



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to Supplier Guaranteed and Overall Standards of Performance Review – Call for Evidence

February 2013

About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy-makers to put consumers at the heart of what they do. We tackle the issues that matter to consumers, and give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

Following the recent consumer and competition reforms, the Government has asked Consumer Focus to establish a new Regulated Industries Unit by April 2013 to represent consumers' interests in complex, regulated markets sectors. The Citizens Advice service will take on our role in other markets from April 2013.

Please find our response to your letter of 21 January 2013 about the call for evidence (reference 05/13). This submission is entirely non-confidential and may be published on your website.

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Role and scope of the GOSP

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

In principle Consumer Focus considers that the general idea of Guaranteed and Overall Standards of Performance (GOSP) is useful not only as a means to ensure consumers are compensated appropriately, but also as a way to monitor supplier and distributor performance. However, on a practical level, we have concerns about the current effectiveness of these rules.

Information from our Extra Help Unit (EHU) has found that Guaranteed Standards (GS) payments are not being paid automatically by suppliers. Case workers have had to make specific requests to suppliers for payment. We therefore consider that much more needs to be done to ensure that suppliers are proactively making these payments and not just when consumers request that they are paid. Consumers are not aware of their entitlement to these payments, so more should be done to raise awareness. Suppliers should notify consumers once payments are made, as often consumers are not aware of payments being credited into their account.

Feedback from the EHU, has been that consumers consider that suppliers/distributors have not paid GSs payments due to weather conditions (force majeure rule) when the consumer has been of the opinion that the weather conditions were not bad enough to justify non payment. Consumer Focus understands that Ofgem agrees to the force majeure rule in each individual instance of bad weather. Therefore we believe that consumer awareness of the GSs rules, entitlements and when it should apply need to be widened.

We would like to see more clarity for consumers about when payments can be expected. In some cases goodwill payments are made, however, we would like Ofgem to be clear that companies should make GS payments in the appropriate circumstances and that goodwill payments, where they are made, should be a separate payment.

We consider that there are serious awareness issues for consumers, both domestic and non-domestic of GOSP. Please find more detail on awareness in our response to question 7.

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?

All consumers can be severely affected by the issues covered by GS.

However, many of the GS affect the service provided to consumers with prepayment meters (PPMs) – fitting and faults with PPMs or payment devices account for a significant proportion of metering appointments – who are likely to be on a limited budget and therefore may find it more expensive to contact their supplier if using a mobile phone. It is important that a sufficient financial safety net is put in place to ensure they are not penalised for poor service by their supplier or distributor.

We have anecdotal evidence that some of the smaller suppliers do not operate their call centres over the weekend. Therefore we have concerns that this is an inappropriate level of service; if consumers using PPMs have to wait until Monday to report a problem, they are potentially being left off supply in the interim.

Non-domestic customers

We would like some consideration as to whether GSs are fit for small businesses and if the compensation levels are appropriate. Being off supply for long periods of time can represent a serious financial loss for businesses in terms of lost custom and this could be better reflected in the current compensation arrangements.

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 think the existing standard on responding to charges and payment queries is useful in setting a clear deadline for the standard of service consumers should expect from their supplier. As we have not received the GS performance information from Ofgem, we are unaware of suppliers' current performance against this standard.

From reviewing the websites of the ex-PES suppliers, ScottishPower claims to have answered 90 per cent of the 15,494 emails and letters it received in January 2013 within five working days.¹ It is unclear what percentage of these contacts was from customers in its ex-PES areas. British Gas does not publish this information.² E.ON, npower and SSE have not published their performance against this particular standard in their GS reports.³

As a result it is difficult to determine from the available evidence whether this standard has proved effective in raising suppliers' customer service performance. If this standard is retained then we believe that it should be extended to all customers of a supplier.

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?

We consider that all the standards are still valid.

