



Ofgem Consumer First Panel – 2009/2010

Findings from third workshops (held in March 2010)

May 2010



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1. Executive Summary

Background

The Ofgem 'Consumer First' Panel is a diverse group of 100 domestic energy consumers. It was formed to be the 'voice of the consumer' and help Ofgem ensure policy developments are consumer focused. It meets 3 or 4 times per year to discuss topical issues. The Panel draws its members from 5 locations across Great Britain – Aberdeen, Aberystwyth, Bradford, Bristol and London. The Panellists are recruited to be broadly representative of domestic energy consumers.

This is the second year (2009/2010) such a Panel has convened.

This report is based on the third event for the 2009/10 Panel. The focus of the discussions was on three specific topics:

- Supplier Standards of Conduct
- Prompt pay discounts on standard credit accounts
- Distribution network operator (DNO) reporting

This section provides a summary of the Panel discussions.

Supplier Standards of Conduct

The objectives of this session were to:

- Understand Panellists' perceptions of how fairly the energy sector treats consumers using comparison with other sectors
- Gauge responses to the Supplier Standards of Conduct

Panellists generally found it easier to recount what they perceived to be the more unfair experiences in their dealings with energy suppliers than what they considered to be fair as these have a greater impact, and therefore are more memorable than fair treatment. However, the energy sector was not seen as being particularly worse than most other sectors such as telecoms and financial services in the way it deals with consumers. Panellists felt that most sectors share issues that were seen as being at odds with fairness (e.g. access difficulties, overly complex products or tariffs, insufficient competition between suppliers on prices and poor handling of complaints and queries). The retail sector, particularly high street retail e.g. clothes stores, electrical stores etc. and supermarkets, was felt to stand apart however and the Panel considered that the energy sector could learn from it. Supermarkets and department stores were seen as being fairer to consumers because they offer more straightforward products and competitive prices so Panellists felt more able to make choices. Panellists felt they understood their consumer rights in the retail sector and so knew what services to

expect from the sales process. They offer face-to-face service and no-quibble returns policies, meaning complaints were felt to be generally resolved quickly and to the consumer's satisfaction.

When Panellists were probed further for fair and unfair examples from the energy sector there were three areas of unfair treatment volunteered:

- **Pricing:** including perceived over-complexity of tariffs, lack of proactivity of suppliers in offering existing customers the best available rates, and the belief that suppliers are reluctant to pass on wholesale savings.
- **Elements of sales:** this was primarily about door-to-door sales and included an impression that sales people are intrusive and pushy, lacking in product knowledge, often not offering the most competitive prices (but purporting to), and a risk particularly to vulnerable people who may take products that are not in their best interests.
- **Post-sales and customer service:** including difficulty accessing suppliers due to complex Interactive Voice Response IVR systems and a further cost barrier due to premium telephone numbers, lack of effective follow-up to problems including uncertainty about the complaints escalation process, as well as gripes about lack of flexibility and empathy in dealing with vulnerable customers in general, but particularly if their supply is interrupted.

Panellists were particularly concerned about how energy suppliers deal with problems and complaints, with some reports of protracted experiences involving many different energy company employees before the issue was resolved. By contrast, there was some perception that the sales process had improved in recent months, with some genuinely good deals being marketed as well as more of an attempt to explain rates and advise customers of the best product for their needs. There was also an acceptance that energy suppliers need to sell their products as they lack a high street presence, and that sometimes consumers may receive better deals because of proactive sales.

Introducing the Standards

Panellists were supportive of the Supplier Standards of Conduct overall, feeling they generally encompassed most of the elements that they felt were important for energy suppliers to treat them fairly. They identified one gap which was that the standards currently lack any mention of recompense for consumers if mistakes are not resolved quickly. Some of the language of the standards was also seen as equivocal, e.g. 'unnecessarily' complex, which was felt to weaken them.

However, the main issue that Panellists had with the standards was that they did not know how performance of suppliers would be assessed. Effective monitoring and policing were seen by Panellists as being key to the success of any such Standards of Conduct.

Of the individual standards, those relating to the complexity of products (Standard 4 - You must not offer products that are unnecessarily complex or confusing) and the clarity of explanation of products to consumers (Standard 1 - You must not sell a customer a product or service that he or she

does not fully understand or that is inappropriate for their needs and circumstances) emerged as the most important to Panellists overall. Panellists felt that suppliers should be taking steps to ensure that products are as simple as possible and, ideally, presented in a way that ensures tariffs and features are comparable. Clarity of explanations during the sales process was also seen as key, which was felt to include taking time to fully understand the consumer's situation so that the products offered would match their requirements.

In addition, Panellists prioritised easy contact and especially quick resolution of mistakes (Standard 5 - You must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake). However, they felt that this standard would work better if separated into two, one covering access and one covering problem resolution. Delivering on this was perceived to require a free phone number, simple menu options, UK based call centre, and polite and prompt problem resolution ideally by a single member of staff.

Prompt pay discounts

The objectives of this session were to:

- Assess the perceived fairness of prompt pay discounts
- Gain insight into the appeal of prompt pay discounts
- Assess more generally how consumers think the costs of late and never payers should be covered

Panellists were generally unaware of prompt pay discounts, except for some Panellists who were already on standard credit tariffs which included a prompt pay discount. However, even some of these Panellists were either unaware of prompt pay discounts or found out by accident when a discount appeared on their bill. There was a general perception that suppliers should be communicating these discounts more clearly to consumers.

The concept of a discount for paying promptly was generally seen to be fair. However, this fairness was perceived to depend on how the discount was funded. It was generally felt that a discount should not be funded by non prompt-paying consumers paying more, but rather that it should come out of the administrative savings suppliers may make through receiving payment early. As such, the prompt pay tariffs, as described in research materials, were considered to be unfair, particularly to non prompt-payers who nonetheless pay before the bill due date.

There was a strong 'user pay' ethos running throughout the workshops. In addition to the Panellists' opinion that prompt payers, who save suppliers money, should pay less, there was also a general consensus that late payers, who cost suppliers more, should pay more. Panellists did, however, make an exception in cases of genuine hardship when the supplier was informed in advance. When

considering how suppliers should deal with the costs of never payers, Panellists thought these costs should be shared equally by all customers.

When exploring the appeal of the discounts, it was clear that the size of the discounts currently on offer (mainly in the region of £30 per year) were not seen as particularly motivating. One outlier supplier was offering a much larger discount (£150 per year) which was seen as attractive by most. However, they were concerned that this may level of discount could be unfair if it were funded through greatly increasing rates for non prompt-payers.

Distribution network operator (DNO) reporting

The objectives of this session were to:

- Gauge consumer understanding of and interest in DNOs
- Explore what if any information customers are interested in receiving on the performance of DNOs and in what format/via which medium

Despite having explained the existence and role of DNOs in a previous workshop, there was very low spontaneous recall of DNOs amongst Panellists. There was also little interest in finding out more, as consumers felt they had little influence in this area. They felt that it was more important for consumers to understand the role of Ofgem in regulating the DNOs, and to be confident that Ofgem is assuring the performance of the DNOs through monitoring and enforcement, rather than understanding what the companies actually did.

Due to this general lack of interest, the idea of consumer friendly reports of DNO performance was not appealing to Panellists. They felt that any direct communications of DNO performance would not be read by consumers. Some saw a slight benefit in wider communications of DNO performance in the media to 'name and shame' poorly performing operators. However, this was seen as having only a small potential to improve overall performance.

However, Panellists did think it was important for information about DNO performance to be in the public domain in case any consumers or others were interested in it. They felt that the DNOs' websites would be the most appropriate place for this information.

When pressed to decide on the most important types of information relating to DNO performance Panellists tended to select measures relating to:

- **Customer service** – particularly the number of interruptions to supply and number of customer minutes lost, and the speed of the telephone service.
- **Environment** – particularly the undergrounding of lines, the loss of energy in the system, and the use of technology to reduce carbon emissions.

2. Introduction

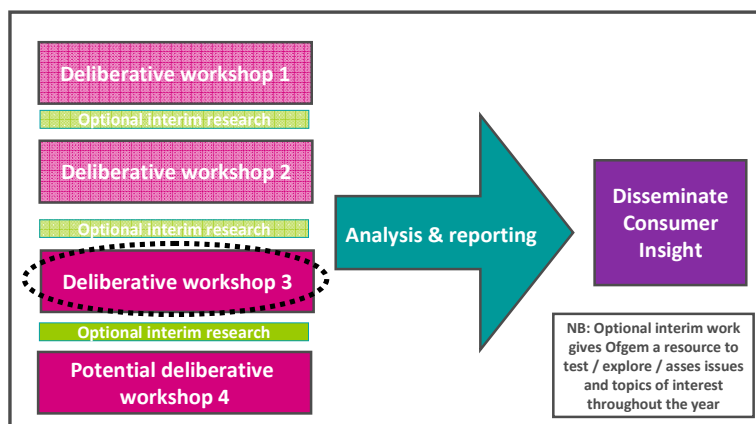
Background and objectives of the Panel

The Office of Gas and Electricity Markets (Ofgem) is the economic regulator for the electricity and downstream natural gas markets in Great Britain. It has the key objective of protecting the interests of all current and future consumers. Ofgem's 'Consumer First' initiative is a programme that includes a range of primary market and social research to help the organisation ensure that policy development is consumer focused and that consultations are aligned with the abilities of consumers to respond effectively. As part of this programme, Ofgem has set up the 'Consumer First Panel', a diverse group of 100 domestic energy consumers recruited to take part in a series of research events and surveys, to be 'the voice of the consumer' and a unique resource for Ofgem.

The Panel was designed to enable members to discuss issues from a consumer perspective with the advantage of a rounded view of how the industry works and knowledge of the business models involved. Participants will be called upon regularly to feed back their views and opinions on key energy topics and regulatory issues.

Research events can be used to explore topics in depth, and intermediate surveys are able to quickly and cost effectively get feedback on specific issues, for example, communications material.

The overall programme is comprised of a series of deliberative workshops, with the option for ad hoc research in-between. This report focuses on the results from the third of these workshops.



Sample

In order to ensure a representative sample of consumers in Great Britain, and also to avoid many of the frequently researched population centres, Panellists are drawn from five locations to ensure everyday consumer views are captured. In the second year of the Consumer First Panel, Panellists were replaced with different customers in new locations to give a fresh perspective and reflect both rural and urban consumers.

Participants were recruited purposively – i.e. using door-to-door, on-street and ‘snowballing’ (developing contacts from those already recruited) approaches. They were all given information about the purpose of the Panel and of the commitment required at this stage; i.e. they would be taking part in 3-4 workshops over a year, with the potential of being asked to take part in other research in between. The groups were recruited using a specification based on National Statistic census data for Great Britain (2001) including the following criteria:

- Gender
- Age
- Ethnicity
- Socio Economic Groups
- Tenure
- Fuel poverty
- Rural vs. Urban
- Supplier
- Electricity only vs. Gas and electricity
- Payment type
- Employment status
- Family status

While the Panel was represented to be as nationally representative as possible, in each location certain demographics were raised or lowered according to the surrounding region. Demographics were up-weighted to ensure certain groups were sufficiently represented included BME groups, age 25 and under, and those from rural vs. urban households.

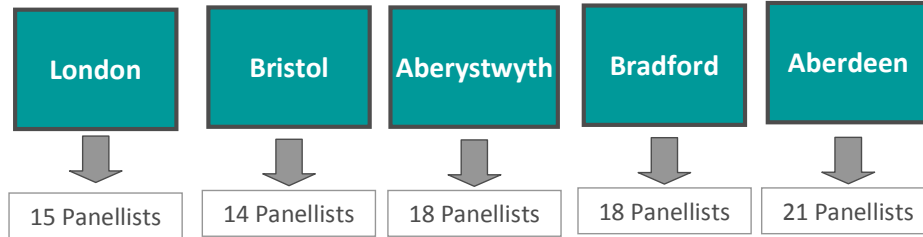
The Panel was over-recruited, which is common in research, to cover a potential drop out rate of 10%. Reasons for further shortfall in this round were unavoidable due to illness and work commitments.

