




Ofgem

Consumer First Panel

RESEARCH TO INFORM OFGEM'S REVIEW OF THE GUARANTEED
AND OVERALL STANDARDS OF PERFORMANCE (GOSP)



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Version	FINAL	
Approved on:	26 February 2014	
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MANAGEMENT SUMMARY

Ofgem asked Ipsos MORI to use the first half of the third and final wave of the 2013 Consumer First Panel to examine consumer views on different approaches to regulating the ways suppliers deal with their customers, namely: the Guaranteed Standards of Performance and the Overall Standards of Performance for energy suppliers (referred to throughout this report as GOSP)¹; and principles-based regulation.² The discussions focussed on the extent to which consumers value target driven regulation (e.g. GOSP) in the context of newly introduced principles-based regulation. Research events with 93 Panellists were conducted in six locations across Great Britain between the 16th and 26th September 2013. Participants were recruited to broadly reflect GB energy consumers.

Interactions with energy suppliers

The supplier interactions most easily recalled by Panellists tended to be those they had recent experience of, either personally or through friends and family. Billing issues, changing tariffs, and meter reading were the most common areas where Panellists had needed to interact with their supplier.

However, Panellists also spontaneously mentioned a number of other examples, namely negotiating debt repayment plans; amending account details following a change of circumstance e.g. moving home or changing tariff; boiler repair or meter issues; issuing of pre-payment keys; and disconnection following unpaid debt. While their experiences of these were typically less recent, they remained salient to the discussion because of the problems encountered as a result of these events.

What customers want from supplier interactions

Panellists felt that, in all circumstances, the supplier should be required to resolve any issue ‘as quickly as possible’, and, given developments in technology, the assumption was that most interactions could be dealt with immediately (e.g. meter readings could be automatically updated, meters could be reconnected remotely etc.).³ In terms of how issues were resolved, Panellists felt that what constituted a ‘reasonable’ response would vary depending on the individual consumer’s circumstances. Nonetheless, it was felt that it would be helpful to have a benchmark against which customers could compare their supplier’s response, so that suppliers could be held to account by the customer if their level of service was sub-standard.

These expectations meant that Panellists could see a place for both principle- and target-driven regulation, with different consumer-supplier interactions seen to lend themselves towards different approaches. Some, such as querying bills or discussing tariff options, were perceived to require a flexible regulatory approach (i.e. that could be tailored to the needs of individual consumers) which would be difficult to set targets around. However, others, particularly where the customer would potentially incur a cost as a result of poor service, were seen to need the extra ‘safety net’ of targets to hold suppliers to account. These are summarised in the table below.

¹ The Guaranteed and Overall Standards of Performance (GOSP) are regulatory tools which set performance standards where suppliers have certain specific interactions with their customers. Information on GOSP can be found in the introduction to this report.

² Ofgem believes by focussing on service delivery outcomes (i.e. principles) rather than processes (i.e. service level targets), suppliers will have greater flexibility, allowing them to continually improve their products and services and better meet consumers’ needs.

³ In the previous wave of Panel, Panellists were asked to think about the potential impact of smart meters in the Change of Supplier process. Therefore, this view maybe underpinned by the knowledge that the use of technology (e.g. smart meters) may in future speed up the time it takes to transfer between one energy supplier and another.

Principles-based approach to regulation	Target-driven approach to regulation
<p>Billing issues – suppliers having the ‘right attitude’ was considered most important, including having systems in place to facilitate customer navigation of the complaints system. However, few felt it would be possible to set targets in this area as every problem was viewed as different.</p>	<p>Appointments – where appointments were necessary, people felt all suppliers should provide timed slots so that they were not left at home waiting for hours, and so they would have some recourse if they were. This was largely due to concerns about the impact on the customer. Most thought slots should be either 2 or 3 hours, as any longer would require more than a half-day off work. If an appointment slot was missed Panellists said they would want compensation.</p>
<p>Debt repayment / reconnection – again, the supplier’s tone and manner were deemed important alongside being provided the <i>right</i> information first time.</p>	<p>If people were likely to be home anyway, Panellists were accepting of wider slots as long as it allowed them the flexibility to leave the house during that time (e.g. sending text message notification when actual estimated time of arrival known).</p>
<p>Changing tariff within supplier – people wanted their supplier to tell them the best tariff for them (or switch them onto it) quickly and easily.</p>	<p>Fixing faulty equipment - targets were seen as appropriate where faulty equipment impacted upon an individual’s energy supply, for example a fault with a meter. For many, the visit would need to be within 24 hours, whether it was a working day or not. Even where a faulty meter did not lead to loss of supply, if there was a risk it could lead to inaccurate billing. Panellists also felt strongly this should be fixed within 24 hours.</p>
<p>Updating customer account details – Panellists disliked it when call centre staff do not have complete and accurate customer records. Many wanted confirmation that records would be updated quickly/immediately on notification.</p>	<p>Meter reading – where a supplier needs to gain access to a consumer’s home to read a meter Panellists expected this would be similar to other appointments. However, some felt that suppliers should not need to take readings and should be required to find alternative options (e.g. accepting customer readings or using smart meters).</p>
<p>Moving a meter – in most instances Panellists assumed this would not be urgent so they felt a principles-based approach e.g. arranging a supplier visit as soon after the request as is possible would be sufficient, unless not moving the meter could lead to loss of supply.</p>	
<p>Moving house – Panellists thought that meter readings should happen as quickly as possible when someone moves house but did not suggest a specific target for this.</p>	

General views on principles-based and target-driven regulation

Many Panellists felt that a principles-based approach to regulation alone would be insufficient to ensure the needs of customers are met, although overall they agreed with the principles that Ofgem has established through the new Standards of the Conduct (SOC).⁴ This might in part reflect the timing of the research. The SOC have been introduced, but most consumers have yet to experience the effect of these changes. In addition to SOC, Panellists could see a clear role for targets on key interactions as outlined above. Specifically, they viewed consumer-supplier interactions which are covered by targets as a key way of ensuring a basic level of service from suppliers. They wanted suppliers to inform consumers what

⁴ As part of its on-going Retail Market Review (RMR), Ofgem has put in place Standards of Conduct (SOC) for electricity and gas suppliers. These came into force on Monday, 26 August 2013. They require suppliers and any organisations that represent them, such as brokers or third party intermediaries, to ensure that each domestic energy customer is treated fairly. Detailed information on SOC can be found in the introduction to this report.

interactions these targets cover⁵, so that it would be clear and indisputable if these targets were breached. Panellists thought this would mean the consumer would know that they may be entitled to compensation or that the supplier would be held to account by the regulator.

Overall, there was demand for a combination of principles-based and target-driven regulation. Panellists wanted suppliers to commit to being efficient, flexible, fair, honest, empathetic, well informed, transparent and accountable – all values which can be delivered through principles-based regulation. But they also wanted an assurance that suppliers would set reasonable windows for appointments and stick to them, and fix urgent problems within 24 hours. Panellists believed that the main advantages of combining principles-based and target-driven regulation would be:

- guaranteed service levels for customers;
- reassurance provided to customers that they would have redress if targets were not met;
- protection for customers in vulnerable circumstances; and
- customer empowerment.

Reaction to a series of Guaranteed and Overall Standards of Performance examples

Across all locations there was very low awareness of GOSP. A particular concern was that, despite the existing requirement for suppliers to make consumers aware of their rights under GOSP, few Panellists were aware that they existed before the Panel workshop. Panellists felt this was a significant failure of the current system as they could not hold suppliers to account if they did not know GOSP existed.

Despite the low awareness there was spontaneous approval that GOSP were in place. After discussing the existing GOSP, Panellists agreed that they covered what they would expect. However, they challenged certain aspects, for example the compensation levels were deemed to be too low, and the time to resolve faulty metering was seen to be too long if it could impact upon billing and/or supply. There was demand for GOSP to be more specific in some areas – for example, rather than requiring ‘timed appointments’ they were keen to clarify this should be a maximum of a 2 or 3 hour slot in most circumstances.⁶

The cost of compliance

Panellists wanted Ofgem to ensure that any cost of monitoring and enforcing GOSP should not be passed to the customer and would ideally come out of supplier profits. If this was not possible then some were willing to accommodate a small increase in their energy bills in order to ensure that customers who were inconvenienced were sufficiently compensated. However, they assumed that as the GOSP are already in place some of this cost would already be covered in current billing. Initial ambitions were scaled back after Panellists had considered the potential cost implications (e.g. levels of compensation lowered, number of instances where penalties apply reduced, etc.) but the core requirement for there to be some targets with which to hold suppliers to account remained.

