman's governance model delivers fair and independent redress;
- there is no evidence of bias in the views, behaviours, and actions of the Ombudsman;
- the scheme is meeting most of the approval criteria;
- there are three areas where further action is required to meet the Ofgem set criteria: improved forecasting of staffing and funding requirements; further arrangements to secure quality assurance in particular for provisional conclusions; and arrangements to identify any systemic issues concerning company performance; and
- the handling of cases concerning disputes over connection charges needs to be improved.

¹ Independent Review of the Energy Ombudsman April 2010

² Customer Satisfaction with the Energy Ombudsman Research June 2010.

This is the first year of a new scheme providing important consumer redress in the energy sector. Ofgem expects that the scheme will improve further as greater experience is gained. The findings of the independent review and consumer research provide an important focus for action by the Council of the EO, in conjunction with the industry member companies, which we fully expect them to now pursue.

Yours sincerely

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