When first recruited all participants received a letter welcoming them to the Panel and a ‘participant contract’, a non-legally enforceable contract that outlines:

- What the aims of the Panel are
- Who their contacts should be if they have any queries between events
- What they can expect of the Panel
- What the Panel expects of them

- How they would be incentivised for their time

The third meeting of the 2009/10 Consumer First Panel consisted of 86 energy consumers across 5 locations in Great Britain:



The table below shows the sample breakdown in greater detail, both in terms of total number of Panellists recruited and the specific turn-out for the third workshop:

Sample	Recruited	Achieved
Gender		
Male	55	42
Female	55	44
<i>Total</i>	<i>110</i>	<i>86</i>
Age		
16 – 24	20	12
25 - 44	41	29
45 – 64	32	31
65 +	17	14
<i>Total</i>	<i>110</i>	<i>86</i>
Ethnicity		
White British	95	67
White Other	1	1
Black or Minority Black	24	18
<i>Total</i>	<i>110</i>	<i>86</i>
SEG		
AB	24	16
C1	35	31
C2	24	17
DE	27	22
<i>Total</i>	<i>110</i>	<i>86</i>
Tenure		

Sample	Recruited	Achieved
Owner occupied	63	45
Social rented	28	23
Private rented	19	18
<i>Total</i>	<i>110</i>	<i>86</i>
Rural vs. urban		
Rural	26	19
Urban	84	67
<i>Total</i>	<i>110</i>	<i>86</i>
Fuel Poverty		
Yes	20	17
No	90	69
<i>Total</i>	<i>110</i>	<i>86</i>

Methodology and topics for discussion

As with previous Panel meetings the third event was set up as a three hour deliberative evening workshop in each of the locations. The workshops included presentations, plenary work, group discussions on tables, and collaborative group exercises. The full agenda and all content used at the workshops can be found in the appendices.

The discussions focussed on the following:

Suppliers' Standards of Conduct

- Discussion on current treatment of customers by suppliers, experiences of fair and unfair treatment, and overall perceptions of fairness in the energy sector compared to other sectors.
- Introduction to Standards of Conduct, Panellists' reactions to the standards and brainstorm of practical 'dos and don'ts' to deliver standards.

Prompt Pay Discounts

- Initial discussion on different ways of paying bills and reasons for this, and unprompted awareness of existence of Prompt Pay Discounts in standard credit.
- Reactions to the principle of Prompt Pay Discounts once explained, both in terms of how fair and how motivating.
- Consideration of different scenarios to determine views on who should fund Prompt Pay Discounts and who should bear costs of late payers and non-payers.

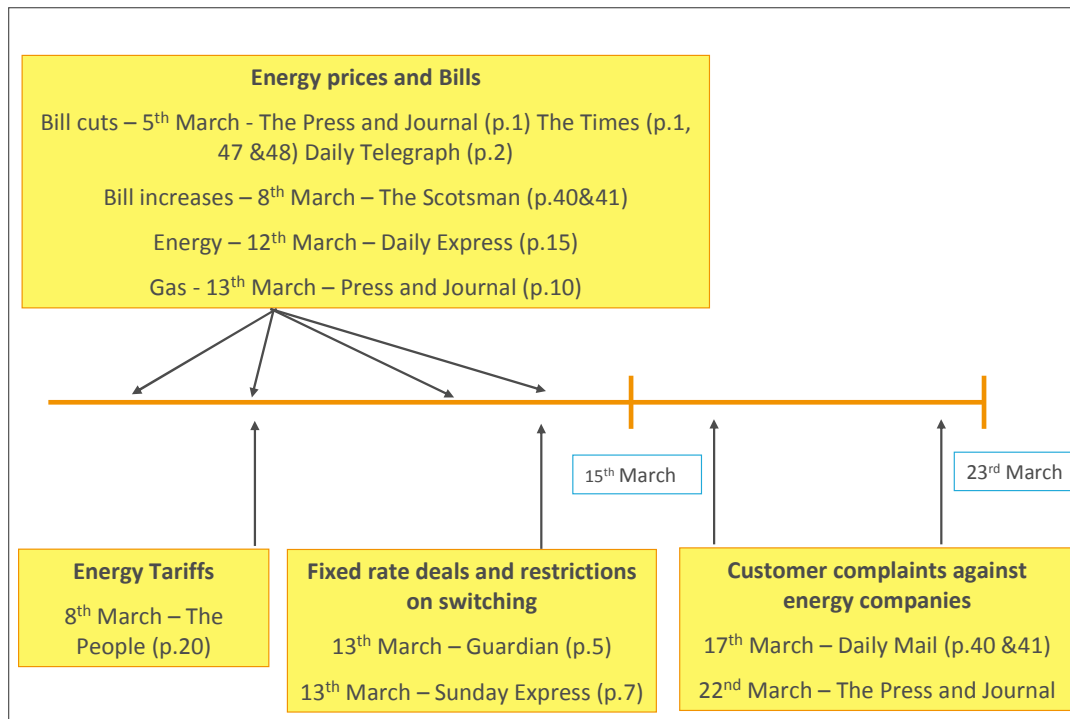
Distribution Network Operator (DNO) Reporting

- Exploration of initial awareness and interest in electricity network companies and provision of refresher information on their role.
- Discussion of Consumer Friendly Reports, including overall interest, which types of information consumers might find useful and how the information should be presented.

Context to workshops

The third workshop took place between 15th and 23rd March 2010. Below we highlight the media coverage of energy related issues in the period leading up to and during the workshops, in order to provide context and identify any potential influential stories.

Figure 1 – Timeline of contextual events



- **Energy prices and bills** – there were several newspaper articles in the 2 weeks before the third workshop relating to changes in energy prices and bills:
 - The Press & Journal (5th January) reported that SSE had announced a 4% reduction in standard gas bills from the end of March, saving customers on average £30 a year. Energy consultancy McKinnon & Clarke described the cut as “a token gesture”, while the firm’s energy analyst believes gas and electricity prices should have been cut by 10% to match

- falling wholesale prices. This was also reported in several other newspapers including the Daily Record, The Times, The Sun, The Guardian, and The Daily Telegraph
- The Scotsman (8th March) reported that after Scotland’s coldest winter in almost 50 years, the energy bills consumers face will be the biggest that many households have ever seen
 - **Energy Tariffs, fixed rate deals and switching** – there was also some media on the restrictions customers face due to being on ‘locked’ tariffs which prevents people from getting better deals and switching suppliers:
 - The People (8th March) reported that that up to three million people are unable to take advantage of energy price cuts because they are locked into expensive capped tariffs and face penalties of up to £100 to switch to cheaper internet deals.
 - The Guardian (13th March) reported that Energyhelpline.com says up to three million households are locked into fixed rate energy deals but that it might be cheaper for them to pay a penalty and switch.
 - Sunday Express (13th March) also explained to readers how they can save money by switching supplier and how to go about doing it.
 - **Customer complaints against energy suppliers** – it was identified by some newspapers that customers find it difficult to make complaints and many more have reason to make complaints and don’t do anything about it.
 - Daily Mail (17th March) looked at the experiences of consumers who complained to their energy companies and told readers how to complain, what their rights are and how the companies should behave.
 - The Press and Journal (22nd March) stated that Consumer Focus Scotland suggests “more than a quarter of gas and electricity customers have cause for complaint” over energy firm services. The paper says that the “survey of 500 people found customers are unable to easily compare prices in the market and that different tariff structures “confuse” them.”

3. Supplier Standards of Conduct

Initial perceptions of fairness

General perceptions of how energy suppliers treat customers

As a pre-workshop exercise, Panellists were asked to think about their contact with gas and electricity suppliers, either the ones they had used or others they had been in contact with, and identify any experiences where they felt treated fairly or unfairly. They were asked to consider instances such as switching to a supplier or being sold a tariff or product, making an enquiry or a complaint or when they had been contacted by a supplier. If Panellists were unable to think of an example relating to a gas or electricity supplier they were asked to consider other services they had used and their experience of them. This exercise was aimed at gaining an understanding of what types of behaviour by suppliers gave Panellists a perception of fair or unfair treatment, and how it made them feel.

As found with other research conducted into fairness, consumers tend to be more able to relate experiences that they consider to be unfair than ones they regard as fair.

Comparison with other sectors

Panellists were then asked to consider how energy suppliers compared to companies operating in other sectors, such as financial services, telecoms and retail. At first Panellists tended to rate all sectors similarly, with an overall feeling that all big companies are the same and all generally treat customers unfairly. However on further consideration the retail sector, particularly high street retail e.g. clothes stores, electrical stores etc., emerged as performing better than others. This was mostly due to the face-to-face contact possible in shops, the perception that physical products that shops sell are more straightforward, that prices are easier to compare and more competitive, and that customer service standards are high, including no-quibble returns policies.

When considering other sectors such as energy alongside telecommunications and financial services, Panellists perceived little difference between them and each was perceived to be less fair than retail. It was felt that these sectors have similar practices and issues which are at odds with fairness including a lack of easy contact e.g. long hold times and having to navigate complex Interactive Voice Response (IVR) systems during telephone calls), complex tariffs which customers often struggle to understand, prices which are not competitive and make it difficult to make comparisons, and a less than satisfactory approach to dealing with customers' issues and problems.

Significantly, it was not felt that the energy sector was significantly worse than financial services or telecoms, but rather that all could do better by reducing the complexity of their tariffs and products

offered, proactively offering customers the best deals available, and making contact with companies easier.

Examples of unfair treatment

When asked about fair and unfair experiences from energy suppliers, the examples given included:

Sales

- Several elements, primarily of the **door-to-door sales** process:
 - Visits by salespeople were seen to be **intrusive and at inconvenient times**.
 - Door-to-door sales people were criticised for being **'pushy'** and not giving consumers sufficient information or sufficient time to digest it and develop an understanding of the products.
 - It was also felt that salespeople are sometimes **lacking in product knowledge** and appear to be reading from scripts.
 - The deals offered were often seen as **not competitive** due to only one supplier's deals being offered.
 - Some Panellists also felt that door-to-door sales peoples' approaches sometimes bordered on **mis-selling**, such as claiming to know that the customer was 'paying too much'.
 - There was a perception that **vulnerable people** were particularly at risk from these types of approaches as they might feel pressurised. Panellists felt this might result in some consumers purchasing inappropriate products.

"I don't mind them coming round to my house, but what bothers me is when you try to get rid of them they can be quite pushy and intimidating"

Pricing

- Some elements of pricing were also felt to be unfair:
 - This included the perceived **over-complexity** of how tariffs are constructed (especially with standing charges and dual fuel etc.). This was seen to make it difficult to compare across suppliers.
 - There was also a perceived **lack of proactivity** amongst suppliers in approaching existing customers with the best tariff for their needs.
 - In addition, Panellists felt that suppliers were reluctant to **pass on savings** they make in reductions to wholesale energy prices to consumers.

"They think you're thick so they try to make you think something is cheaper because you don't understand it, when most of the time it's not true"

Post sales and customer service

This area was generally less criticised than sales, with several Panellists stating that they had never had any problems, or that the customer service of their own supplier had improved in comparison to their previous experiences. However, the following examples of unfairness were identified:

- **Access issues** - including premium rate numbers and time-consuming IVR systems when trying to contact individual energy companies to speak to customer service.

“I think it’s ridiculous that you have to call on a very expensive line when you want to make a complaint or get something sorted, it is so unfair”

“You always expect to go through a long process to get to an actual speaking person, I have got to the point that I put in loads of number to confuse the system so I get straight through to someone”

- Many felt there was **insufficient staff knowledge** amongst those answering customer queries, meaning that questions were not answered promptly or sufficiently and as a result the customer often needed to be passed on to someone else. There was a perceived lack of ownership of customer queries, with no one member of staff taking responsibility for their resolution.

“When you speak to someone from customer services I often feel like they are just reading from a script and they don’t actually know the details or understand themselves”

- **Lack of effective follow-up** was also an issue, including not getting back to the customer as promised, not having a clear or named owner of the problem for customers to refer to, and poor record keeping meaning customers often needed to re-explain the details of their complaint or query. It was also felt that there are general delays in resolution of problems and there was a need for the customer to re-contact the supplier sometimes several times. This was seen as particularly being an issue where the customer’s are unable to receive supplies of gas or electricity e.g. lost or broken pre-payment cards/keys, with some Panellists complaining of having been left without gas or electricity for an extended period of several days.