⁵ Under GOSP, suppliers are required to prepare an annual notice of rights and send this notice to their domestic customers.

⁶ When asked to discuss a series of GOSP examples, including a supplier’s response time to fix a faulty meter Panellists spontaneously said it was a service area which should be defined by a specific metric.



1

INTRODUCTION

1. INTRODUCTION

In September 2013, Ipsos MORI ran the third and final wave of this year’s Consumer First Panel on behalf of Ofgem. The first half of the Panel session examined consumer views on different approaches to regulating the ways suppliers deal with their customers, namely:

- The supplier Guaranteed Standards of Performance and the supplier Overall Standards of Performance (referred to throughout this report as GOSP) or target-driven regulation; and
- Principles-based regulation.

The findings in this Consumer First Panel report will feed into Ofgem’s review of GOSP. The review is considering the future status and content of GOSP. Research findings from the second half of the Panel session were focussed on the development of Ofgem’s Retail Market Review Consumer Engagement Campaign⁷.

1.1 Background

The Gas and Electricity Markets Authority (GEMA) is the regulator of Britain’s gas and electricity markets, and Ofgem carries out the day to day functions of GEMA. The principal objective of GEMA and Ofgem is to protect the interests of current and future consumers.

Ofgem carries out a wide range of research with consumers to better understand their interests and to include their voice in the policy making process. Since 2007, it has run the Consumer First Panel. The Panel, which is fully refreshed every year, consists of around 100 domestic consumers who meet 3-4 times in a deliberative process, whereby they build their knowledge and understanding of energy related issues, and offer Ofgem their views to help inform key policy decisions.

The Guaranteed and Overall Standards of Performance (GOSP)

Provision is made for the Guaranteed Standards of Performance (GS) and Overall Standards of Performance (OS) in the Gas Act 1986 and Electricity Act 1989. The GS and OS were first introduced for electricity suppliers in 1991. GS and OS for gas suppliers were introduced in 2002. Both mechanisms were designed to ensure that customers received a minimum level of service from suppliers in a privatised market. The GS have been reviewed and amended on various occasions, but neither the supplier GS nor the supplier OS have undergone a fundamental review in the last decade.

The GOSP impose service level requirements on suppliers when they have certain specific interactions with their customers. The GS mechanism requires that suppliers make payments to customers in individual cases of breach, while the OS mechanism sets overall targets and measures performance against them.

For the purposes of this research, we talked about both types of standards in combination so that Panellists were able to express their views about the different regulatory arrangements within the

⁷ Findings from this part of the Panel workshops will be published separately later in the year once the campaign has been further developed.

allocated time. Panellists were shown high level examples of the standards themselves to facilitate discussion.

Ofgem's review of GOSP

Ofgem committed to review GOSP as part of its Simplification Plan 2012/13. Ofgem identified that certain areas of GOSP would benefit from further consideration.⁸ It published a Call for Evidence in January 2013⁹ calling for evidence from energy suppliers, consumers and other interested parties on a range of issues concerning the GOSP, including their current role, the transparency of GOSP and the appropriateness of GOSP in the future.

Standards of Conduct (SOC)¹⁰

As part of its on-going Retail Market Review (RMR),¹¹ Ofgem has put in place Standards of Conduct (SOC) for electricity and gas suppliers. These came into force on 26 August 2013. They require suppliers and any organisations that represent them, such as brokers or third party intermediaries, to ensure that each domestic energy customer is treated fairly. They cover three broad areas:

- **Behaviour:** suppliers must behave and carry out any actions in a fair, honest, transparent, appropriate and professional manner.
- **Information:** suppliers must provide information (whether in writing or orally) which is:
 - complete, accurate and not misleading (in terms of the information provided or omitted);
 - communicated in plain and intelligible language;
 - related to products or services that are appropriate to the customer to whom it is directed; and
 - fair both in terms of its content and in terms of how it is presented (with more important information being given appropriate prominence).
- **Process:** suppliers must:
 - make it easy for the consumer to contact them;
 - act promptly and courteously to put things right when they make a mistake; and
 - otherwise ensure that customer service arrangements and processes are complete, thorough, fit for purpose and transparent.

1.2 Objectives

In this context, Ofgem's overall objectives for the third and final wave of Year 5 of the Consumer First Panel were to explore what consumers want from the existing GOSP and the extent to which consumers value target driven-regulation (e.g. GOSP) operating alongside principles-based regulation (e.g. SOC). The following questions were considered throughout the research project:

⁸ <https://www.ofgem.gov.uk/ofgem-publications/37060/ofgem-simplification-planweb.pdf>

⁹ <https://www.ofgem.gov.uk/ofgem-publications/57322/call-evidence-gosp.pdf>

¹⁰ Ofgem believes by focussing on service delivery outcomes (i.e. principles) rather than processes (i.e. service level targets), suppliers will have greater flexibility, allowing them to continually improve their products and services and better meet consumers' needs.

¹¹ Ofgem's RMR work will bring about changes to the energy market which it hopes will encourage energy suppliers to compete with each other more on price and treat consumers better. Ofgem believes this can be achieved by empowering consumers and encouraging them to be more engaged as a result of making the market: simpler, clearer, fairer. Further information on Ofgem's reforms can be accessed at: <https://www.ofgem.gov.uk/retail-market-review>

- To what extent do consumers think target driven regulation (e.g. GOSP) is necessary?
- What role, if any, should targets play alongside a principles-based approach to regulating consumer-supplier interactions?
- Do consumers think GOSP should be updated? If so:
 - What changes would they like to see?
 - What service areas, if any, should any new GOSP cover?
 - How should they be met?
- If consumers believe the existing GOSP are fit for purpose, then which aspects of them do they particularly value and why?

1.3 Approach and method

A qualitative approach was considered to be the best way to allow participants to explore this topic, from both a personal and a citizen perspective.¹² Qualitative methods allow participants the freedom to express the issues that are salient to them and develop their views in the light of discussion and debate.

In September 2013, workshops were conducted with members of the Consumer First Panel, which is made up of a broadly representative cross-section of GB energy consumers. These were conducted in six different locations and were three hours long, 90 minutes of which was devoted to discussion of GOSP. This allowed Panellists enough time to express their views on their interactions with suppliers, and what improvements, if any, they would like to see in the future.

The workshops were deliberative in nature, meaning participants were given information about the energy market, GOSP and SOC as the discussions progressed. During the workshops, participants were encouraged to think about the different ways in which consumer-supplier interactions could be regulated. They were given time to fully discuss the issue, complimented by workshop exercises to help them develop and illustrate the key principles underlying their views.

Panellists participated in a range of activities throughout the research events, including:

- **Spontaneous group discussion** about interactions with suppliers: this allowed participants to discuss the issues that matter to them during these interactions, and any improvements they would like to see.
- **Presentations:** To understand more considered views, participants were presented with information outlining a principles-based approach to regulation (e.g. SOC), how these are enforced, and how they differ from target driven regulation (e.g. GOSP).
- **Design task:** Participants were asked to work in small groups to design how they would expect suppliers to interact with consumers across a range of specific service areas. They were asked to think about whether principles or targets (or both) were needed, and how to ensure suppliers commit to delivering on those principles or targets. This section allowed for an exploration of what value consumers put on standards and their minimum expectations for interactions with suppliers.

¹² Where a participant takes into consideration the perspectives of other members of the public when forming opinion about a topic.

- **Case study considerations:** A series of existing GOSP examples were used to prompt discussion of consumers’ views on the existing arrangements of GOSP and how, if at all, they would update them.
- **Trade-off discussion:** In order to place their earlier views in context, participants were invited to consider the cost implications of their suggested changes to GOSP, and consider whether this impacted their views.
- **‘Ideas books’** were used to encourage participants to record their views independently before discussing them as a group to ensure individual views were captured.

