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Dear Philip,

Supplier Guaranteed and Overall Standards of Performance Review – Call for Evidence

Further to your letter dated 21 January 2013, thank you for the opportunity to provide views on the nine questions posed within your Call for Evidence.

Summary

British Gas is of the opinion that Guaranteed and Overall Standards have served a useful purpose but that a review is appropriate and timely. Whilst there may continue to be a limited place within wider industry governance arrangements for some elements, particularly relating to genuine no supply prepayment faults and appointment making, it is evident that others are no longer relevant or important when considering the current and future industry landscape.

The current Guaranteed & Overall Standards predominantly focus on areas which were deemed to be critical customer service elements at the time of their development and implementation. Over time the industry has evolved and will continue to evolve in the future. Some elements of the existing arrangements have subsequently become less important, either because other areas of regulation now provide coverage or scrutiny, or because suppliers' commercial interests and focus upon customer service requirements provide the right drivers and performance delivery.

We believe that Ofgem's review provides a great opportunity to simplify the current arrangements, remove areas which are no longer deemed necessary or which are now covered elsewhere. More importantly it should consider the major impact that the rollout of smart metering across all consumers will have in the future and ensure that the any future GOSP regime is designed to encourage and assist in the delivery of the rollout programme rather than hinder it.

1. Are GOSP an effective tool for protecting consumers in the retail energy market?

The current supplier GOSP arrangements were developed and implemented at a time when the gas and electricity markets looked very different to how they do today and how they will in the future. Therefore, as currently drafted, they are no longer an effective tool to protect consumers across all areas covered.

Performance standards should be relevant to the current needs of the market and consumers and cognisant of the future requirements of the industry. Therefore we concur that review and reform is required.

2. To which groups of consumers are Guaranteed Standards (GS) relevant and useful? Are they of equal relevance and value to all consumer groups, including domestic, SMEs and large businesses?

Guaranteed Standards are more relevant to domestic consumers and we do not believe that the same level of standards is required or relevant for SMEs and large businesses. For example, it is much easier to arrange appointments and obtain access to businesses within their working hours, negating the degree of access arrangement inconvenience to consumers. For some businesses, a meter exchange and a subsequent short, temporary loss of supply may impact their individual business operation, however we will always work with the customer to ensure that an appointment can be reasonably arranged that will cause the least possible amount of disruption.

A further example relates to another significant area of GOSP, the attendance of prepayment meter faults. Prepayment, in the form provided to domestic consumers, is not currently prevalent within the business sector and therefore equivalent domestic standards are not relevant.

3. Is the GS on Charges and Payments, which only applies to the previous Public Electricity Suppliers (PES), still appropriate? If so, should it be extended to all suppliers?

We believe that the performance standards relating to Charges and Payments for Public Electricity Suppliers are no longer relevant and should be removed rather than extended.

Suppliers have a wide range of incentives and regulatory obligations, to ensure that consumer matters relating to areas such as 'changes in methods of payments' or 'queries relating to the correctness of accounts' are appropriately addressed and managed. Therefore specific standards of performance relating to these areas are no longer relevant or required.

4. **Are there any customer service areas that no longer need to be covered by the GOSP? Are there any service areas that are not covered by the GOSP, but should be?**

The Overall Standard relating to the *'moving of meters within 15 working days of request'* is no longer a relevant standard. The volume of customer requested meter moves are relatively low and the timeframes for the completion of such work is normally agreed in accordance with the customer's requirements, which at times may be required at a point which is longer than the stated 15 working days. It is in the wider interests of suppliers to respond to the requirements of their customers in a timely manner, particularly in circumstance such as this, where the customer has made a specific request for something which is pertinent to them.

The Overall Standard which requires suppliers to *'reconnect customers who are disconnected for non-payment by the end of the next day following an agreement to pay'* ceases to be a relevant standard due to a significant shift in policy by most suppliers since the inception of Overall Standards, relating to disconnection for non-payment. Social Obligation reporting captures the volumes of disconnections undertaken by suppliers, therefore additional reporting requirements under GOSP are no longer required.

The Overall Standard to *'change a meter on change of tariff within 10 days'* is also no longer a relevant standard, in our opinion, moving forwards. Where credit to prepayment and prepayment to credit meter exchanges are required, it is prudent for suppliers to react to their customers requirements in a timely manner. The Smart Metering Implementation Programme will ensure that all traditional meters are exchanged for a smart meter over the next few years. As smart meters will have the functionality to switch between credit and prepayment modes, the requirement for future meter exchanges associated with change of tariff will ultimately become superfluous.

We consider that the Overall Standard to *'visit to repair or replace faulty prepayment meter within 4 hours'* remains a relevant standard for the protection of consumers that find themselves without supply where there is a genuine fault with the meter. Smart meters with remote diagnostic capability will enable suppliers in the future to potentially identify genuine faults before deciding whether there is a requirement to visit the consumer's premises. However, where this is not possible we concur that a performance standard to ensure attendance within a specified time period continues, to provide an appropriate level of consumer protection.