“I made a complaint about a guy who came round to my house to read the meter and he was very aggressive. I was told it was being dealt with, but they never gave me any feedback on how it was taken forward”

- **Lack of clarity around the complaints procedure**, with many Panellists unsure of who to complain to because the process had not been explained by the supplier. Panellists also believed

that there was no clear explanation of how to escalate the complaint to superiors or outside arbiters if they are dissatisfied with the process.

- A **lack of compensation**, with customers not being offered any financial recompense for a supplier's mistake.
- Across the Panel, some felt that suppliers' **treatment of vulnerable customers** was unfair, such as charging people more for prepayment meters, not being flexible where there is general hardship affecting the customer's ability to pay, and not providing tariffs suitable to those who are in greater need of them.

Examples of fair treatment

Despite the large numbers of unfair experiences identified by Panellists, the energy sector was generally not seen as particularly worse than other sectors in its treatment of customers and some examples of fair treatment were also identified:

- Some had positive experiences of the sales process, with some Panellists encountering experienced sales people who took the time to describe differing tariffs and the savings attached to them. Although sales approaches were the subject of considerable criticism, Panellists accepted the need for energy companies to market their products in this way due to the nature of the business and not having a high street presence like other sectors. Some also spontaneously identified that such marketing could benefit consumers as well by providing them with deals which they may not have been aware of or have looked for. Some Panellists had been approached in supermarkets, this was generally seen as less intrusive and more acceptable than door-to-door sales

"I had someone come to my door offering me a deal and told me there was 'no pressure' to make a decision, it was so refreshing because you kind of get used to being pressured by energy suppliers to make a decision then and there"

- Several Panellists identified that some calls to energy suppliers resulted in a quick response without long waiting times on premium rate numbers.
- A few Panellists also identified that their supplier had promptly resolved problems satisfactorily when they contacted customer services.
- Some Panellists were also aware of energy suppliers offering vulnerable people preferential rates.

Initial response to standards

Having discussed examples of fairness and unfairness, Panellists were presented with the Standards of Conduct which all suppliers need to take all reasonable steps to adhere to. The standards and their meaning to consumers and suppliers were explained using a series of handouts (see appendixes), and discussed in detail. The standards are:

- **Standard 1** - You must not sell a customer a product or service that he or she does not fully understand or that is inappropriate for their needs and circumstances
- **Standard 2** - You must not change anything material about a customer's product or service without clearly explaining to him or her why
- **Standard 3** - You must not prevent a customer from switching product or supplier without good reason
- **Standard 4** - You must not offer products that are unnecessarily complex or confusing
- **Standard 5** - You must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake

In general Panellists felt it was a good idea that Supplier Standards of Conduct existed, but they immediately raised the question of how performance against these standards would be measured, by whom, and what action could or would be taken in cases of non-compliance e.g. whether there would be any fines or other penalties for non-compliance. External monitoring and policing was seen as key to the success of such standards. Many Panellists felt sceptical about suppliers complying with them if they were not enforceable. Panellists therefore wanted to understand how Ofgem would be ensuring compliance.

"Self regulating and energy companies policing themselves is not the best way to go"

Panellists felt most aspects of suppliers' relationships with consumers were covered by the standards. However, one gap identified was around the escalation of complaints should mistakes and problems not be resolved quickly and effectively.

"I think these are really comprehensive and cover all the bases"

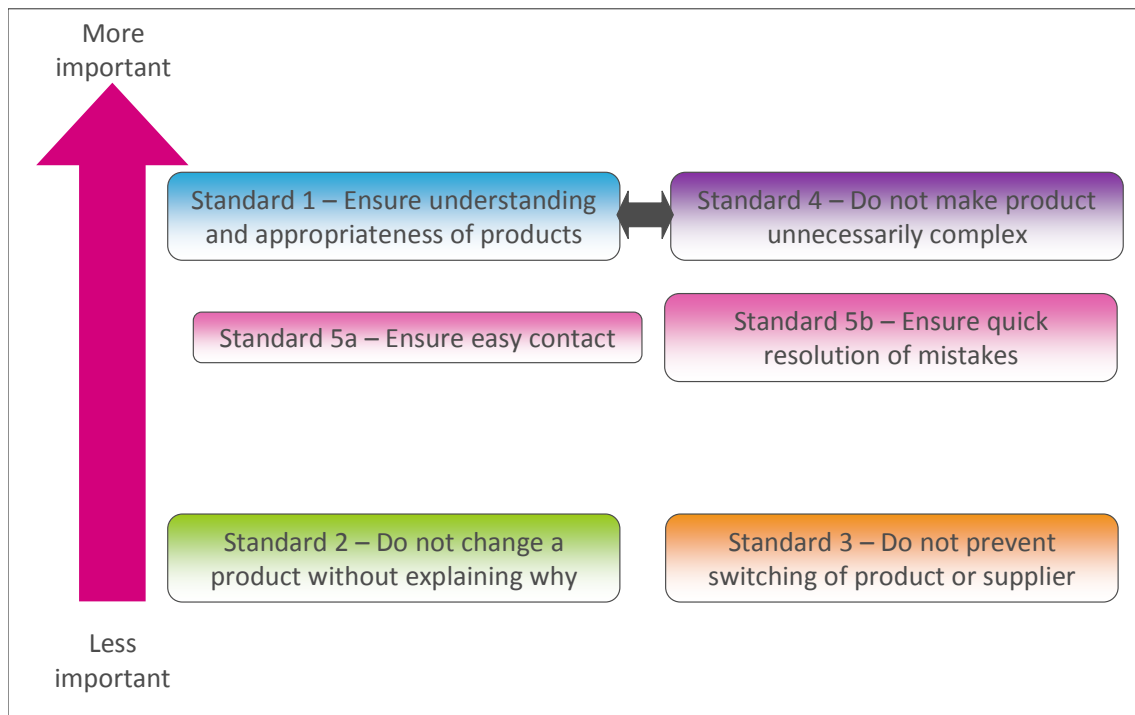
However, some of the wording was perceived to be a little vague, such as using the terms 'unnecessarily' complex and 'without good reason', which were seen as subjective and therefore offering suppliers a potential to get around the standards.

"They all leave a lot of room for interpretation, 'without good reason' should be defined better"

Of all the individual standards, Standards 1 (Ensure understanding and appropriateness of products) and 4 (Do not make product unnecessarily complex) emerged as the most important standards to

consumers overall. This fits with the ongoing consumer concern with tariff complexity in the energy sector and the desire both for more straightforward products and more comprehensive explanations of products. Standard 5 (Ensure easy contact and quick resolution) was also seen as important due to issues with post sales contact and resolution of issues. However, this was seen by some to be two standards in one, potentially conflating two separate points, one relating to the ease of contacting a supplier and the other relating to the way queries are handled. They felt it could potentially be more clearly expressed as two separate standards; ‘Ensure easy contact’ and ‘Ensure quick resolution of mistakes’. Other standards were of relatively lower priority but none were unimportant in absolute terms.

Figure 2 – relative importance of standards



While Panellists were not spontaneously aware of these standards, there was some suggestion that supplier standards had improved over recent times, particularly with regards to the sales process. However, less positive change was identified in post-sales and problem resolution.

“This makes sense; I have found things a lot clearer the past few months when I have contacted my supplier and especially when they have come to read my meter”

Response to individual Standards

Following initial discussion of the standards, Panellists considered the standards in pairs, with each pair focusing on a single standard. They brainstormed what the key supplier dos and don'ts should be to ensure they achieve the standard as well as how well suppliers are currently performing against these standards.

Standard 1 - You must not sell a customer a product or service that he or she does not fully understand or that is inappropriate for their needs and circumstances

Ideal types of supplier behaviour

- ✓ Provide information in plain English – many Panellists felt that current information provided was confusing and few understood the different tariffs available.
- ✓ Take account of individual needs – some felt that products and services offered were not always in the best interests of the customer and that advice on products should be better tailored to the individual.
- ✓ Allow time for reflection and decision making - as identified when Panellists considered unfair treatment many felt under pressure from salespeople to make a decision then and there. It was felt that customers should be allowed time to consider the information given before being made to make a decision.
- ✓ Train staff to fully understand products – as also identified in the unfair treatment discussion. It was felt many of the staff selling products and services have little understanding of the details and some give the impression of reading from a script. They felt that staff should be trained to fully understand the range of products, and the types of customer they are suited to, so that they are able to provide high quality advice and are able to explain the products competently to the consumer.
- ✓ Take particular care with vulnerable customers – some felt that salespeople take advantage of vulnerable customers and their situation to make them buy a product or service. They felt this type of customer should be receiving special attention to ensure that the product they purchase is in their best interest.
- ✓ Take no for an answer if the customer does not want to proceed with the sales process.

Types of behaviour suppliers should avoid

- ✗ Calling at inconvenient times – many Panellists felt that sales teams currently call or come to the door at inconvenient times (such as during dinner or late at night) which is an irritation to the customer.
- ✗ Put pressure on consumers to switch on the spot – many Panellists feel sales teams press customers to make a decision before they have fully understood it. They felt this could increase the chances of customers selecting poor products.
- ✗ Mislead the consumer, overstate the benefits, or fail to explain long term implications – due to a lack of understanding of different products and services, consumers find it difficult to

make comparisons and believe they are often misled by sales teams. At its extreme, this was seen as mis-selling.

Current performance of suppliers

Panellists generally felt their own supplier was performing well and there was some perception that the sales approach is less pressured than previously and that some companies are offering genuinely good deals for consumers. Despite this, door-to-door sales continue to be highly criticised by most Panellists.

Standard 2 - You must not change anything material about a customer's product or service without clearly explaining to him or her why

Ideal types of supplier behaviour

- ✓ Provide notification of changes in writing and in advance where possible – although Panellists were aware of the 65 working day rule, following discussion in the second meeting, some still felt that energy suppliers needed to make more contact with customers prior to making changes such as changes to direct debit values.
- ✓ Follow up by telephone to ensure consumer understands change – several felt that people may not understand changes and that they may feel unable to question them or may be too confused due to the perceived complexity of tariffs. It was also felt that it was possible for customers to easily miss mail communications. It was felt that energy companies should be making more of an effort to ensure customers fully understand the changes and how they will be affected by them e.g. the effects they may have on their bills
- ✓ Give consumers the option of changing supplier if they do not agree to accept the changes made by the current supplier – some Panellists felt that suppliers do not give customers the option to switch suppliers if they do not agree to the changes, particularly price changes, being made and that this option should be promoted more.

Types of behaviour suppliers should avoid

- ✗ Just providing information relating to changes in fine print - as with the 65 day working rule, discussed in previous groups, Panellists identified that changes should be highlighted in large and bold wording in communications to ensure customers can see it and is not hidden amongst other information.
- ✗ Some also felt that suppliers should not be able to change terms of agreement at all during the life of a contract – they felt that consumers had entered an agreement with a supplier and that the opportunity for the supplier to alter the terms of this agreement should be limited.

Current performance of suppliers

Panellists felt that energy companies were currently generally good at notifying customers about change. However, most cannot recall their service being altered, with the exception that some believed they had not been notified about the changing of their Direct Debit amounts.

Standard 3 - You must not prevent a customer from switching product or supplier without good reason

Ideal types of supplier behaviour

- ✓ Enquire why a consumer is leaving and attempt to resolve any problems and offer a better deal if possible – many Panellists felt that energy suppliers make little effort to enquire as to why customers are leaving, which could be due to a problem that is easy to resolve or that energy companies may be able to learn from. They should examine where they went wrong with that particular customer.
- ✓ If the consumer is resolved to change, close accounts and provide final bill promptly – there was an impression that suppliers could sometimes delay this process.
- ✓ Provide any information necessary to a new supplier quickly.

Types of behaviour suppliers should avoid

- ✗ Badger a consumer once their mind is made up – although Panellists would like to see better attempts by suppliers to resolve problems, they do not want suppliers to continually question customers about their decision to switch.
- ✗ Delay the switching process.

Current performance of supplier

Panellists, both those with experience and those without experience, felt that generally there were no problems in switching, and the process is seen to be straightforward and easy.