The presentations, GOSP examples, ‘ideas book’ and discussion guide are published in a separate annex.

1.4 Sampling and re-contact

Figure 1: Panel locations



This third and final round of Panel workshops involved 93 Panellists from different backgrounds across six locations (Birmingham, Dundee, London, Morpeth, Southampton and Wrexham) as shown in Figure 1. Some had taken part in either the January or April events, but the majority had attended both.¹³

Panellists were recruited to broadly reflect the adult population of Great Britain, taking into account a number of key criteria that are likely to influence consumers’ views on the most salient issues. All participants were solely or jointly responsible for their household’s energy bills.

In addition, the following recruitment variables were used:

- | | |
|----------------------------------|--|
| • Gender | • Supplier |
| • Age | • Electricity only vs. gas and electricity |
| • Ethnicity | • Payment type |
| • Socio-Economic Group (SEG) | • Employment status |
| • Housing tenure | • Family status |
| • Fuel poverty | • Urban/rural |
| • Long-term condition/disability | |

In order to ensure Panellists broadly reflected energy consumers in Great Britain, the quotas set within these variables corresponded to national demographic figures derived from the 2011 Census figures and other relevant data sources. It was necessary to up-weight quotas to ensure the following groups were represented sufficiently for sub-group analysis. These included:

¹³ A handful had been newly recruited for the second set of workshops in April to make up for attrition, while a small number had attended the January workshops but had not been able to attend the workshop in April.

- Ethnicity – black and ethnic minorities (BME) were up-weighted to ensure that these groups were represented in each workshop location.
- Rural – over-recruiting those living in rural areas, including those living off the gas network to ensure we could capture their views, as they can often have different experiences to those living in urban locations.
- Tenure – over-representing those living in social and privately rented accommodation, as they can often have different experiences to those who own their properties.

Panellists were re-contacted by Ipsos MORI via a letter a few weeks prior to the event and a follow-up call was made to confirm attendance.

1.5 Interpretation of findings

It is important to note that qualitative research approaches (including deliberative methods) are used to shed light on *why* people hold particular views, rather than *how many* people hold those views. The research is intended to be illustrative rather than statistically reliable and, as such, does not permit conclusions to be drawn about the extent to which something is happening. In the case of this study, we intended to develop an in-depth understanding of consumer expectations across a range of consumer-supplier interactions, and an indication of the service areas where there is strong consumer need for minimum level of performance (i.e. targets). Where it is necessary for proper interpretation to indicate a common or outlier view, we have used indicative language like ‘many’ and ‘a handful’. As this is qualitative research, these proportions should be considered indicative, rather than exact.

Throughout the report, verbatim comments have been included to illustrate particular viewpoints. Where this is the case, it is important to remember that the views expressed do not always represent the views of all participants. In general, however, verbatim comments have been included to illustrate where there was a particular strength of feeling about a particular topic.

1.6 Report outline

Section 2: What consumers want from supplier interactions: Sets out participants’ spontaneous and prompted expectations of consumer-supplier interactions.

Section 3: Views on regulatory approaches: Examines views on two approaches to regulating consumer-supplier interactions – principles-based regulation (e.g. SOC) and target-driven regulation (e.g. GOSP).

Section 4: Views on GOSP: Discusses consumers’ reactions to a selection of the existing GOSPs. It examines consumers’ views of existing arrangements and what improvements, if any, were perceived to be necessary.

Section 5: Cost: Explores reactions to the issue of cost of target-driven regulatory schemes (i.e. GOSP), and the extent to which Panellists reconsidered their earlier views once this consideration was introduced.

Section 6: Conclusions: Brings together findings from the Panel research to provide overall conclusions and implications.



2

WHAT CONSUMERS WANT FROM SUPPLIER INTERACTIONS

2. WHAT CONSUMERS WANT FROM SUPPLIER INTERACTIONS

This section sets out Panellists' spontaneous and prompted expectations of consumer-supplier interactions. It draws from initial discussions in the workshops when Panellists were invited to think about their expectations of consumer-supplier interactions.

The interactions most readily recalled by Panellists tended to be those they had recent experience of, either personally or through friends and family. Billing issues, changing tariffs, and meter reading were the most common areas where Panellists had needed to interact with their supplier. However, Panellists also spontaneously mentioned a number of other examples, namely:

- negotiating re-payment plans to pay off debt;
- amending account details following a change of circumstance e.g. moving home or changing tariff;
- boiler¹⁴ or meter issues;
- issuing of pre-payment keys; and
- disconnection following unpaid debt.

Some of these interactions appeared to have been so significant to some Panellists that they were able to recall in detail experiences that had occurred months or years previously. These particularly salient interactions included disconnection, debt-repayment and issuing of pre-payment keys. Some of these experiences involved consumers experiencing loss of supply and long delays while suppliers resolved their problems. It is worth noting that the telling of some of these personal experiences in the workshop may have influenced the views of other participants in the discussion.

2.1 Consumer expectations of consumer-supplier interactions

Panellists were asked to reflect on what they would consider to be a good or satisfying outcome in different consumer-supplier interactions, and to consider how they would expect their supplier to behave in each situation. At this stage, Panellists had not been informed about the existing GOSP; nor had they been introduced to either principles-based or target-driven approaches to regulation.

The different consumer-supplier interactions discussed were seen to lend themselves towards different regulatory approaches. Some, such as querying bills or discussing tariff options, were seen to require a flexible regulatory approach (i.e. that could be tailored to the needs of individual consumers) which would be difficult to set targets around.

¹⁴ When asked to think about key consumer-supplier interactions many Panellists mentioned boiler repairs. Although Panellists were given the time to discuss the things important to them, researchers explained boiler repairs do not fall under Ofgem's remit. The discussion was therefore moved along to focus on specific interactions.

However, others, particularly in cases where customers would potentially face significant detriment, saw the need the extra ‘safety net’ of targets to hold suppliers to account. For example:

- Potential issues that impact on an individual’s supply (e.g. a faulty boiler or broken pre-payment meter).
- Issues that have financial implications, e.g. if appointments for supplier visits are on work-days and the customer has to take unpaid time off work or sacrifice annual leave.

Generally, Panellists were of the view that what constituted a ‘reasonable’ level of service would vary depending on the individual circumstances. Nonetheless, it was felt that it would be helpful to have a benchmark against which customers could compare their supplier’s service level, so that the supplier could be held to account by the customer if their service was sub-standard.

Views around timeliness were also driven by a presumption of what ought to be possible given advances in technology; both the technology used by suppliers and that which is increasingly owned by consumers:

- Supplier systems that instantly update customer records after a change in their circumstances, or change in tariff, and that can instantly re-activate supply following a repayment if the household was disconnected due to outstanding debts.
- Consumers who possess the technology (e.g. email, text or online) expect to submit a meter reading, or change energy supplier at a press of a button¹⁵, and anticipate supplier systems will update as soon as this information is received.

Below we discuss consumers’ spontaneous expectations of the ways in which Ofgem should regulate different consumer-supplier interactions. These are grouped by whether Panellists saw principles-based or target-driven regulation as being more important in certain circumstances.

A key finding was the demand for a combination of principles-based and target-driven regulation. Panellists wanted targets as discussed above, but they also wanted suppliers to commit to being efficient, flexible, fair, honest, empathetic, well informed, transparent and accountable – all values which can be delivered through principle-based regulation. Indeed, the support for principles reflects the findings of other consumer insight research Ofgem has conducted in the area of principles-based regulation.¹⁶

2.2 Interactions where Panellists saw principles-based regulation as important

Billing issues

Most said they would query a billing issue on the phone. In this case Panellists wanted the supplier to display the “right attitude”. Some Panellists spoke about being patronised or not listened to when they queried a bill and wanted staff to be empathetic to their situation. Even if the supplier is not at fault, they

¹⁵ In the previous wave of Panel, Panellists were asked to think about the potential impact of smart meters in the Change of Supplier process. Therefore, this view maybe underpinned by the knowledge that the use of technology (e.g. smart meters) may in future speed up the time it takes to transfer between one energy supplier and another.