For clarity, these visits should continue to be required specifically where there is a genuine fault with the meter, which prevents it from functioning in the manner for which it was designed and has left the customer temporarily without supply.

With regard to this particular standard, we note that there is an inconsistency between gas and electricity requirements, particularly the definition of 'working

hours' within the working day'¹. For consistency across fuels we believe that alignment to a 4 hour standard for both working days and non-working days would simplify operational and customer messaging arrangements.

The Guaranteed Standard relating to '*Appointments*' is a main element of the existing compensation arrangements. The large scale rollout of smart meters will exponentially increase the number of appointments made with consumers over the coming years. Scheduling meter exchange work in an effective and efficient way is critical to the success of the rollout programme and arrangements associated with appointment setting are therefore an important consideration.

Whilst the Smart Metering Installation Code of Practice (SMICoP) details the approach that should be undertaken with regard to the appointment and installation process, the GOSP provides the rules relating to how appointments should be made. We concur that it is important for both operational planning and consumer engagement purposes, that there is a degree of flexibility in the appointment making process. All day appointments, morning/afternoon appointments and more granular timed appointments all play a role in the overall approach; however we believe that it is essential that the obligations which govern appointment setting are developed in a way which equally supports operational scheduling and consumer expectation and assists with the supplier-led rollout of smart meters.

British Gas would therefore like to ensure that any future standards in this area reflect these considerations, enabling all day appointments to be offered when this is acceptable to the consumer, to have a requirement to offer a morning or afternoon appointment where a more specific appointment timeframe is required and to utilise more granular time banded appointments only as a fallback position when another appointment option was not appropriate. It would not be effective or efficient to enforce suppliers to offer or guarantee, time banded appointments to all customers.

Within our experience, most customers want a reliable appointment rather than a narrow one. Flexibility to cover different customer circumstances is required and further innovation of appointments may be developed in the future. Also, we consider that a two hour slot for an arrival time is too narrow for a job, for example, we expect to it to take 90 minutes to complete. Customers want to know when they need to be home, which is more useful than the time when the engineer will arrive.

With regard to the current definition of timed appointments, we continue to be of the view that the requirement to provide time banded appointments of less than two hours would not be appropriate.

¹ For gas this is set at 'within 4 hours' and for electricity 'within 3 hours', whereas both fuels are consistent at 'within 4 hours' on a 'non-working day'

- 5. Which customer service areas are appropriate for compensation approach under the GS and which service areas are appropriate for performance reporting approach under the OS?**

Further to our response to Question 4. Of the existing Guaranteed & Overall Standards we believe that the only standards which remain relevant moving forwards relate to 1) the requirement to resolve a genuine issue with a faulty prepayment meters where the customer is off of supply, within a timely manner and 2) the making of customer appointments for activities which the supplier is required or authorised to carry out under licence which requires access to the property to be afforded. For the latter point however, it is important that the requirements are drafted in a way which is not detrimental to rollout of smart meters.

There are no additional customer service areas that we currently believe need to be covered by Overall and Guaranteed performance reporting, which are not already covered by other regulatory requirements.

- 6. Are the current levels of compensation under the GS still appropriate? Should they be different for different customer groups?**

We believe that the current levels of compensation (in terms of value) continue to be appropriate. We do not believe that there is any requirement for compensation levels to be different for different customer groups.

There is one area of inconsistency between the existing gas and electricity arrangements which could however be addressed. This relates to the current definition of the 'working day'. For gas this is currently stated as 8am to 8pm, whereas for electricity it is stated as 7am to 7pm.

We recognise 8am to 8pm as being the most appropriate definition of a working day and believe that it would be useful to align the definitions across both fuels.

- 7. What is the overall consumer awareness of the GOSP? To what extent should consumers be aware of the GS and OS and what is the best way for achieving this?**

Suppliers already have obligations relating to the provision of information to consumers relating to GOSP. There is scope to consider what the most effective and efficient method of communicating this information to customers is and whether physical provision continues to be the most appropriate communication method or whether alternative arrangements such as making the information available on supplier websites could be more effective.

8. What is the best way for suppliers to demonstrate that they meet and where appropriate, exceed the GOSP?

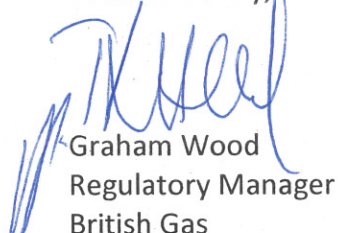
British Gas is of the opinion that the current reporting arrangements are fit for purpose, although a change to the timing of regulatory reporting in this area may be appropriate. For example, a move to less frequent reporting periods, i.e. from quarterly to six monthly returns.

9. To what extent will each of the current GOSP remain appropriate in light of market developments such as smart metering?

It is essential that this review and any revisions to the existing arrangements, take a forward looking approach to appropriately consider and address future market developments and particularly the rollout of smart metering. Please refer to our responses to earlier questions.

If you have any questions regarding our response, please do not hesitate to contact me on 07979 567686.

Yours sincerely,



Graham Wood
Regulatory Manager
British Gas