Standard 4 - You must not offer products that are unnecessarily complex or confusing

Ideal types of supplier behaviour

- ✓ Have a standardised approach across the industry to calculating and displaying tariffs so they are easier to compare and contrast – Panellists felt that currently the tariffs provided by suppliers are often in different forms and this confuses customers, and prevents them from making direct comparisons with other energy company's offers.
- ✓ Better comparator sites which make comparisons between tariffs more straightforward

Types of behaviour suppliers should avoid

- ✘ Make tariffs deliberately complex – many Panellists felt that the current tariffs provided by suppliers are not presented in an understandable way. Some feel that this may be done to confuse customers and prevent them from being able to make informed decisions.

Current performance of suppliers

While some Panellists see energy tariffs as complex by nature, with units (kWh) which are not intuitive to consumers, there was a general perception that this complexity is something that suppliers are perpetuating to bamboozle consumers and 'rip them off'.

Standard 5 - You must not make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake

Ideal types of supplier behaviour

- ✓ Easy access – Panellists felt suppliers should be easily contactable by telephone, and that consumers should not be required to call a premium number, be placed on hold for a lengthy period, negotiate complex IVR systems or be dealt with by foreign call centres.
- ✓ Quick and effective resolution – there was a perception that problem resolution currently takes too long and requires too much effort on the part of the consumer.
- ✓ Clear escalation process and compensation – the complaint process should be explained to customers at the start; including how to escalate a complaint or query to a higher level if they are not satisfied. Compensation should be proactively offered for a supplier's mistake.
- ✓ Sensitivity in dealing with customers, particularly those who are vulnerable – some felt that energy companies do not take customers' concerns and feelings into account during complaints or disputes. Panellists felt that suppliers should be working harder to protect the customer, and should be taking into consideration the particular situations and needs of different types of customers.

Types of behaviour suppliers should avoid

- ✘ Premium telephone numbers, complex IVR and non-local call centres.
- ✘ Unreasonable delays in resolving problems, particularly if they relate to supply.
- ✘ Insensitivity or rigidity in dealing with vulnerable customers or financial hardship.

Current performance of supplier

There was a mixed reaction from Panellists about suppliers' current performance against this standard. Some reported very high customer service standards from their own supplier, however others complained of protracted difficulties contacting their suppliers and in resolving queries or complaints.

4. Prompt Pay Discounts

Reasons for mode and timing of payment

Panellists represent a variety of different consumer types, including those who pay via a range of different payment methods (pre-pay, standard credit and direct debit). At the beginning of the section of the workshop on prompt pay discounts, Panellists were told that they were going to be discussing one payment type - i.e. standard credit. Those who did not pay by standard credit were asked to take a 'citizen's perspective', putting themselves in the place of someone paying by standard credit.

To begin the discussion on prompt pay discounts, Panellists discussed the various methods of payment, and the reasons for different consumers paying in different ways. They felt that different people have differing preferences and circumstances and that they choose or are compelled to take a payment method that reflects these.

Pre-payment was seen as most appropriate for people who might find it difficult to budget for regular monthly payments and for those for whom a credit based account might lead to running up a debt. They saw pre-pay as potentially a good thing for people on low incomes, or people whose income may be irregular as it allows them to pay for what they use as they use it. This means they can top up their meter when they have money to do so and avoids the situation of using more energy than they can afford. However, there was also criticism of pre-pay as a method of payment as Panellists perceived tariffs were higher than for credit based tariffs. As they were seen as being for people of limited means these higher prices were perceived to affect those least able to afford it.

"I have prompt- pay because then I know exactly how much I am spending and using on a daily basis and I can make sure I don't spend too much"

Direct debit was seen as the most convenient form of payment because it happens automatically. This means that people do not have to worry about remembering to pay the bill or missing a payment. It was also seen to break down gas and electricity payments into smaller monthly amounts. Panellists also mentioned that people on direct debit sometimes receive a discount and that this could be an additional motivation for paying in this way.

"I use direct debit as it means it is broken down into amounts I can budget for each month, rather than being hit with one big bill every few months"

"I know that I make payments on time with my direct debit as it comes straight out of my account and I don't have to worry about it every month"

Standard credit was seen as having a range of perceived benefits. It was seen as appealing to people who prefer to 'pay what they owe' rather than having any debt (as opposed to direct debit where at any time a balance can remain on the account). It was also seen as appealing to people who prefer to pay by traditional methods such as telephone or in person, rather than by direct debit. Some Panellists did not prefer direct debit because it was felt to allow the supplier a measure of control over their finances. Also, some Panellists previously had negative experiences of suppliers changing direct debit amounts without informing them.

"I don't trust direct debit. They can take more or less, and don't know where you are"

"I don't like that my electricity company can just take a certain amount each month, I like to be able to see how much I am using and then paying every couple of months"

Panellists also discussed why different customers on standard credit might decide to pay their bill either straight away, or closer to the due date. Standard credit was seen as more flexible than direct debit as it allows the customer to decide the date on which they pay to fit with their finances (e.g. to wait for their pay day before paying), whereas direct debit is always on the same day each month. This may lead to some people paying earlier and others later. In addition, 'getting it out of the way' could be another motivation to pay earlier.

"The time you pay your bill in depends on your circumstances, some people have the money to pay straight away and others don't"

"Sometimes money is tight, and your energy bill is something you can put off (for) a few weeks while you pay for more important things"

The Panellists were then asked to discuss late and non payment of bills, and what might lead consumers to miss the due date for their bill or to run up a debt with their supplier. They saw three potential reasons for this behaviour:

- Being financially unable to meet the cost of the bill (can't pay)
- Forgetting to pay the bill
- Being unwilling to pay the bill before the deadline making their supplier wait for payment (won't pay)

Panellists tended to see these different types of non-payment as practically and morally very different. Non-payment for reasons of hardship was generally viewed sympathetically. Panellists generally felt this was not the consumers' fault as it is not necessarily caused by them. Forgetfulness

was not perceived as being necessarily immoral, however it was seen as being the fault of the consumer.

"I pay my bill early just to get it out of the way so I don't have to worry about it"

"I get my bill and then wait until the very last day that I can pay. It's not that I can't afford to pay I just don't see the point in paying early!"

"A lot of people just wait for the red bill to come; it is kind of a habit now"

Deliberate late payment was generally regarded negatively by Panellists as attempting to 'get away' with not paying. However, a minority of Panellists did not see any problem with late payment. They believe that if a bill is not paid before the due date there are not currently any penalties imposed by suppliers. They also did not see the behaviour as negative as they did not perceive any negative impacts on other consumers or on suppliers.

Spontaneous awareness and perceptions of prompt pay discounts

Awareness of prompt pay discounts

Across the Panel there was relatively low awareness of prompt pay discounts. Unsurprisingly, awareness was higher amongst those on standard credit tariffs. One exception to this rule was Aberystwyth, where some Panellists not on standard credit had heard of the prompt pay discounts.

Current awareness of prompt pay discounts among those Panellists on standard credit tariffs was driven by notifications on bills. Panellists felt that more effort was required by suppliers to market prompt pay discounts to consumers.

"I have heard that you can get discounts but I have never received any information on it from my supplier"

Spontaneous considerations of fairness

Panellists were given some broad information on prompt pay discounts and how they worked - i.e. if you pay within a certain number of days you qualify for a discount (see appendices). They were then asked to think about the positive and negative aspects of prompt pay discounts from both a consumers' and suppliers' perspective. They were also provided with some information giving a 'supplier perspective' on the benefits of prompt pay discounts.

All Panellists could see the consumer benefit of saving money from the discount. They could also see the benefit of prompt pay discounts for suppliers as they would receive payment sooner and so

benefit from having this money earlier. They could also see that encouraging customers to pay promptly would mean that they would be less likely to pay late. However, Panellists did not believe that energy companies' cash flows would be unduly threatened by substantial late bill payments as was suggested in the handout provided to Panellists outlining the supplier perspective. Panellists' perception was that suppliers are wealthy companies with significant cash reserves and that they would be able to withstand a level of late payment of bills without any implication on their cash flow or their ability to pay their own costs.

"I expect suppliers have a bad debt fund to cover when people pay late or do not ever pay"

Panellists also explored the perceived fairness of prompt pay discounts. The initial unprompted response from most Panellists was that such discounts are fair. This is because it was seen as offering a reward for positive consumer behaviour i.e. paying your bills, and because it was seen as suppliers sharing cost savings with consumers i.e. they are able to earn more interest on money from prompt payers as they receive it soon. Prompt-payers were therefore felt to have earned their discount. However, some Panellists took the view that it separated customers unfairly on the basis of their income. They felt that it was the wealthier customers that are more likely to pay early, whereas less well-off customers may have difficulties finding the money to pay and end up being non prompt-payers as a result. They felt this division introduced a 'class system' among energy consumer which they were unhappy with as they saw all customers who paid before the due date as equal.

However, these spontaneous observations took place before it was explained to Panellists how prompt pay discounts may be funded (i.e. by charging higher prices to non prompt-payers and late payers). Once informed of this heated debate ensued, during which most Panellists did not think such a funding scheme was fair, particularly with respect to non prompt-payers who nonetheless paid their bills before the due date.

"I think it sounds like a really good idea to get people to pay quickly"

"I don't like it; it is a bit like the rich get richer. They are the ones that can afford to pay promptly"

Considered views on fairness of prompt pay discounts

Covering late-payment costs

Panellists were presented with a scenario involving three different types of consumers (see appendices):

- A prompt payer – who qualified for a prompt pay discount
- A non prompt-payer – who did not qualify for a discount, but paid the bill before the due date
- A late payer – who pays after the due date for their bill

The scenario explained that there are additional costs for the supplier associated with late payment such as for additional letters to late payers to chase payment, and from the additional cost of having an outstanding payment i.e. lost interest. Panellists were then asked who should bear these additional costs.

The general ethos of the panel was that consumers should pay for the costs they incur. Panellists almost unanimously felt that the costs associated with late-payment should be borne entirely by the late payer. They felt penalties should be put in place for late payment, and that these penalties should be reflective of the actual, additional costs incurred by each customer. Most Panellists saw it as unfair to ask consumers who pay their bills on time to cover the costs of those who did not.

A minority of Panellists however, disagreed, particularly those who did on occasion pay late. They felt that late payers should not have to pay more than other consumers. They felt that consumers may be paying late because they were unable to pay rather than through choosing not to. These customers should therefore not be punished with late pay penalties. Panellists also felt that energy companies were able to cover the costs of late payers from their profits, or that all consumers should share the costs equally. This point caused heated debate, with others disagreeing vehemently that prompt and non prompt-payers should have to pay extra to cover the costs of late payers and feeling that if suppliers were to cover these costs they would eventually filter down and impact on all consumers.