¹⁶ <https://www.ofgem.gov.uk/ofgem-publications/39461/consumer-research-and-collaborative-engagement-proposed-standards-conduct-domestic-customers.pdf>

expected the supplier to at least be patient and allow consumers time to explain their “side of the story”. Suppliers were thought to fall below acceptable standards when staff are believed to be “reading from a script” and dealing in a dismissive or dispassionate way with consumer concerns.

Many disliked having to navigate key-pad menu systems and even when it was suggested this can help ensure consumers are put through to the right department, Panellists bemoaned this as being overly complicated due to the confusing number of options available. Some suggested that suppliers should offer customers a named point of contact to avoid the frustration that can arise from being passed between different representatives or departments and then have to repeat the background of their situation or their circumstances to someone else each time they are transferred.

Furthermore, Panellists were concerned that when they had been transferred between different departments a record of what is discussed or agreed between them and different representatives may not be accurately recorded. Subsequently, a few suggested that suppliers should send a follow-up email or text message summarising the specifics of their supplier interaction. This would not only reassure them the supplier service arrangements were fit for purpose but if there was an on-going billing dispute the text or email was viewed as something tangible they could hold up to suppliers as a record of their interaction.

Ultimately, Panellists wanted to encounter supplier staff who can quickly access a complete, accurate and comprehensive log of the customer’s details so that suppliers have all the necessary information to quickly ‘take ownership’ of their issue.

Debt repayment

A few had negotiated debt repayment with suppliers in the past and typically reported poor experiences. Therefore, the tone and manner in which the issue is handled was viewed as important, as well as being given the correct information and advice.

Reconnection following debt repayment

Similar to other supply related matters, reconnection following debt repayment was perceived to be an issue that must be resolved as quickly as possible since energy is seen as a basic necessity. Whether they had experienced disconnection due to arrears or not, consumers felt that discretion and empathy are important when consumers are struggling with household finances. A few presumed that suppliers could cut someone’s supply “at a press of button”, so they reasoned it should be similarly straightforward to re-connect them once the debt had been repaid.

Changing tariff with existing supplier

Once a customer’s energy usage has been established, Panellists wanted suppliers to be honest and open about their best tariffs and to ensure that customers are told which are best suited to the customer’s circumstances. Some disengaged consumers suggested that they would like their supplier to move them to the best tariff as and when it became available. There was a widely held belief that many suppliers currently do not do either of these things.

“You want it to be simple and easy. You want them to tell you if they’ve got a cheaper tariff, at the moment they’re very cagey. You want them to be upfront and honest.”

In terms of timings, many assigned a principles-based approach when they spoke about changing tariff (with their existing supplier). They want the process to be quick and easy and saw no reason why the tariff transfer could not be done at the press of button if supplier service arrangements were fit for purpose.

Updating customer account details

Most presumed they would change details on the phone although they had concerns about long call waiting times, key-pad menus and automated options. Most wanted records updated quickly, and a few said they thought it should be done immediately, perhaps by the consumer themselves online. More tech-savvy consumers (who tended to be younger) valued interactions that are quick and entirely automated where appropriate (e.g. setting up a direct debit). They considered it to be more effort to have to speak to a person for something as routine as updating customer account details, and in these cases felt personal interactions were neither necessary nor desirable. However, despite frustrations about suppliers' call-centres, some Panellists, particularly elderly people, valued more traditional ways in which to contact their supplier (i.e. by phone). They were more likely to have a preference for "talking to a real person".

Moving a meter – normal circumstances

In most instances Panellists assumed this would not be urgent so they felt arranging a supplier visit as soon after the request as is possible would be sufficient (i.e. principles-based regulation), unless not moving the meter could lead to loss of supply (as discussed in Section 2.3). Once an appointment is made the targets discussed below regarding appointments would apply.

Moving house

Consumers were concerned that they might end up paying for someone else's energy as a result of moving house. Where customers had to rely on a supplier representative to carry out a meter read, they wanted it to happen as soon as practicably possible. Consumers also want suppliers to acknowledge that moving home can be a stressful time and therefore in these cases consumers want any interactions to be particularly straightforward and quick.

2.3 Interactions where Panellists saw target driven regulation as important

Panellists felt a principle-based approach to regulation was important in all consumer-supplier interactions (e.g. to be treated 'fairly'). Where an issue was felt to impact upon supply, or on them financially, consumers want service delivery to be underpinned by a combination of target-driven and principles-based regulation. Overall, consumers felt specific targets would be a more effective way to guarantee a minimum level of service delivery in these situations.

Appointments

Targets were more often reported as desirable when it came to appointments. Long appointment slots (e.g. day-long or half-day) were not considered acceptable for many Panellists. Dislike for this length of slot was typically based on the view that taking time off work would result in a loss of earnings or using annual leave to stay at home waiting for the supplier visit. In contrast, a few (typically home workers or those who look after their children at home) said they would not mind a lengthy slot on the condition it was accompanied by a text one hour before the appointment, meaning if they did decide to briefly leave home they could return in time so as not to miss the supplier visit.

Most said that the appointment slot length should be no longer than 2 or 3 hours (different views were expressed across the groups) given the inconvenience of having to wait at home for the supplier visit. Spontaneously, a few spoke about the potential for consumer compensation if the supplier fails to reimburse them for taking time off work, or losing annual leave to be at home. Section 4 examines in detail Panellists' view of consumer compensation.

Fixing faulty equipment

Targets were seen as appropriate where faulty equipment impacted upon an individual's supply, for example a fault with a meter. A "quick response" in circumstances such as this was seen as basic customer service. For many, the visit would need to be within 24 hours, whether it was a working day or not. A few Panellists said a quicker repair would be desirable where there were very young children or older people living at the affected household.

Even where a faulty meter did not result in a loss of supply, many thought that a supplier should visit the premise on the day the problem is reported. This was because Panellists were concerned that they may end up being overcharged (for example, where a meter is registering consumption incorrectly). In this situation they also expected that a supplier representative's behaviour would be underpinned by principles e.g. 'tidy up if they make a mess', be courteous and professional.

Meter reading

Where a supplier needs to gain access to a consumer's home to read a meter, Panellists' expectations of good service were similar to other types of appointments. They were keen not to lose out financially (i.e. in terms of taking time off work or using up annual leave). There was very little acceptance of suppliers missing an appointment slot unless the person's home was located in an isolated area (e.g. a rural location). Additionally, any visit should be arranged at the customer's convenience rather than the supplier's.

In contrast, some thought that arranging an appointment for a supplier visit to perform a meter read was unnecessary given the alternatives available, such as the customer submitting a reading themselves. Other Panellists mentioned that the reading of meters could be automated anyway (via smart meters).¹⁷

Moving a meter

As outlined above, in most circumstances Panellists described a situation best underpinned by principles-based regulation e.g. arranging a supplier visit as soon after the request as is possible. However, Panellists suggested an exception to this. Where a consumer with limited mobility might struggle to gain access to their pre-payment meter (PPM) Panellists felt that a same day appointment would be needed as they felt there was potential for loss of supply. Consequently Panellists thought a specific target would be required. Once the appointment is arranged the targets around appointments are expected to apply.

¹⁷ In the previous wave of Panel, Panellists were asked to think about the potential impact of smart meters in the Change of Supplier process. Therefore, this view maybe underpinned by the knowledge that smart meters allow remote meter reading.



3



VIEWS ON REGULATORY APPROACHES

3. VIEWS ON REGULATORY APPROACHES

This section examines in more detail Panellists’ views of two approaches to regulating consumer-supplier interactions: principles-based and target-driven regulation. It discusses what Panellists view as the benefits and disadvantages of each approach. This aids understanding of what it is consumers value about the two regulatory approaches, and why. It also explains the factors which seem to underpin consumer preference for target-driven regulation operating alongside principles-based regulation in certain situations.