We believe that a number of new standards may be helpful and appropriate following the introduction of smart metering. Ofgem should also review whether standards need to be updated in light of the improvements that new technology should bring, with a view to setting higher expectations in terms of quality of service and new services. For example:

- To support the new data privacy and access framework, eg a standard to ensure that customers or their representatives get timely access to their energy consumption data in an appropriate format. Also to ensure appropriate compensation where detriment results to the customer by inaccurate data held and shared by the supplier
- A GS standard for if the consumer has a smart meter but does not get an accurate bill
- A standard for if the consumer cannot switch because of a smart meter or new standards in terms of speed of switching between supplier or payment type
- A standard to stop back-billing once smart meter has been installed

¹ <http://bit.ly/148hXvB>

² <http://bit.ly/13sAalm>

³ <http://bit.ly/ZGA8YA> and <http://bit.ly/13sAhne> and <http://bit.ly/XGY27g>

- Potentially a standard around functions performed by the Data Communications Company (DCC) that impinge on the customer
- Standards around use of remote functionality eg switching to prepayment, disconnection or load limiting given the potentially negative effects of these – particularly where this happens in error

If smart metering is to work for PPM customers, new standards will probably be needed around speed of top-up; reliability of top-up given the particular challenges in this area.

Consumer Focus would welcome discussing these issues further with Ofgem.

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?

We consider that there is no need to change the current approach. Ofgem should consider if there are potentially new areas for inclusion linked to the introduction of smart metering.

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

For the ease of promoting the standards to consumers they should be kept as simple as possible. As explained in our response to question 2 we consider that more consideration could be given to whether compensation levels for non-domestic consumers are appropriate.

As explained in our response to Question 1, suppliers should have better processes in place to pay GS payments automatically. If they did so then suppliers should not have to pay £20 missed payment, as well as the standard charge.

We also consider that Ofgem should remind the energy companies that GSs need to be described as such and not as a goodwill payment. There is a concern that if GSs payments are being provided to consumers as goodwill payments, this may mean that they are not being reported to Ofgem – which masks service problems and misrepresents the action to consumers.

(Please also see response to question 2 about non-domestic customers and making sure that compensation levels are appropriate.)

GOSP transparency

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?

One of our key concerns is that consumer awareness of the GOSP is generally low. Research we commissioned in January 2012 indicated that only 6.4 per cent of electricity customers who experienced a power cut over the last two years were aware they were entitled to a payment from their Distribution Network Operator (DNO).⁴ Further research around GS undertaken in December 2011 by GFK showed that when asked whether they thought they were entitled to compensation for a missed appointment only 40 per cent of consumer said yes. While this question was about a specific GS it is indicative of a wider lack of awareness of the rights set out in them.

Consumers often feel that they should be entitled to some compensation but are unaware that this has been specified in legislation. The lack of information on Ofgem's website exacerbates this issue.

The only current links to the standards, apart from the legislation and some information on supplier websites, is the FAQ in our Consumer Focus Knowledge Base.⁵ There is also some information on the Citizens Advice consumer service Advice Guide.⁶

This needs to be addressed given that Consumer Focus will no longer exist after 31 March 2013. Our successor, the Regulated Industries Unit, is not intended to have a consumer-facing role.

A review of the six largest suppliers' websites demonstrates that suppliers publish information about the GS in PDF documents, which must be downloaded, as opposed to providing this information on their standard webpages.

Our experience of publishing the GS reports on electricity and gas distributor performance is that there are numerous problems of data quality, with companies not recording and reporting properly against the standards. Consumer Focus assumes that there are likely to be similar problems with the data quality of the supplier GSs.

Despite a requirement on Consumer Focus to publish supplier performance against the GS and requests made to Ofgem for this data, the regulator has not provided the GS information to us to facilitate their publication. We have searched the Ofgem website and cannot find a record that indicates that the regulator has published this information.