“He may be paying late because he can’t, not because he doesn’t want to...I don’t feel that any particular person should cover the cost, it should come down to either the supplier covering the costs or be spread across all customers”

“If you pay any other bill late like your phone bill then you get fined, I think that should be the case for energy bills”

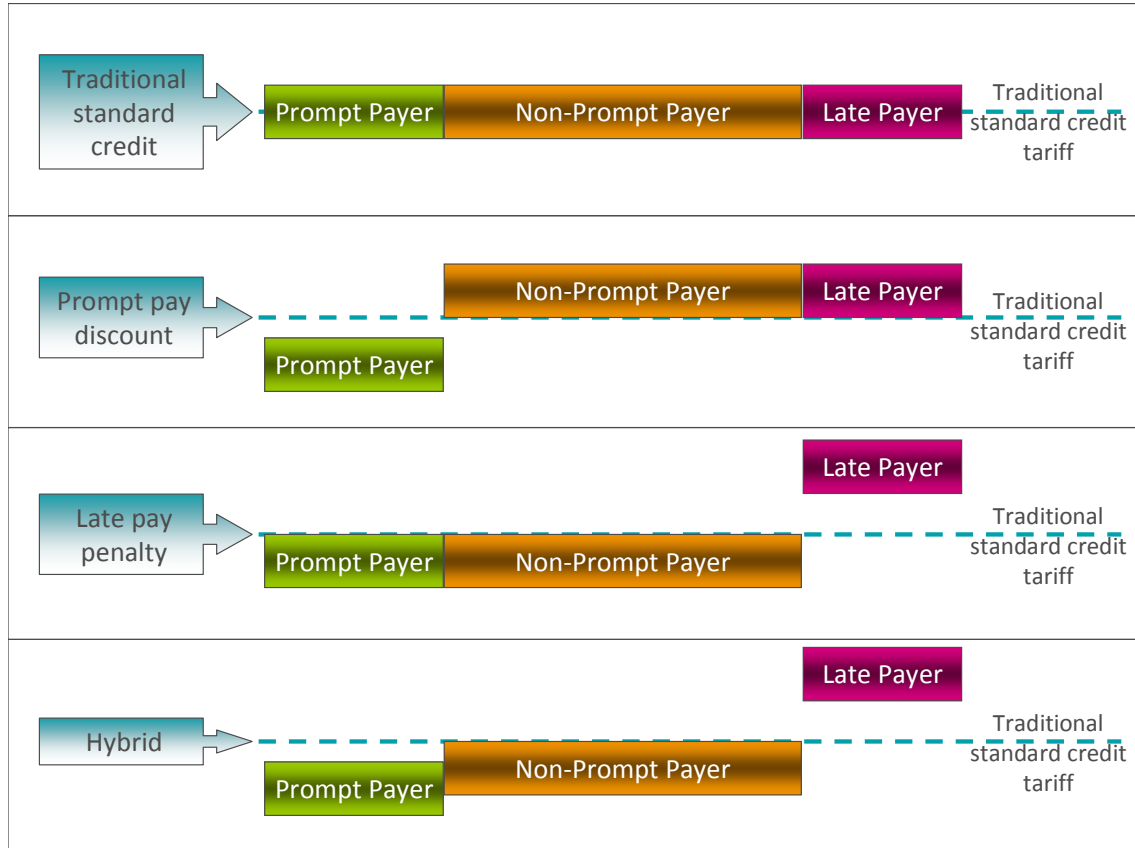
“The late payer should pay; they are the ones costing money. We shouldn’t have to cover them”

Panellists also identified that there are some customers who became late payers because they could not afford to make the payments rather than deliberately choosing not to pay them. It was felt these consumers should be spared any penalty and that suppliers should work with them to help them to pay their bill, e.g. by changing the date of the bill or moving them to a pre-payment meter, as long as they informed the supplier before the due date that they are unable to pay.

“I can understand there might be people who have problems paying their bills, like the elderly or if someone just lost their job but they should speak to their supplier and they (the supplier) should take this into consideration”

Panellists were then introduced to a series of potential alternative systems of payment between the three types of consumers in the scenario (represented in figure 3 below) assuming uniform gas and/or electricity consumption. These systems provided four options of how the three different consumers cover the costs of the late payer, and therefore how costs may differ between the three consumers. It was also explained to the Panellists that if prices were lowered for some consumers under the scenarios, they would have to rise for other consumers to compensate.

Figure 3 – possible payment systems



The different cost distributions were described to Panellists, and they were asked how fair they found these to the consumers in the scenario. Their responses were as follows:

- **Traditional standard credit** – the additional costs incurred by late payers are spread across all consumers, so all consumers pay the same (for the same amount of gas and/or electricity). Panellists found this unfair as it requires the prompt payer and the non prompt-payer to cover some of the costs incurred by the late payer. As previously mentioned, it was generally felt consumers should cover their own costs. However, as previously mentioned a small minority felt this system was fair. They felt that consumers were most likely to be paying late due to hardship and so did not feel they should pay any more than other consumers.
- **Prompt pay discount** – the additional costs incurred by the late payer are covered by the non prompt-payer and the late payer. As a result, the prompt payer’s charges are reduced compared to the traditional standard credit arrangement, and the non prompt-payer and the late payer’s charges increase (although they pay the same as each other). Panellists generally

found this arrangement to be very unfair for the non prompt-payer. This was because under this arrangement, despite paying their bill before the due date, the non prompt-payer faces higher bills, and covers more of the additional costs incurred by late-payers than under the traditional standard credit arrangement in order to provide the prompt payer with a discount.

- **Late pay penalty** – the late payer covers all of the additional costs incurred by their late payment. This is seen as fair as each user is covering their own costs and the prompt payer and the non prompt-payer pay less than under the traditional standard credit arrangement as a result of not having to pay for the costs incurred by the late payer. There was a minority who, as described above, felt that late pay penalties are unfair and that costs should be taken by companies or shared across all consumers. Also as previously mentioned, most Panellists wanted to exempt late payers experiencing genuine hardship from a late pay penalty. They felt to qualify for this exemption the late payer would have to contact their supplier in advance, and agree to take steps to pay their bill e.g. by moving to a pre-payment meter. However, the majority felt that having penalties for late payment should be the default arrangement.
- **Hybrid** – this is similar to the late pay penalty arrangement, however, in this arrangement the prompt payer now receives a discount on the price paid by the non prompt-payer, as well as the late-payer still paying the late pay penalty to cover their additional costs. This was seen as being fair as long as the discount for the prompt payer was not funded by either the non prompt-payer or the late-payer being charged more than under the late pay penalty arrangement. Panellists felt that discounts should be funded from the cost savings to the supplier from prompt payment i.e. the costs they save from receiving payment within 10 days, rather than by the 30 day payment deadline.

Dealing with bad debt

Panellists were then asked to consider the additional costs for suppliers incurred as a result of bad debt from 'never payers' i.e. those who do not pay and are untraceable. They were asked which of the consumers from the scenario (prompt payer, non prompt payer, and late payer) should cover these costs.

Panellists' initial response tended to be that this cost should be covered by the supplier and be taken from their profits. They did not feel it was fair for consumers to cover the bills of other consumers who do not pay. They felt that the supplier had entered a credit agreement with the 'never payer' knowingly, and as such should bear the costs if this arrangement is broken. They felt it was the supplier's responsibility to ensure that consumers are suitable before they place them on a standard credit tariff. It was suggested that all suppliers could contribute to a 'bad debt fund', which would

cover the costs of never payers. On further consideration some Panellists could understand that such 'never-payment' costs existed in other industries. They gave examples of stolen supermarket trolleys and shop lifting, and that these costs are generally passed back to consumers through the costs to consumers.

"It's just life, it is the case for lots of other services, because of the 'bad' people we end up paying more for everything these days"

When prompted to think which consumers should cover the costs of never payers Panellists felt that if consumers are to cover the costs of never payers, all consumers should cover them equally. Specifically they did not think that late-payers should bear a disproportionate share of the costs of never payers, because they were seen as being no more responsible for these costs than any other consumer. While it was seen as fair for them to cover their own additional costs, Panellists felt they should not have to bear the additional costs of others as well.

"The cost will have to be spread and covered by all of us"

"The cost of the never payer should be spread across everyone, they aren't going to pay and it's not fair for just one group to pay for them"

Motivation provided by current prompt pay discounts

At the end of this section of the workshop, Panellists were shown some examples of the discounts available (see appendices). Panellists were then asked to comment on the fairness of the period allowed for payments to qualify as prompt, and on whether the discount would provide motivation to pay promptly

Prompt pay periods

The periods of 10 days and 14 days were generally seen as fair. Panellists felt these periods would allow a customer a reasonable amount of time after the bill was received to make a payment. However, consumers might miss a payment if, for example, they were away on holiday when a bill was received. When considering payment by cheque they questioned whether the discount period ran to the time the cheque was received by a supplier or included the clearance of funds. This led them to consider that 14 days was more appropriate as it would leave an extra few days for funds to clear.

“10 days isn’t enough time if you are sending a cheque by post and then it takes 3 working days to clear. You would have to pay the bill the first day you receive it in that case”

“I think 10 or 14 days is a good amount of time, if you make it any longer then it stops being a ‘prompt’ payment”

Level of prompt pay discount

Three of the four example discounts were around £30 a year. This was similar to the value of discount that Panellists who were on standard credit accounts were aware of. There were mixed opinions on whether this level of discount was motivating. The majority view was that this level of discount was not sufficiently great to ensure consumers paid promptly or to encourage them to switch to a prompt pay tariff. Panellists tended to see it as a ‘bonus’ for paying early, but felt that they would not miss it greatly if they missed the prompt pay payment deadline. Some on standard credit tariffs with prompt pay discounts echoed this, saying that they sometimes paid in quickly enough to get a discount, and sometimes did not, and that the discount did not greatly influence when they paid.

“I can see how it could be motivating to some people, but I would need to save more money to make me pay promptly”

“I would pay promptly if I was going to save a bit of money, but then the low amount means it wouldn’t be a huge loss if I missed the deadline”

Other Panellists however took an ‘every pound counts’ approach, and felt that it was worth paying early regardless of the level of discount. The motivation offered by low level discounts was perceived by some Panellists across the board and was related to a cost saving attitude. Some Panellists on standard credit tariffs with prompt pay discounts said they ensured they paid early in order to receive the discount.

“There are a lot of services which only give you small savings, but then they all add up over time”

The fourth example tariff offered a discount of £150 per year. Many panellists saw this level of discount as genuinely motivating, and felt it would help to make sure they paid early and may encourage consumers to switch to this tariff. However, given the earlier conversation relating to different arrangements of payments, and how discounts for some consumers could mean higher charges for others, some Panellists felt that this level of discount meant that non prompt-payers and late-payers would be paying significantly more. They felt therefore that this discount would be unfair to consumers who did not pay promptly if they were funding it. Some were also suspicious about the actual rate this tariff offered, feeling they would be higher than the other tariffs in order to offer a large discount.

“£150 looks like a good amount but then we can’t see what the cost of the bill is or what other people will have to pay to make that saving possible”

“If it looks too good it probably is, the overall tariff might be a lot higher for that supplier. It’s figures like this that confuse people. You need to factor in price per unit”

Panellists also suggested that discounts be structured to help ensure regular prompt payments e.g. by offering an annual bonus discount if the customer paid promptly on every bill over a year, or by offering a single, larger bonus payment on an annual basis for paying promptly on each quarter over the year.

5. Distribution Network Operator reporting

Initial interest in DNO reports

Spontaneous knowledge and perceived relevance of DNOs

Panellists had previously discussed DNOs briefly during the first workshops of the Consumer First Panel (held in October 2009). During this session they were asked broadly what they knew about the structure of the electricity market, and were provided with information about different stages of the electricity delivery process. This showed the role of DNOs, and how they relate to consumers.

During the session on DNOs in this workshop, Panellists were initially asked what they could recall about the role of DNOs within the energy market (which were referred to as Electricity Network Companies during this session of the workshops). Most Panellists remembered very little about DNOs and although some knew that they were involved in the delivery of electricity to the home. Once explained their role was seen as important but not of great interest 'as long as the lights come on'. Some questions were raised about the role they have in deciding the costs to consumers, and what role they have in energy conservation and in reducing the visual impact of electricity cables, which was a consideration in Aberdeen where there were concerns about the visual impact of overground lines in the highlands.

Prompted views on the role of DNOs

After the short initial discussion on DNOs Panellists were given a presentation of information on DNOs (shown in full in the appendices). This covered:

- What a DNO is and its role in the electricity market.
- Their status as monopoly companies that consumers have no choice about who their DNO is.
- The DNO regions and the companies that operate the networks.
- The cost they represent to the consumer.
- What companies can expect of DNOs in terms of service provision, responding to complaints and playing a role in tackling climate change.
- Ofgem's role in regulating the DNOs through price controls.

Following this presentation Panellists were probed further about how they thought the role of DNOs relates to consumers, and what information they might want or need to know about DNOs.

Panellists felt that the DNOs had an important role in that they help ensure the supply of electricity to their homes. They felt it was important that the performance of DNOs was monitored, particularly in relation to:

- Their finances, i.e. their level of expenditure on improvements and their levels of profit.
- Their overall level of service to customers i.e. how well they carry out their main role of delivering electricity to customers.
- How much disruption they cause in carrying out work, i.e. digging up roads.
- The impact they have on the bills consumers pay.
- Reducing the visual impact of over ground lines.

However, despite feeling DNOs are important to consumers; Panellists expressed little interest in directly receiving information about the performance of their DNO. They tended to feel that, as they have no choice over which DNO they use, knowing about their performance was of little relevance as there is nothing they can do as a result of knowing it i.e. they cannot switch DNO.

“I didn’t know anything about this before today so I don’t see why I would need to start knowing more from now on”

“If we have no say in it, do we need to know? It’s happening, there is no choice for us”

Instead Panellists expressed interest in knowing more about the regulation of DNOs, particularly:

- How prices to consumers are controlled and how DNO expenditure is monitored.
- How level of service is ensured and what recourse there is if these companies perform poorly e.g. whether they could be fined or lose their licence.