In plenary, Panellists were informed about Ofgem’s commitment to using a principles-based approach to regulate consumer-supplier interactions, illustrated by the recently introduced Standards of Conduct. To help Panellists engage in discussion about different regulatory approaches they were provided with information about the potential benefits of principles-based regulation compared with a target-driven approach, specifically:

- How principle-based regulation can help drive innovation and continuous improvement in terms of energy related products and service delivery;
- How principles-based regulation might improve the overall experience in comparison to a target driven approach. Principles encourage suppliers to focus less on a specific aspect of an interaction in favour of considering the customer’s wider experience and overall satisfaction;
- A licence requirement for all suppliers to provide an annual report to Ofgem that demonstrates they have treated customers fairly – where this evidence falls short, Ofgem has the option of taking enforcement action.¹⁸

3.1 Issues underpinning consumers’ views of approaches to regulation

Many Panellists felt that principles-based regulation alone would not be sufficient to ensure the needs of customers are met in certain situations, although overall they agreed with the principles that Ofgem has established. This was revealed through analysis of Panel discussions and an exercise where Panellists were asked to design different consumer-supplier interactions. Key findings are summarised below.

- Panellists felt that energy suppliers do not prioritise the interests of consumers. This is based on their views on continuing energy price rises, their belief that energy companies “act as a cartel”, and media coverage about the lack of transparency surrounding wholesale and retail energy prices.
- In this context, the consensus was that a principles-based approach alone is not enough to “bring suppliers into line”. This might in part reflect the timing of the research: after the Standards of Conduct (SOC) have been introduced, but before they had sufficient time to be embedded and for the effects of change to be felt by consumers.

¹⁸ Ofgem was unable to provide any examples of them taking enforcement action against suppliers due to underperformance against Standards of Conduct. Despite explaining this was because the standards have only been introduced and twelve months has to have elapsed before suppliers are required to submit evidence, it seemed, in some cases, to strengthen Panellists’ views that the market is not well regulated as well as increasing scepticism that principles are enforceable.

- Many felt that, if principles-based regulation alone was used, there would not be a tangible measure through which consumers could hold suppliers to account. Panellists viewed target-driven regulation as the most effective way of ensuring a basic level of service from suppliers that they tend not to trust.
- Overall, Panellists felt that if Ofgem utilised both principle and target-based approaches it could result in a more powerful regulatory toolkit to “police the market” than they would otherwise have with a principles-based approach alone.

3.2 Spontaneous views of different regulatory approaches

There was an overall sense that principles-based regulation focuses on attributes that would be expected from any consumer-facing organisation. Many said that if the market functioned as it should, then Ofgem should not need to rely on principle-based regulation. Some took this point about market functionality further and suggested that the fact that Ofgem needed to impose principles like honesty, fairness, and professionalism on suppliers simply reinforced their belief that suppliers were dishonest and treated consumers unfairly.

“If I’ve understood correctly, I’m amazed. It’s not rocket science is it, that they are fair and honest? In 2013 we have come up with the idea that they are fair and honest. That implies they have not been in the past.”

Many Panellists lacked a full understanding of the benefits and drawbacks of the two types of regulatory approaches presented during Panel workshops. Even where supplementary information was provided by researchers about how each approach works, some Panellists found it challenging to understand the distinction between target-driven and principles-based regulation. That said, this discussion did reveal that what consumers want in their supplier interactions would be best delivered by a combination of target-driven and principles-based regulation.

3.3 Perceived benefits of principle-based regulation

Despite the fairly muted response to Ofgem’s use of principles as one way it regulates consumer-supplier interactions, many acknowledged that they had assigned principles to most services areas when designing their “ideal” interactions. While Panellists did not discuss the benefits of principles in any detail (they were seen as self-evident), principles often underpinned what Panellists described when explaining their expectations of different consumer-supplier interactions, namely:

- Efficiency – consumers expected that suppliers should perform tasks efficiently and deal with urgent issues as quickly as possible;
- Flexibility – this was defined as suppliers ensuring that they get to know more about the circumstances and needs of their customers and ensure their services reflect these;
- Treatment – consumers wanted to be treated fairly, with honesty, and by staff who are empathetic and prioritise the interests of customers;

- Communication – consumers expected to receive accurate, consistent information that is simple and easy to understand; they also wanted to be kept informed and up-to-date on service delivery progress;
- Transparency – this was seen to mean being open and clear about supplier decision-making and activities which impact on customers; and
- Accountability - when service falls short.

Only a few could accept that principles-based regulation might increase the potential for suppliers to “up their game” and “go above and beyond” the minimum levels of service associated with target-driven regulation schemes. Reasons for this view centred on two issues.

- Some did not understand how a less prescriptive, more flexible regulatory regime could encourage suppliers to innovate and continually improve their products and services.
- Others felt that principles-based regulation, unsupported by targets, could reduce suppliers’ drive to improve things for their consumers. As a result, principles were equated with a well-meaning but unambitious approach towards regulating customer service.

3.4 Concerns about principles-based regulation

Overall, Panellists described principles-based regulation as “woolly” or “vague”. They identified several potential drawbacks, namely:

- It was felt to be too open to interpretation and many were concerned that consumers and suppliers would be likely to have a different interpretation of the process and the outcome of consumer-supplier interactions. As a result, Panellists were concerned in some cases principles alone could lead to customer needs not being met.

“Principles are a bit hazy aren’t they? You have to treat customers fair and right. Obviously there’s a bit of disagreement there. Principles can be a bit hazy and lead to disagreement.”

- Without a specific metric against which to measure, Panellists could not envisage how Ofgem would judge whether or not supplier performance had fallen short in terms of delivering a level of service “fairly” or “transparently” or “professionally”. Specifically, many were unsure how one of Ofgem’s tools (i.e. reasonable person test¹⁹) for assessing supplier performance would work in practice. They were concerned that a supplier and customer definition of “reasonable” might differ, leading to a situation where service delivery may not meet a customer’s expectation even if is judged as reasonable by the supplier.

“How do you judge what is reasonable?”

- Some were concerned about what they saw as inherent weaknesses in the process of gathering the evidence. Supplier self-reporting (e.g. the annual statement of treating customers fairly) of

¹⁹ When assessing a potential breach of the Standards of Conduct (SOC), Ofgem would consider whether a reasonable person, intent on complying with the SOC, would have acted in the way a supplier did in its interactions with consumers.

performance against principles was considered problematic as they felt that it could be manipulated by suppliers e.g. submission of partial or biased data.

“If companies report back to Ofgem and they’re getting fined, what are the chances of them reporting back?”

Some thought a mystery-shopper approach might be an effective way to validate supplier evidence received by Ofgem. Others said that consumer reporting of underperformance might provide a more comprehensive picture of supplier performance for Ofgem. However, without an understanding of what sort of things consumers can expect during a supplier interaction, Panellists thought they would not be able to tell where suppliers had fallen short.

3.5 Perceived benefits of target-driven regulation

Because of the perceived limitations of a solely principles-based approach as discussed above, many saw a role for targets in addition to principles. Panellists also typically included both approaches in their ‘ideal design of different consumer-supplier interactions’. Targets were seen as a stronger way of protecting consumer interests in key interactions. They were seen to be more reassuring and robust, providing consumers with something tangible with which to judge supplier performance.

Consumer reassurance

Targets were perceived to give certainty around when consumers would be entitled to redress, and what they would be entitled to. Where performance fell short of a specified target, Panellists believed this would give them the evidence they needed to hold suppliers to account, provided that they knew about the targets in the first place.

Guaranteed level of service

Panellists felt that it was more likely that targets, not principles, would ensure a guaranteed level of service for consumers. Although targets were not perceived to be a tool that would drive improvement, there was a belief that with a target-based approach service delivery would be less likely to fall below minimum service level expectations of consumers.

Protecting vulnerable consumers

Many said that target-based schemes would particularly benefit certain groups of customers. Specifically they felt that it would act as a safety net that would provide appropriate protection for vulnerable energy consumers.

“Should be a basic standard, would hate to think that someone in a vulnerable position is just lost to the wind and is left to suffer.”

Consumer empowerment

A scheme based on targets was also valued because a metric was seen to be a way of empowering consumers in a way that principles do not. Panellists felt they could use a target as leverage to ensure that suppliers were prompted to deal with an interaction in a certain way.