We have assumed that Ofgem's reluctance to provide Consumer Focus with the GS data is due to concerns about data quality but would be happy to receive further information about this. We have looked at the cases received by the Citizens Advice consumer service (and previously Consumer Direct) regarding meter accuracy disputes. Case volumes are significant, with around 2,000 consumers contacting Consumer Direct in 2011 for advice about this issue. This suggests there may be more consumers eligible for these payments than are claiming them, as our recent research on the electricity distribution GSs showed and information from EHU has revealed.

⁴ <http://bit.ly/13sAOFD> p59

⁵ <http://bit.ly/YFMIvD>

⁶ <http://bit.ly/ZGBAdq>

We believe, to be fit for purpose, consumers' rights under these standards need to be actively promoted to energy customers and made clearly and easily available in a consumer friendly format on Ofgem's website, energy supplier websites and sources of independent energy consumer advice. Front line advisers need to be regularly reminded and made aware of the payments and any changes.

The other change needed is for the compensation to be paid out automatically when the supplier has failed to meet the requirements. Suppliers' internal systems will be able to track whether they have failed to adhere to the requirements of the GSs. This would provide a much better incentive on suppliers to improve their current processes and deliver a better standard of service to their customers.

In placing such an expectation on suppliers it would be important for there to be a rigorous auditing process and a means for stakeholders, such as the EHU, to report failures. Where there is evidence of multiple failures there must be a very real threat of enforcement action.

Appointment times

As well as the awareness and accessibility issues outlined above, we believe the standard around appointment times would benefit hugely from further clarification. There is currently ambiguity in the phrasing such as what constitutes a missed appointment. For example if a consumer has an appointment on Tuesday afternoon, arranges to stay at home and the supplier (or network) cancels it on Tuesday morning does that count as a missed appointment subject to the guarantee standards or have they simply informed the consumer of a change to their appointment time? There is no time-frame given to enable consumers to understand when an 'altered appointment' becomes a 'missed appointment'. An information request to suppliers about appointments has revealed that policies between the large suppliers are not entirely consistent. Consumer Focus would be happy to share this information with Ofgem.

We further believe there will need to be a particular focus on those appointment-related standards referenced in the Smart Metering Installation Code of Practice. It is important that the references take customers to information that is easy to understand. This standard will be increasingly important with the roll-out of smart meters.

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

The reporting of GSs statistics that already occurs is necessary and useful for analysis purposes, however, it is not widely known and any new reporting is unlikely to catch the general public's imagination without heavy promotion. Statistics on suppliers' websites, while including the performance targets set by Ofgem – ie 100 per cent or 98 per cent could also include numbers on how many incidents occurred or actual failures there were.

The majority of the large suppliers do not publish their performance against the GS in the same section as their complaints performance. We think this is worthy of exploration.

Future market developments and GOSP

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

As noted in question 4 the roll-out of smart metering will bring a range of issues that we believe will require changes to the existing standards and new standards. Ofgem should also review whether standards need to be updated in light of the improvements that new technology should bring, with a view to setting higher expectations in terms of quality of service and new services

We understand that it is DECC's intention that the roll-out of smart metering should be used to help deliver improvements in customer service for prepayment customers – this is something we fully support. The widespread use of new technologies introduces the opportunity to deliver new benefits (eg a range of top up options – by phone, emails etc) but also, new risk points. For example, it is possible that:

- PPM customers may have to spend longer waiting for the payment to be validated in the shop
- PPM customers could find that it takes longer for the credit to appear on the meter
- if wireless technologies fail, a credit may not appear at all

We have recently written a report with Accenture which outlines in some detail the challenges that customers face today and could face in the future once smart meters have been rolled-out. A key recommendation is that Ofgem reviews the GSs with regards to improving the prepay customer experience. Please note that this report will be formally launched at the end of March but has already been shared with Ofgem.

As highlighted in question 4, other key areas include: around data access and privacy; functions performed by the DCC; issues related to the use of remote functionality; switching, back-billing; and accurate bills.



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