Panellists felt that it was important for consumers to know that the performance of DNOs was being monitored by Ofgem, and what Ofgem is doing to ensure that DNOs perform to a high level. However, they did not feel that consumers could input into this process and so saw little benefit in consumer information about DNO performance. In London there was a little more interest from some, mainly male members of the group. They professed a general interest in knowing more about DNOs.

Response to consumer friendly reports

Spontaneous response to consumer friendly reports

Panellists were told that Ofgem are considering producing consumer friendly reports which would be compiled annually using data provided by DNOs. They were then asked what kind of information they felt should be included in these reports and in what format the reports should be presented. As mentioned above, Panellists showed little interest in knowing information about DNOs, they therefore found it difficult to think spontaneously about what types of information should be included in these reports. They did not anticipate reading such information, even if it was sent to

them directly, and therefore felt that direct communication of DNO performance information to consumers would be unnecessary and potentially a waste of money.

“I wouldn’t want to get a leaflet of information all about this, I just wouldn’t read it and it would be a waste of money because most people would throw them away”

The exception was the small group of interested Panellists in London who expressed an interest in knowing more about levels of investment and accountability for spending.

Prompted considerations on appropriate content

Panellists were then provided with a series of handouts that detailed the types of information which DNOs either capture already or will capture in the future (see appendices). In overview this information related to:

- Making new connections to the network
 - Level of competition in connections
 - Speed of providing quotes for new connections
- Customer service
 - Number of interruptions and number of customer minutes lost through interruption
 - Satisfaction with speed and quality of telephone service
 - Number of customers classified as ‘worst served customers’
 - Overall level of satisfaction with service among customers
- Becoming more environmentally focused
 - Amount of energy lost in system
 - Undergrounding of lines
 - Carbon footprint of DNOs
 - Using technological innovations to find low carbon solutions
- Investment
 - Overall level of spending and comparisons with their targets and the previous year’s spending
 - Level of spending on maintaining and operating the network and comparison with targets

Panellists were asked to select what they considered to be the three measures that they would most want to see information on. Although they were able to differentiate between these different measures in terms of relative importance, it should be noted that none of the information was seen as being of particular relevance to consumers to know overall.

However, a trend did emerge as to which groups of measure were more or less important to the Panellists.

Customer service measures tended to be seen as of high importance most often. The performance of the telephone service was seen as particularly important, with most Panellists considering this to be the measure of greatest importance. This is because they want to feel reassured that if there is an interruption to supply, they will be able to phone their DNO and be able to speak to someone as soon as possible. This measure was seen as particularly relevant as it includes a DNO being measured on how fast customers can get through to speak to a real person. Panellists felt this was a very important feature as they did not want to have to deal with an automated system in the event of a power cut.

“If you get cut off then of course you are going to want to be able to speak to someone as soon as possible to make sure they sort the problem out”

“The worst thing is speaking to an automated service when you urgently need to sort something out”

Also of high importance to Panellists was the measure of the number of interruptions and customer minutes lost. This was seen as key because it relates to the core function of the DNOs - i.e. ‘keeping the lights on’. The broad measure of satisfaction was seen as less important as it is not a specific measure of performance, as was the number of ‘worst served customers’. However some, predominantly in Aberystwyth, expressed interest in knowing where these areas of poor service are. They felt that power cuts were a greater concern for people in rural areas who are isolated.

The group of measures relating to the environmental performance of the DNOs also tended to be seen as being relatively important, although the particular measures that were seen as important in this category varied from one Panellist to the next, as they considered different specific measures to be of greatest relevance to consumers. Panellists felt environmental concerns in general were ‘important to people at the moment’, and so these measures in general were seen as relevant to consumers. Reducing electricity losses in the network, undergrounding lines and of using technological innovations to find low carbon solutions were seen as most important. Energy loss was seen as a waste both of money and of energy. Undergrounding lines was seen as important for preserving areas of natural beauty. Using technological innovations was seen as important in planning for the future and becoming more environmentally friendly over time. Panellists tended to see the carbon footprint of the DNOs as less relevant. For some this was because they felt they could not be certain of these figures as they saw them as subjective, and depending on what is included and excluded from calculation of carbon footprint. They felt that these figures could be subject to manipulation.

“Carbon footprint would be bottom for me. How certain can we be of this?”

“Using innovations to find low carbon solutions is important. Becoming a parent now we want to safeguard the future”

Investment was seen as important by some, with Panellists expressing a level of interest in the overall level of spending, how this compared with Ofgem targets, and how the level of spending on maintaining and operating the network compared to Ofgem’s target. These were seen as measures of how efficient the companies were being with ‘their money’. However, others felt that investment had little bearing on consumers and related more to Ofgem’s role as a regulator.

Overall, information on connections was felt to be of least relevance to consumers. New connections were not seen as relevant to consumers who are already connected to the network. These measures were only felt to be relevant to companies involved in developing new properties. However, a minority of Panellists attached some importance to this measure as it included an element of competition. This was seen as important as it is the only element of price competition for the DNO suppliers.

Most appropriate media for reports

As mentioned, Panellists tended to feel that they would be likely to ignore information of DNOs due to its low relevance to them. They therefore felt direct communication of DNO performance information to consumers would be unnecessary and potentially a waste of money.

However, Panellists were supportive of DNOs being transparent about their performance, and of this information being available to consumers who may be interested in it. Their view was that information should be published, potentially on the DNO’s website.

“I don’t personally want to know about this, but I think people should be able to know where to find information if they want to”

“I think this type of information should be accessible, otherwise it might seem that companies are trying to hide something”

Panellists could also see some potential benefits in DNO performance information being published in the general media as it would ‘name and shame’ poorly performing DNOs and potentially encourage improvement. However, this was seen as of potentially limited benefit as they felt there would still be low levels of interest in this information regardless of the type of media it was presented in.

A league table of performance of the different DNOs on a few key measures was seen as the most appropriate format for this type of information as it would allow people to compare and contrast the different DNOs on different measures, and would put pressure on poor performing DNOs to improve.

However, even in this format many still felt they would not be interested enough to read this information.

6. Appendices

Appendix 1: Discussion guide



Ofgem Consumer Panel 2010 – Session 2 draft summary agenda

- Pre-task – think about an experience of fair/unfair contact with an energy supplier

Timings	Item	Materials
5.30 – 6.00	Arrival and Registration Provide feedback on previous workshop	
6.00 – 6.10	IN PLENARY: <ul style="list-style-type: none">• Welcome and housekeeping (Opinion Leader lead facilitator)• Feedback from last workshop• Welcome back to the panel – headline topics for the evening<ul style="list-style-type: none">- Standards of Conduct for suppliers – i.e. fair treatment from energy suppliers- Prompt Pay – i.e. customers paying by standard credit being given a discount on their bill if they pay within a certain time frame- DNO quality of service reporting – i.e. the quality of service information customers would find most useful and why BREAKOUT: <ul style="list-style-type: none">• General introductions on tables	

Timings	Item	Materials
6.10 – 6.50	<p>SECTION 1 – STANDARDS OF CONDUCT</p> <p><i>Facilitator note: Probe on misselling where appropriate</i></p> <ul style="list-style-type: none"> • How in general they feel they are treated by energy suppliers (<i>Facilitator note: needs to be with their dealings with suppliers not just pricing and bill issues. <u>Not necessarily your own supplier.</u> Concentrate on the contact rather than the outcome. Further probe on if have switched if necessary and experience of supplier with this.</i>) <ul style="list-style-type: none"> ○ Why they have this perception? ○ How this compares to other markets e.g. retail, financial services, telecoms etc. – why these are generally more/less fair • Feedback from pre-task – examples fairness and unfairness from suppliers: (<i>Facilitator note: probe on the contact with the energy supplier</i>) <ul style="list-style-type: none"> ○ Describe the situation ○ What aspects made it fair/unfair ○ How did this affect them ○ How could this experience have been made fair/unfair <p>Introduce idea of standards –</p> <ul style="list-style-type: none"> • A set of standards for treating customers fairly which all companies need to take ‘all reasonable steps to adhere to’ <p>Present supplier standards to explain what the standards mean:</p> <ul style="list-style-type: none"> • You must not sell a customer a product or service that he or she does not fully understand or that is inappropriate for their needs and circumstances; • You must not change anything material about a customer’s product or service without clearly explaining to him or her why; • You must not prevent a customer from switching product or supplier without good reason; • You must not offer products that are unnecessarily complex or confusing; and • You must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake. <ul style="list-style-type: none"> • Briefly – what they think of these aims. Do these encompass fairness or are there other missing elements? Can you think of any examples from your experience? Probe on examples of events which led to misselling. <p>FACILITATOR NOTE – PROBE ON OTHER SITUATIONS OUTSIDE OF SALES AND CHEAPER PRICES, SUCH BUYING A PRODUCT OR CHANGING A SUPPLIER, AND THE STANDARDS ON DIRECT SALES AND MARKETING MATERIAL</p>	Handout 1

Timings	Item	Materials
	<p>Overall, what do you think these standards will achieve Are there gaps/more dos/don'ts needed (referring back to previous brainstorming exercise)? Facilitator note: probe on any which particularly relate to sales and marketing</p> <p>Discuss in pairs first – then as a groups. For the aim you have think about:</p> <ul style="list-style-type: none"> • What this means to them • What needs to be done to achieve it <ul style="list-style-type: none"> ○ What is the minimum to be 'fair' against this aim ○ What would best practice be • How they will know when it has been achieved • How well suppliers are doing against this at the moment – examples of fairness and unfairness <p>Each pair to feedback on handout:</p> <ul style="list-style-type: none"> • Which specific aim does this address? • Are suppliers doing this – how/how not? • What sorts of things do suppliers need to do meet this standard – what is the minimum, what is best practice? <p>Feedback:</p> <ul style="list-style-type: none"> • Overall thoughts on aims and standards • How well suppliers are doing against standards • What more they need to do to achieve aims 	<p>Handout 2 – Form for pairs to fill in</p>
6.50 – 7.00	Comfort Break	

Timings	Item	Materials
7.00 – 8.00	<p>SECTION 2 – PROMPT PAY discount</p> <p>Introduction from front</p> <p><i>Different customers pay their bills in different ways – by pre-pay, quarterly bill (for example by cash or cheque and direct debit. This can be for a variety of reasons to do with their circumstances, such as income and number of people living in a household, and preferences, such as more regular small payments every month or quarterly bills.</i></p> <p><i>Today we are looking at just one of these methods – standard credit (paying your bill when you receive it i.e. quarterly). Even if you do not pay quarterly, we would like you to think about your fellow British consumers who may use this method and what their perspective may be and reasons for this may be.</i></p> <p>Initial discussion</p> <ul style="list-style-type: none"> • Initial reactions to different ways of paying and views on why some people pay by a quarterly bill • How quickly do you imagine most people pay their energy bills? Prompt - As soon as they get the bill, after a few days, due date, red bill)? Why might some people not pay their bills quickly? Probe: specific circumstances, forgetfulness, being unable to pay. • Awareness of prompt pay discounts- how much know about it? Initial perceptions? Whether anyone uses it? • ASK IF TIME - Are there any other situations where consumers get discounts for paying within a set time/ penalties for paying late? (e.g. fines) 	