“Consumers can’t hold suppliers to account if we’re talking about principles, but they could do so with targets.”

3.6 Concerns about target-driven regulation

Cost of scheme passed on to consumers

Although Panellists did not have a detailed understanding of how costs might arise as a result of target-driven regulation, a few assumed that this might have higher costs than a principles-based approach.

“I guess that’s the difference then, principles would be free, but standards would be inevitably incorporated into the price of energy.”

While those Panellists who had considered costs wanted these to be borne by the suppliers, there was a presumption that, in reality, costs of meeting specific targets, and of paying compensation or fines if targets were missed, are likely to be passed on to consumers through energy price rises. Section 5 examines in detail the extent to which views changed once the possible costs attached to target-driven regulation was introduced into the discussions.

Inflexibility of target-based schemes

As discussed above, there was widespread support for a target-based scheme, in particular for ensuring a guaranteed minimum level of service. However, a few Panellists thought that a targets-based scheme would inevitably mean that suppliers would be less likely to tailor their services to the varied demands of their customers e.g. offering different channels of communication in line with individual consumer needs or preferences.

Summary

On the one hand, many valued the commitment to honesty, professionalism and fairness that principles-based regulation can offer. However, there was uncertainty about how this approach would work in practice. In the context of consumers’ low levels of trust in the market and in suppliers, targets were seen as a key way of ensuring a basic level of service from suppliers. They were also felt to be something tangible that consumers can use to hold suppliers to account in the event of poor service, so that they would be adequately compensated personally for any problems they experienced. In line with this, there was a widespread recognition that consumers need to be aware of the principles and targets that exist in order for them to perform as effective consumer protection. However, there was still seen to be a place for principles operating alongside targets in most consumer-supplier interactions.



4

REACTION TO A SERIES OF GOSP EXAMPLES

4. REACTION TO A SERIES OF GOSP EXAMPLES

This section explores the reaction of Panellists to a series of selected GOSP examples. It examines the extent to which Panellists thought different aspects of GOSP were fit for purpose and whether or not improvements were needed.

Panellists were given a short presentation, which introduced them to five examples selected from the existing GOSP. It was not possible in the time allotted to cover all GOSP, so instead Panellists were presented with selected examples which provided them with an understanding of the range, of interactions covered by GOSP and arrangements therein. The five examples were:

- fixing a faulty pre-payment meter;
- fixing a faulty meter;
- reconnection following debt repayment;
- appointments; and
- the ‘Notice of Rights’²⁰.

Of these, appointments and faulty metering are covered under the Guaranteed Standards of Performance and would trigger compensation payments to the consumer should the supplier fail to meet performance targets in these areas. The Notice of Rights and fixing a faulty pre-payment meter (PPM) are covered by both Overall Standards of Performance and Guaranteed Standards of Performance. Reconnection following debt repayment is only covered under Overall Standards of Performance. Where a supplier fails to meet an Overall Standard, Ofgem can call upon a suite of enforcement options, including a warning letter, a fine or ‘naming and shaming’ of a supplier.

4.1 Consumers’ spontaneous views of GOSP

Only a couple of Panellists had heard about supplier’s GOSP obligations which they had seen on their supplier’s website. Some felt that not being told explicitly about these provisions was an example of the energy market not working in the interests of customers due to a lack of transparency. Some thought that suppliers had deliberately kept customers in the dark to avoid being held accountable for inconsistent or ‘below par’ service. Nonetheless, despite the low awareness there was spontaneous support for GOSP.

“It [GOSP] all sounds great” but I’ve never heard of it.”

Overall, Panellists thought that GOSP examples were “about right” and covered the “right areas”, although many spontaneously suggested improvements to the GOSP such as increasing the levels of compensation and establishing more challenging targets. Panellists believed that these two improvements would make it less likely that suppliers underperform.

²⁰ Notice of Rights is a requirement under GS and OS in which suppliers must outline the customer’s rights in regard to each standards scheme.

4.2 Consumer reaction on a series of selected GOSP examples

Panellists were each given a hand-out that showed the five selected examples of GOSP. They were invited to review the information and share their views on whether they thought the standards were relevant, useful and fit for purpose in today's energy market. They were also asked to consider if they were necessary in addition to the Standards of Conduct.

Guaranteed Standard of Performance: Faulty metering

Panellists were told that suppliers had 7 working days to fix a faulty meter, or write to explain why they had not taken any action. If they failed to meet those conditions, the customer would be entitled to compensation of £22 (for electricity meters) or £20 (for gas meters).

Reactions to this standard were dependent on whether the fault would impact on supply or billing or was just generating erroneous data. Consumers presumed the latter would not affect either billing or continuity of supply. Where a fault impacted upon supply or led to consumers being overcharged, many Panellists wanted a quicker response time between reporting the fault and the problem being resolved. Opinions diverged around what was considered to be the "ideal" target, although there was a consensus that issues that impact on supply are a priority, and perhaps should be responded to more quickly, while issues relating to meters registering incorrectly can be resolved at a later date. However, others soon disagreed when they thought about the needs of PPM customers; here many felt that a faulty meter could result in loss of supply due to credit being used up more quickly than it otherwise would be.

In terms of metrics, Panellists suggested that where a faulty meter does or has the potential to impact upon supply, consumers want same day repairs, regardless of whether it is a non-working day or outside of "office hours" (i.e. 9am-5pm). Some were so concerned about inaccurate billing or the loss of supply that they began assigning additional criteria to this standard. For example, there was a suggestion that suppliers should undertake annual functionality checks to reduce the potential of a faulty meter occurring in the first place.

Panellists also assigned some principles to this interaction the more they discussed it. Consumers called for the reporting of the issue to be straightforward and easy, no matter what time of the day. They wanted a representative to take ownership of the issue and provide clear, precise information about who would be responsible for resolving the problem and how it would be resolved. If overcharging did occur, consumers also wanted a representative to confirm how and when the customer would be reimbursed.

Finally, many disliked the fact suppliers would not need to pay compensation if they had written to explain why they had not taken any action. While consumers value communications and being kept informed, they believed that this provision could be used by suppliers as a way of not meeting the needs of the customer and avoiding any compensation claim.

"The letter could say anything. That makes the visit within 7 days a complete moot point again. If they know they won't get to you they send a letter. It's a massive get out clause."

Guaranteed Standard of Performance: Appointments

Panellists were told that suppliers must offer a timed appointment and turn up on time. It was also explained that a customer can expect £20/22 (gas/electricity consumer) in compensation should suppliers fail to meet this target.

Few Panellists were aware that suppliers offered timed appointments and many asked for clarification that it would be for things like a meter read or a boiler repair. Many reiterated their earlier views with regard to a supplier visiting a customer’s home. There was a dislike for day long or half day appointment slots and a majority of consumers wanted a maximum of a 2 or 3 hour slot. They also suggested some principles for this interaction, for instance arranging an appointment time that is agreeable to the customer and supplier representatives visiting people’s homes being professional, efficient and courteous. Finally, the £2 difference between gas and electricity customers did not make sense to Panellists, and again they suggested compensation levels should be standardised.

Overall Standard of Performance: Fixing a faulty pre-payment meter (PPM)²¹

Panellists were told that suppliers are obliged to repair a faulty PPM for 98% of customers within 3-4 hours of it being reported on a working day depending on fuel type, and 95% of customers within 4 hours on a non-working day for both fuel types.²²

Initial reactions to the response times were positive, especially when it was explained that a faulty PPM has the potential to impact on a customer’s supply. However, many were concerned that an overall target might mean some customers’ needs are not met. The idea that consumers might fall through the gaps was a particular concern with regard to vulnerable consumers and families with young children at home. Most Panellists felt that if suppliers did not meet the service area target those affected consumers ought to be entitled to compensation.²³

“I’d assume compensation for that... I’d probably be happier with that than Ofgem taking action, happier with money.”

As discussed above, Panellists assigned principles when describing the things they presumed would be involved in this interaction, including setting up the appointment time and how the supplier representative would behave and perform the repair while at the customer’s home.