Timings	Item	Materials
	<p>Detailed discussion</p> <p>Reactions to the concept of prompt pay</p> <p>Provide explanation of prompt pay. Prompt pay discounts give a customer paying by quarterly cash or cheque a reduction in their energy bill if the supplier receives payment within a given number of days, for example you might receive a discount on your quarterly bill if you pay it within a few days. To be able to provide a prompt pay discount prices and also have to rise for non-prompt pay customers (water-bed analogy)</p> <ul style="list-style-type: none"> • Spontaneous reactions. How clear/unclear? Good idea or not? Why? • Discuss pros and cons of prompt pay in 2 groups (1 focused on pros and cons for suppliers, and one on pros and cons for consumers) • Present back pros and cons for consumers and suppliers and discuss/probe fully on tables • Prompt with reasons for suppliers to give a prompt pay discount <p>How fair is prompt pay?</p> <ul style="list-style-type: none"> • What would be a fair a number of days for receiving the discount? How fair is it that if you miss the cut off date for a discount by a couple of days, but still pay your bill, you pay more than someone who paid a couple of days earlier? Who might be disadvantaged? • Should the amount you pay depend on when you actually pay for it? Should everyone pay the same? • Scenario 1 – Late-payer costs - Prompt with Amy, Brian Carl handout. Should any of these people pay more/less than the others? Who should bear the cost of Carl’s late payment? • If not mentioned prompt with the following: <ul style="list-style-type: none"> ○ Should they all pay the same (as they do at the moment under most quarterly bill contracts – the additional expense caused by Carl’s late payment is therefore spread among all) ○ Should Amy pay less, and Brian and Carl pay more (as in the example of prompt-pay shown in handout 2. Amy would pay less than in option 1 and Brian and Carl would pay more -) ○ Should Amy pay least, Brian more than him, and Carl most of all – (Amy pays less than in Option 1, Brian roughly the same and Carl pays more – the additional expense caused by Carl’s late payment is therefore spread among Brian and Carl – but Carl pays more than Brian) ○ Should Amy and Brian pay the same and Carl pay more (Amy and Brain both pay less than in Option 1 and Carl pays significantly more – Carl bears the full cost of his late payment) 	<p>Handout 3</p> <p>Handout 4</p> <p>Handout 5</p>

Timings	Item	Materials
	<ul style="list-style-type: none"> • Scenario 2 -Never Payment – if Derek never pays and is untraceable who should bear the cost of his unpaid bill? Should this cost fall more/less heavily on anyone • If not mentioned prompt with the following: <ul style="list-style-type: none"> ○ Should Amy, Brian and Carl pay the same (i.e. cover Derek’s bill equally) ○ Should Amy pay more than Brian and Carl (i.e. she covers more of Derek’s bill) ○ Should Brian pay more than Amy and Carl (i.e. he covers more of Derek’s bill) ○ Should Derek pay more than Amy or Brian ○ None of the above <p>How motivating is prompt pay?</p> <ul style="list-style-type: none"> • How much would the discount need to be to encourage people to pay within a few days? Facilitator note: spontaneous only do not prompt – <p>Reactions to the reality of prompt pay</p> <p>Provide the current prompt pay discounts and time frames.</p> <ul style="list-style-type: none"> • What do you think about the size of these discounts and the timeframes? Do you think they look fair? Do you think people would be motivated to pay promptly by these discounts? Are there people that couldn’t pay in this way? • What could suppliers do to make sure that prompt pay discounts don’t cause confusion? Are prompt pay discounts currently fairly marketed? Do you think it would be better if they were marketed as ‘late pay penalties (a penalty for paying after an agreed number of days as opposed to a bonus for paying within an agreed number of days)?’ 	Handout 6
8.00 – 8.10	Comfort break	

Timings	Item	Materials
8.10 – 8.50	<p>SECTION 3 – DNO REPORTING</p> <ul style="list-style-type: none"> • What do you know about electricity network companies spontaneously? What do they do? How relevant to consumers? <p>Provide information about electricity network companies:</p> <ul style="list-style-type: none"> • Map of regions • Where they fit into energy supply chain basic information - What they do and don't do, how they operate (e.g. price controlled, responsible for getting electricity from grid to customers etc.), the fact that consumers can't choose but that they pay for electricity network companies as part of their bill. Prompted reactions to electricity network companies - how relevant to consumers now? • What if anything would be important / useful for consumers to know about electricity network companies? <p><i>Ofgem is thinking about developing 'customer friendly reports' which would be compiled annually using data provided by the electricity network companies. Today we are trying to understand what these reports should include and how they should be presented</i></p> <ul style="list-style-type: none"> • Thinking about the work that electricity network companies do, what would you like to know about? What do you think they have to do / what is their role? Think about the way wires and cables affect you or how what they do could affect you in the future. 	<p>Presentation – 1 handout 7 per table</p>

Timings	Item	Materials
	<p>Give handouts to Panellists and read through Measures in each area – present measures in each area on cards with information sheet (CFAR template)</p> <p>In pairs complete ranking exercise and discuss measures</p> <ul style="list-style-type: none"> • How interested they would be to know these • Which would be the top three things you would like to know about? • Is there anything which you wouldn't want to know about or is least important? • Connections <ul style="list-style-type: none"> ○ Competition in connection – number of connections carried out by the electricity network company in comparison to other connection companies • The time it takes for the company to give a quote for a connection after the customer has supplied all the information it needs. (Average time and maximum time). Customer service (Broad measure and worst served customers) <ul style="list-style-type: none"> ○ Number of power cuts vs. expected targets ○ Total length of power cuts vs. expected targets ○ Satisfaction with speed and quality of telephone service ○ Examples of good service that is hard to measure ○ Customer satisfaction across of range of services that the electricity network companies provide ○ Improving supply to those customers experiencing large numbers of interruptions over a number of years (Worst served customers) • Becoming more environmentally focused <ul style="list-style-type: none"> ○ % of electricity lost in system vs. expected target ○ Carbon footprint of the electricity network companies business ○ Putting electricity cables underground in areas of outstanding natural beauty ○ Using technological innovation to finding low carbon solutions • Investment – <ul style="list-style-type: none"> ○ How much the company has specifically spent on maintaining and operating it's network vs. how much Ofgem has allowed it to spend ○ How much the company has spent overall in carrying out its business vs. how much Ofgem has allowed it to spend ○ How much the company has spent overall in carrying out its business THIS YEAR vs. How much it spent overall LAST YEAR 	Handouts 8 a-d

Timings	Item	Materials
	<p>As a pair:</p> <ul style="list-style-type: none"> • Identify the top three orange boxes that you would like to see information on • Identify any which you are not interested in / don't think is relevant to you as a consumer <p>As a table:</p> <ul style="list-style-type: none"> • Verify rankings from each pair • Where do you expect to find this information? Spontaneous first. Then Probe - Ofgem website, electricity network company's website, supplier website, bill, media, local council, local newspaper other. How much detail is required overall and through each channel? Reactions to 2 different levels of detail – a Consumer Friendly Annual Report and a league table • What overall value is seen in publishing this information? Apart from informing consumers, why else could it be important to publish this information (probe - putting pressure on companies to improve)? 	
8.50 – 9.00	<p>Thanks and next steps</p> <p>- End of day questionnaires</p>	

Aims of the standards

Ofgem introduced a set of standards aimed at encouraging suppliers to treat consumers fairly at each stage of the purchase process (from marketing, through to sales and after-sales) and to ensure that consumers have access to good information on the options available to them.

Ofgem expects suppliers to take all reasonable steps to adhere to these standards and their dealings with consumers.

Supplier Standards of Conduct

The standards are:

- **You must not sell a customer a product or service that he or she does not fully understand or that is inappropriate for their needs and circumstances;**
- **You must not change anything material about a customer's product or service without clearly explaining to him or her why;**
- **You must not prevent a customer from switching product or supplier without good reason;**
- **You must not offer products that are unnecessarily complex or confusing; and**
- **You must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake.**

Handout 2 - Standards of conduct form

Standard one - You must not sell a customer a product or service that he or she does not fully understand or that is inappropriate for their needs and circumstances

What should they be doing?

What shouldn't they be doing?

How well is your supplier doing compared to these standards?

Handout 2 - Standards of conduct form

Standard two - You must not change anything material about a customer's product or service without clearly explaining to him or her why

What should they be doing?

What shouldn't they be doing?

How well is your supplier doing compared to these standards?

Handout 2 - Standards of conduct form

Standard three - You must not prevent a customer from switching product or supplier without good reason

What should they be doing?

What shouldn't they be doing?

How well is your supplier doing compared to these standards?

Handout 2 - Standards of conduct form

Standard four - You must not offer products that are unnecessarily complex or confusing

What should they be doing?

What shouldn't they be doing?

How well is your supplier doing compared to these standards?

Handout 2 - Standards of conduct form

Standard five - You must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake.

What should they be doing?

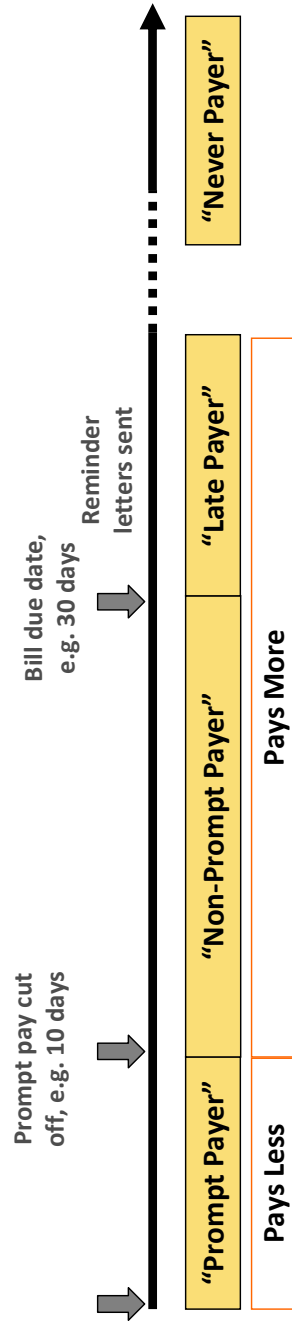
What shouldn't they be doing?

How well is your supplier doing compared to these standards?

Appendix 8: Handout 3 – Concept of prompt pay

Handout 3 – What is prompt pay?

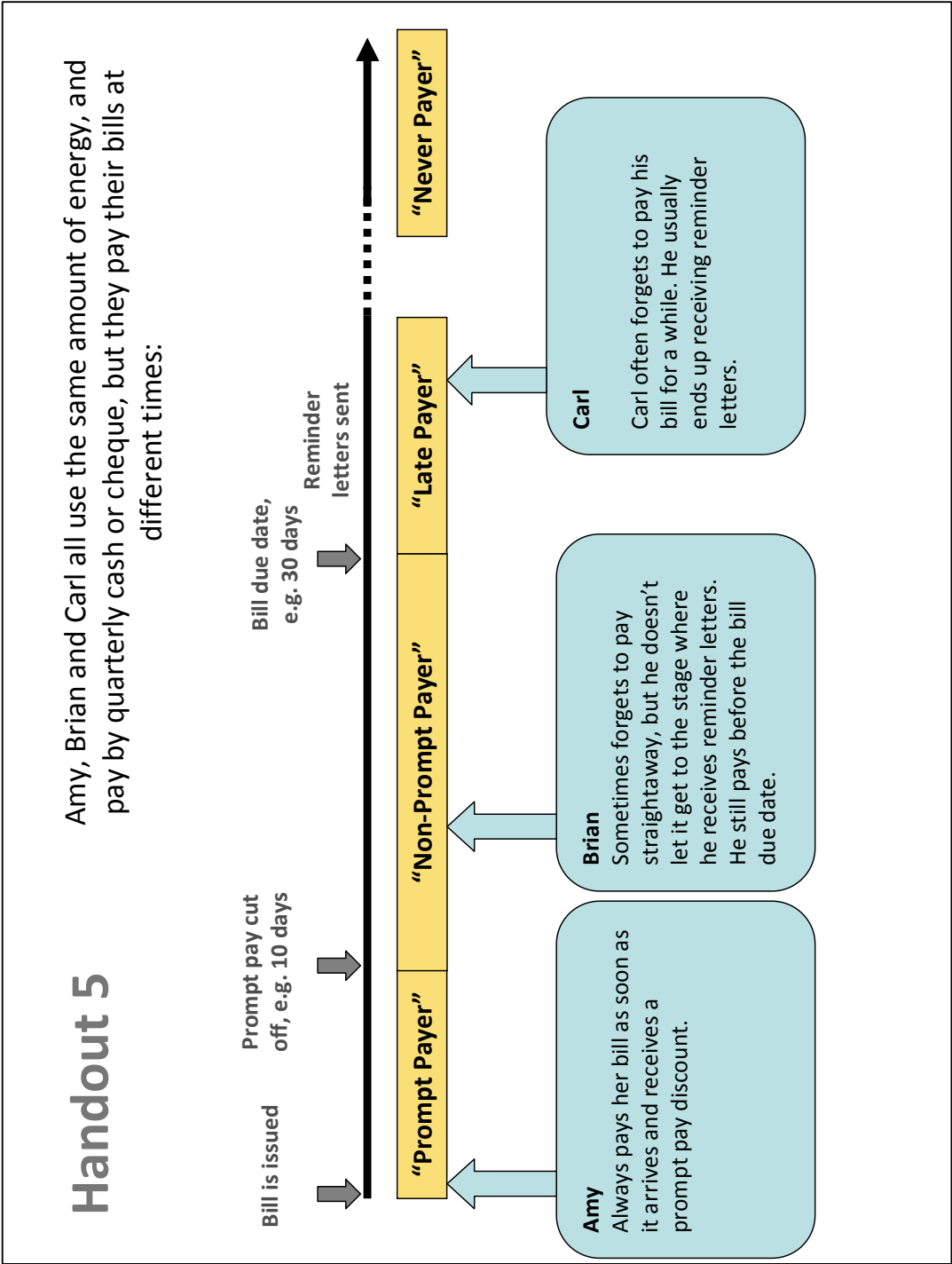
- Prompt pay discounts give a customer paying by quarterly cash or cheque a reduction in their energy bill if the supplier receives payment within a given number of days, for example you might receive a discount on your quarterly bill if you pay it within 10 days.
- To be able to provide a prompt pay discount prices also have to rise for non-prompt pay customers



Handout 4 - Why do energy suppliers offer prompt pay?

- Suppliers incur costs when people pay late or don't pay at all
- When people pay late, suppliers face additional administrative costs. For example they might have to send reminder letters and chase people for payment. Suppliers might face other costs because of late payment, for example they may experience problems caused by a shortage of money while they wait for customers' payments. This impacts on their day to day running of the company.
- Prompt pay discounts reward customers who pay their bills quickly because the supplier incurs less costs

Appendix 10: Handout 5 – Examples of prompt payers



Appendix 11: Handout 6 – Current prompt pay discounts and timeframes

Handout 6 – Current prompt pay discounts and timeframes

To date four suppliers have introduced prompt pay discounts. The table below compares the features of these discounts across these suppliers.

Supplier	Size of quarterly discount	Potential Quarterly saving (dual fuel)	Total potential annual saving (dual fuel)	Timeframe to earn discount
Supplier 1	£3.75 per quarter (gas) £3.75 per quarter (elec)	£7.50	£30.00	14 days
Supplier 2	3% per bill	£9.00	£37.00	10 days
Supplier 3	Daily electricity discount of 13.7p Daily gas discount of 27.4p	£37.50	£150.00	10 days
Supplier 4	2.5% per bill	£7.50	£30.00	14 days

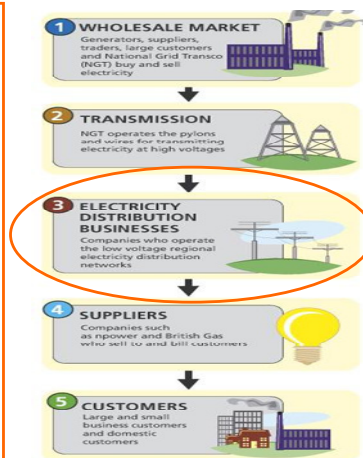
Presentation

Electricity Network companies quality of service reporting

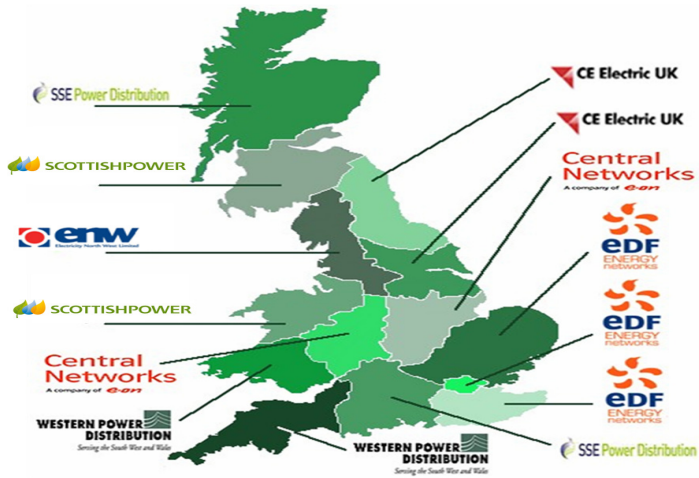


What are electricity network companies?

- These companies maintain the electricity network that transports electricity from the high voltage national grid to homes and businesses. There are 14 distribution networks in Great Britain and they are owned by seven electricity network companies
- Energy supply companies buy electricity from generation companies. These suppliers then pay the electricity network companies to transport the electricity to their customers
- You can choose which energy supplier you get your electricity from regardless of where you live but you cannot choose your electricity network company



Map of regions



What are electricity network companies?

- Electricity customers pay around £3.6bn annually for distribution charges. This accounts for approximately 15 per cent of domestic customer electricity bills.
- The “average” domestic customer pays around £76 a year for distribution charges.



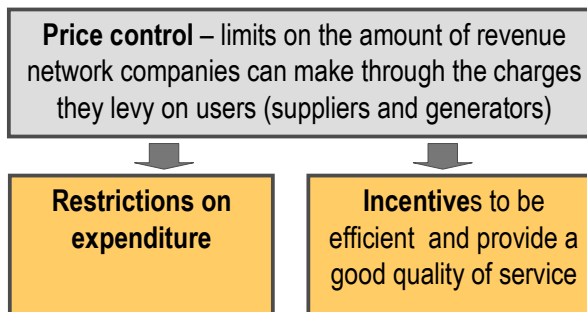
What are electricity network companies?

- In return for this money, customers expect a reliable supply of electricity and expect their electricity network company to act swiftly to repair faults and respond effectively to complaints, queries and requests for new connections to the network.
- Customers also expect electricity network companies to play a full role in tackling climate change and to consider how they need to adapt to changes so that they can continue to provide security of supply into the future



Price Control

- Due to the costs of putting the network infrastructure in place, energy network companies are natural monopolies and there is no realistic means of introducing competition.
- The companies have a lot of power as monopoly companies . So, Ofgem protects customers' interests by deciding how much money these companies should receive, through:



When Ofgem reviews the price controls every five years it looks to balance....

The need to **allow the companies appropriate resources** to be able to operate an economic and efficient system



The need to **protect customers' interests**

It is Ofgem's duty to consult all interested parties when developing policy decisions. We are interested to know the extent to which consumers should be consulted on these price control decisions

Handout 8a – Connections summary

Competition

- Consumers' properties can be hooked up to the network by connection businesses other than your local electricity network company. We refer to this as "**competition in connections**".
- Ofgem wants to encourage more competition in the connections business. It asks the network companies to report the number of connections to their network that have been made by
 - the network company itself
 - a network company associated business, or
 - an entirely separate company, qualified in carrying out connections
- The level of competition is measured by the number of connections carried out by entirely separate companies. An increase in the number of connections carried out by these companies is viewed as an increase in competition.

Providing offers to connect properties to the network

- After electricity network companies have received all of the information they require to offer a customer a connection, they must offer to make that connection as soon as possible. The absolute outside time limit to offer a connection to a customer is currently 3 months.
- A number of electricity network companies are currently being investigated for failing to meet this requirement in 2008 -2009. One company has already been fined £2m by Ofgem for failing to do this. All electricity network companies report their performance in how quickly they provide a connection offer (the average and maximum amount of time it takes them to make an offer to the customer)

Handout 8b – Customer service summary

Customer Interruptions and Customer Minutes lost

Electricity network companies are set targets for the length and amount of power cuts that customers experience. This encourages the companies to invest in and operate their networks better to reduce both how often and how long customers experience a power cut.

Satisfaction with speed and quality of telephone service

If a customer wants to speak to the company about a problem (rather than an automated system), the electricity network company is required to report on how quickly it takes for the customer to speak to an actual person. They are also required to report performance on a number of other customer service levels, including total calls answered by a customer service agent and total number of calls that do not get answered.



Broad Measure of satisfaction

The Broad Measure is designed to improve the levels of service offered to customers. Electricity network companies capture and measure customers' experiences of contact across the range of services and activities they provide. Ofgem expects them to adopt the levels of customer service a customer can expect from a traditional consumer facing business.

Worst Served Customers

Electricity network companies measure their number of 'Worst Served Customers'. These are customers experiencing 15 or more power cuts over three years. This is to encourage electricity network companies to improve the service to customers that experience a large numbers of power cuts over a number of years.

Handout 8c – Becoming more environmentally focused

Percentage of energy lost in system vs. target

Electricity is lost from the network as it transmitted to customers' houses. Electricity is also a major source of green house gas emissions. It represents approximately 1.3% of total GB green house gas emissions. Ofgem has set targets for electricity network companies to minimise the amount of electricity lost through the networks.

'Undergrounding' lines in areas of outstanding natural beauty

Electricity network companies have an allowance so they can put cables underground in national parks and areas of outstanding natural beauty. Ofgem checks to see how much of this allowance the companies spend, and the total length of the lines that have been put underground in these areas.

Carbon footprint of the electricity network companies business

Electricity network companies are encouraged to be as environmentally friendly as possible. In the future they must report on the carbon footprint of their business. They will be measured on how well they reduce their emissions compared to how they did in 2010-2011.



Using technological innovations to finding low carbon solutions

Electricity network companies are encouraged try out new technology and ways of operating their networks to help the government's climate change targets. A £500 million fund will provide funding for them to run trials on their networks. The companies will need to share the learning from all the trials with other network companies so that all customers can benefit.

Handout 8d – Investment

Network spending

Ofgem sets how much electricity network companies can charge customers after it has assessed the improvements the company needs to put in place to ensure a reliable supply to all customers at an efficient cost. This is achieved through a price control review, carried out every five years. Companies report on their performance against these set costs, so Ofgem can check whether this money has delivered an appropriate service for customers

How much the company has spent overall in carrying out its business vs. how much Ofgem has allowed it to spend

Under the price control, Ofgem sets an overall limit on how much customers must pay to the electricity network company for it to run its business. Each year Ofgem checks what companies have done with the money they have spent and compares it with what it would have expected them to have spent.

How much the company has specifically spent on maintaining and operating its network vs. how much Ofgem has allowed it to spend

The company decides how much of this overall limit it needs to maintain and improve the network. Ofgem also checks what companies have done with this money and compares it with what it would have expected them to have spent to maintain and improve the network.

How much the company has spent overall in carrying out its business THIS YEAR vs. How much it spent overall LAST YEAR

Ofgem also monitors the companies spending on a year by year basis.

Appendix 17: Post workshop questionnaire Third event

Ofgem Consumer Panel 2009-10

Post-Workshop Questionnaire

We would like your help to evaluate the Ofgem Consumer Panel event you have attended. We would be grateful if you could help us by completing this questionnaire so that we can find out your views.

LOCATION OF WORKSHOP	
DATE OF WORKSHOP	

Q1. Based on your experience, please indicate whether you **Strongly Agree, Agree, Disagree, Strongly Disagree or Neither Agree or Disagree** with each of the following statements (by placing a tick in the relevant box)

PLEASE TICK ONE BOX ON EACH LINE	Strongly Agree	Agree	Neither agree or Disagree	Disagree	Strongly Disagree	Don't know
a. I enjoyed taking part in the event	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. There was not enough time to fully discuss the issues properly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. The event was well organised and structured	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. The information that was given to me was fair and balanced	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. The event was run in an unbiased way	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. I think events like this are a good way of consulting the public about services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- g. I have learned a lot from today's event
- h. I understand how the results of the workshop will be used
- i. I think the Panel is a good way for Ofgem to get feedback from energy consumers

Q2. How would you describe the event you have just taken part in? Please tick all that apply

- | | | | |
|----------------|--------------------------|----------------|--------------------------|
| a) Interesting | <input type="checkbox"/> | e) Boring | <input type="checkbox"/> |
| b) Enjoyable | <input type="checkbox"/> | f) Confusing | <input type="checkbox"/> |
| c) Easy | <input type="checkbox"/> | g) Informative | <input type="checkbox"/> |
| d) Important | <input type="checkbox"/> | h) Hard work | <input type="checkbox"/> |

Q3. What was the best thing about the workshop?

Q4. What would you have improved about the workshop?

Q5. Do you have any additional comments?

Thank you. Please pass back to your table host