²¹ Although faulty prepayment metering is covered by GS and OS, it was presented as an OS for two reasons. First, Ofgem felt its simplification would help Panellists engage. Second, there was insufficient time to go through GS and OS. Nevertheless the series of GOSP examples presented to Panellists did help Ofgem understand what areas of GOSP people considered most important, and where improvements were needed.

²² Despite explanation, many did not understand that an overall target (i.e. 98% of customers) was simply a minimum service level requirement and that some suppliers may exceed it. However, the perception that suppliers do not work in the consumer’s interest meant that many were unconvinced that suppliers would “go above and beyond” the target. They therefore presumed that suppliers would rarely exceed this target in reality.

²³ In fact it is possible for suppliers to pay compensation if service delivery covered by OS falls short, it is just not mandated by Ofgem. This was not explained to Panellists as it was considered to be beyond the scope of the Panel.

Overall Standard of Performance: Reconnection following debt repayment

Panellists were informed that according to the OS suppliers must reconnect customers within 24 hours of debt repayment. If this is not achieved, Ofgem could impose fines or take other enforcement action, for example “naming and shaming”.²⁴

The issue of disconnection provoked a strong emotional reaction from Panellists. Some felt that disconnection of supply because of debt was sometimes unavoidable, but many said it should only be used as a last resort. Consumers came up with a range of measures which they said that suppliers should be obliged to offer when a customer falls behind on their payment, including: a payment break, moving them to a tariff with a cheaper unit price, implementing a debt management strategy, or repayment plan.

In terms of response times, many felt that 24 hours was not quick enough. Panellists said that as this interaction impacts upon supply, they wanted to see the same response times as in the example of fixing a faulty PPM i.e. 3 or 4 hours. Others said that reconnection should happen at the press of a button because they presumed that “in this day and age” technology must exist to allow suppliers to reconnect supply quickly. Others thought that suppliers could disconnect remotely and therefore consumers could be reconnected the same way, speeding up the process.

“With reconnection, surely it’s just a case of pushing a button, as soon as the payment comes in? Why does it take 24 hours? If I phone up and pay with my cash card, the money is immediately in their account. What do they have to physically do?”

Guaranteed and Overall Standards of Performance: Notice of Rights

Due to the fact that most had not heard about GOSP before the session, almost all Panellists were critical of suppliers for not publicising GOSP. Not only did consumers want suppliers to utilise a number of channels (e.g. mailshot, online, telephone) to raise public awareness), they also said that suppliers should be made (by Ofgem) to ensure that consumers understand that GOSP exists.

“They [suppliers] should actually be doing what they’re supposed to be doing. I’ve definitely not got any information about standards from my supplier.”

The Notice of Rights was perceived as important to ensure consumers know what to expect in terms of service delivery, supplier accountability and consumer redress. Indeed, some suspected that suppliers deliberately failed to send their customers a Notice of Rights in order to avoid the need to pay fines or consumer compensation.

“They should do this, but they don’t tell us about their standards so we can’t complain because we don’t know about it.”

A range of improvements were suggested which Panellists felt could make a supplier’s Notice of Rights more accessible. These included a more “eye catching” document which could be achieved by headings

²⁴ Ofgem has at its disposal a range of enforcement tools starting with the issuing of a warning letter then escalating to more stringent action where necessary. However, in reality very few households are now disconnected as a result of outstanding debt.

like “consumer compensation”. It was also important that any document avoids small print and jargon which could be off-putting. There was appetite for a document in multi-formats: paper, online, large print and written in simple, plain English. A few also suggested it should contain signposting to relevant consumer advocacy organisations who would be able to provide independent, impartial advice in the event that a target was missed or consumer redress was sought.

4.3 Summary of views on consumer compensation

As discussed throughout this report, consumers called for compensation in situations where they would be affected financially, for instance being overcharged as a result of a faulty meter. Where consumer compensation is not incorporated into the design of a standard (i.e. an Overall Standard) Panellists wanted the metric to reflect a guaranteed standard of performance so that they can be compensated where supplier performance falls short. The current level of compensation for guaranteed standards was seen as too low. Overall, a figure of between £50-100 was felt to be appropriate given the following considerations:

It should reflect the level of consumer involvement as well as the stress that can arise from dealing with energy suppliers.

- It should reflect loss of earnings or annual leave for taking time off work to wait at home for a supplier to visit. However, others suggested that individually calculated compensation would result in higher bills therefore they would want the rate to be fixed for all consumers.
- It should be adjusted to account for inflation – this was suggested once participants understood payment levels had not increased significantly for several years.
- Higher compensation levels were felt to be more likely to discourage below par supplier performance.
- It was felt that a higher figure might encourage more people to report supplier underperformance which some presumed might lead to suppliers “upping their game as long as Ofgem took stringent enforcement action.

However, there were some who differed in their views about financial compensation. Some presumed that suppliers would, if the scheme were properly regulated, fall short of targets, especially if Ofgem acted on what consumers want and make targets more challenging. It was felt that non-compliance would have a significant impact on their bills.

Some also suggested that even high levels of financial compensation would not deter non-compliance by suppliers because they presumed that any financial hit would be passed onto consumers.

“The company have no consequences. They could say – we’ll pay you £1000, but they aren’t paying it anyway.”

A few people said they would accept an apology as long as their needs were met as quickly as possible.

“Mistakes happen, as long as a supplier makes effort to explain within reason the customer appreciates that.”

4.4 Summary of views on enforcement

It was not obvious to Panellists how Ofgem would enforce GOSP. As discussed in section 3, consumers did not trust suppliers to report their performance accurately. They also believed that an effective enforcement regime relies upon individual consumers having the knowledge and willingness to report supplier underperformance, which they think is not the case right now. Panellists were not asked to give their views as to what would trigger enforcement action. However, many held the view that Ofgem should take, and be seen to take, stringent enforcement action (i.e. fines on profits) where targets are frequently missed. Support for more stringent action was countered by those who said that consumers will be the ones who pay in the end through higher bills.

In terms of where money raised from supplier fines should go, almost all said that the payment should go to affected consumers rather than to charity or the UK Treasury. A few, however, said that they would be happy if the money paid by the supplier went to vulnerable consumers or to fund innovation into renewable technologies.

“Naming and shaming” was often viewed as a weak enforcement tool as it was felt that any negative publicity would have little effect on supplier behaviour given the low regard in which suppliers are already viewed by consumers. However, some Panellists suggested that Ofgem should publish (on its website or via media channels) a league table of supplier performance against each of the metrics outlined in GOSP. While on its own, this league table was not felt to be a strong mechanism for prompting good supplier behaviour, it was seen to be useful information which could help consumers when making purchasing decisions.



5

IMPACT OF COST ON VIEWS OF REGULATORY APPROACHES

5. IMPACT OF COST ON VIEWS OF DIFFERENT REGULATORY APPROACHES

This section discusses Panellists’ reaction to the idea that implementing any regulatory approach may have associated costs. It examines the extent to which this information impacted on views about how to regulate different consumer-supplier interactions.

It was explained to Panellists that any regulatory action has underlying costs, but that target-driven regulation (i.e. GOSP) is likely to be more costly than principles-based regulation for the following reasons:

- Any standards scheme will carry an administrative cost for suppliers and those monitoring compliance e.g. costs to train supplier representatives and costs to record and assess compliance.
- Any standards scheme requiring financial compensation will carry a cost.
- The publication/communication of a standards scheme may carry a cost.

Panellists were informed that any additional cost could be passed on to customers.

The proportion of the average household bill attributable to GOSP varies between suppliers, but Panellists were still able to discuss and debate the extent to which the cost in general impacted on their view about target driven regulation. Additionally, researchers were able to ascertain the extent to which views on cost impacted views by introducing the idea of extra “pennies” or “pounds” on the household bill.

5.1 Views on how a standards scheme should be funded

As revealed in previous Panel and other research²⁵ conducted on behalf of Ofgem, rising energy bills are the key concern for consumers, especially given the view of many consumers that suppliers make excessive profits. In this context, Panellists were particularly concerned to find out that energy bills could rise as a direct result of measures designed to protect consumers.

Panellists suggested a number of ways in which costs of regulatory action need not be passed on to consumers. Almost all initially said that costs should come out of supplier profits. When it was explained that Ofgem does not have the legislative powers to mandate this, some suggested that some or all of the money raised through supplier fines should be allocated to cover all associated costs of GOSP.

²⁵ <https://www.ofgem.gov.uk/ofgem-publications/75554/consumer-first-panel-report-priority-services-register-june-2013.pdf>

5.2 Impact of cost on views of a target-driven approach to regulation

A key finding was that generally views on regulation stayed the same even after cost considerations were introduced. Specifically, most Panellists still wanted target-driven regulation operating alongside principles-based regulation. However, on reflection some did reconsider their earlier views because they did not want prices to rise. The range of views have been grouped below based on the type of GOSP arrangements consumers preferred once cost was considered.

Retaining a standards scheme

As mentioned, most felt that a standards scheme should continue even if there were consumer costs attached. There were a variety of reasons for this view. After being informed that the first GOSP were introduced in the early 1990s, Panellists reasoned that as they were already paying for GOSP, there was no reason why a system based on the existing arrangements should lead to higher bills. The concern they had was that suppliers should be forced by Ofgem to communicate GOSP and ensure that consumers are aware it exists. When prompted they said they would not be happy to pay extra for publicity, and that any cost should be paid out of supplier profits.

“But the status quo is zero. The public don’t know about it. We are paying for nothing now. We get nothing. We’re juggling with words here.”

Others said they were willing to pay extra for a standards scheme as long as it did not add more than a few extra pounds onto their annual energy bill, and assuming that this also included any extra cost of ensuring that customers were better informed about GOSP. Some consumers’ acceptance of higher bills to retain a standards scheme stemmed from it providing them with peace of mind, as suppliers would be obliged to provide a minimum level of service. Furthermore, they said that if suppliers met the standards then neither compensation nor enforcement would be required, leading them to believe that costs ought not to rise.

“If they [suppliers] meet the standards there is no need to pay out [compensation/fines]. But got to have them [targets] as that will make it better.”

Ultimately many felt that their energy bills will keep rising with or without a standards scheme, arguing that a small rise was worthwhile if it meant guaranteed consumer protection.

Extended standards scheme

However, concern about rising energy bills was so significant for some that it made Panellists reflect on their earlier views on levels of compensation. While most consumers still wanted a scheme with more challenging targets, for instance fixing a faulty meter, some decided to backtrack on some of the improvements they had already suggested. Most notably, they lowered their expectations of the highest level of consumer compensation from £100 to £50.

Fewer interactions covered by GOSP

Once cost was introduced by moderators, and Panellists began to think of rising bills, some began to prioritise some consumer-supplier interactions over others. They tended to prioritise ones that could impact upon continuity of supply or billing over other interactions considered less essential. (For example, call waiting times in supplier call centres).

“I think the things that are important, things that are faults, breakdowns. We can live with longer times for other things if it meant my bills were kept low.”

Some Panellists felt that almost all GOSP examples presented to them had the potential to impact on continuity of supply or on them financially, e.g. overcharging due to a faulty meter. As a result, these consumers said they would want to retain all standards except the Notice of Rights which was seen to be expensive to send to all customers, and which they concluded would mitigate some cost increases.

“Four of these five have to be done anyway if things are to be fixed. But I wouldn’t want to pay for them to do this. If that [notice of] rights piece of paper is going to cost me money I don’t want to pay for it or read it.”

Many disagreed with this view; they reiterated the point that it was important that suppliers should ensure that customers were aware of the standards so they could be held to account. A few suggested that to some extent costs could be mitigated if suppliers publicised the standards via their website.

No consumer-supplier interactions covered by a target-driven scheme

A few Panellists said that if consumers’ bills are likely to increase then a target-driven scheme would not be necessary as long as a principle-based approach was properly regulated. This view was expressed by Panellists who had not experienced any of the situations covered by GOSP. However, most consumers, and particularly those who had negative experiences in the past wanted to retain the current system despite the prospect of rising bills.

The background of the page is a stylized illustration. The top half features a large, dark orange sun with several pointed rays extending upwards. The bottom half is a deep blue sky with several white lightning bolts striking downwards. A white horizontal band separates the two halves, and a white rounded rectangle is centered on the sun in the top half.

6

CONCLUSIONS AND IMPLICATIONS

6. CONCLUSIONS AND IMPLICATIONS

This wave of Panel research revealed there was consumer demand for a combination of principles-based and target-driven regulation to cover consumer-supplier interactions. Panellists wanted suppliers to commit to being efficient, flexible, fair, honest, empathetic, well informed, transparent and accountable – all values which can be implemented through principles-based regulation. But they also wanted an assurance that suppliers would set reasonable windows for appointments and stick to them, and fix urgent problems within 24 hours. They wanted compensation to be paid if these requirements were not met and for clear rules to be made available on what would be considered ‘reasonable’ responses. They felt this combined approach should help to guarantee minimum standards, and hoped that suppliers would compete to drive up service levels beyond this over time.

The main advantages of having a combined regulatory regime would be: **guaranteed service levels for customers, reassurance to customers that they would have redress if targets were not met, protection for vulnerable customers and customer empowerment to enable people to ‘stand up’ to their supplier.**

Panel research also revealed that current attitudes towards the energy market underpin consumers’ views about target-driven regulation. In particular, the belief that suppliers do not act in the interests of their customers, and the perception that retail energy prices bear little correlation with wholesale energy prices, convinced Panellists that competition is not working, and the needs of consumers are not being prioritised. Consequently, Panellists did not believe that suppliers will willingly provide consumers with anything other than a ‘below par’ service without there being robust regulations place.

With respect to how regulation should work, there was a consensus that an approach based on principles alone would not be in consumers’ best interests. Consumers felt that principles were ambiguous and open to interpretation. They presumed that this could lead to consumers’ needs not being met or vulnerable consumers “falling through the gaps”. Furthermore, without a tangible measure to know what to expect from suppliers, consumers did not see how it would be possible to ascertain supplier performance or hold them to account. Targets were also valued because, unlike principles-based regulation, consumers could envisage how enforcement and consumer redress would work. .

The strength and extent of these concerns meant that even if it had been possible to provide evidence that principles-based regulation might drive improvement or realise cost savings for consumers, it seems likely that consumers would continue to see a role for target-driven regulation in certain areas, namely:

- Where an energy related matter was believed to financially impact on consumers, for example:
 - Taking time off work to wait at home only for the supplier to miss or cancel an appointment, and/or

- Risk of inaccurate billing due to a faulty meter.
- Where an energy supply is thought to be affected (e.g. loss of supply through a faulty pre-payment meter).

Although there was widespread support for target-driven regulation in these situations, a further key finding was that existing arrangements of GOSP were not felt to provide adequate consumer protection in today’s energy market because of the low consumer awareness of the standards and because some of the provisions were felt to be insufficient. As such consumers wanted to see a range of improvements to the GOSP, namely:

- Suppliers should ensure that consumers are made aware of their rights: in particular triggers and levels of compensation were seen as empowering consumers to hold suppliers to account. Although consumers accept this could mean higher energy prices many do not expect significant increases given they are already paying for GOSP.
- Ofgem should publish (on the Ofgem website) supplier performance against GOSP. While there is no certainty that consumers would check Ofgem’s site, Panellists felt this information would be useful alongside pricing information when making supplier choices.
- There should be standardisation and increased levels of consumer compensation to:
 - Ensure adequate remuneration particularly in the event of loss of supply²⁶.
 - Discourage supplier underperformance.
- Ofgem should take, and be seen to take, stringent enforcement action (i.e. fines rather than “naming and shaming”) for non-compliance. Most also wanted fines to be distributed directly to affected customers where possible.
- Ofgem should introduce more challenging targets in the following consumer-supplier interactions:
 - Immediate response with respect to reconnection, updating account details or payment method, or changing tariff with existing supplier.
 - Shorter appointment slot (maximum of 3 hour length) for supplier visit.

²⁶ For example, where a supplier failed to meet an appointment slot the consensus was to recommend a figure double the current level of compensation to reflect the inconvenience caused (even after cost considerations were discussed).