



By email only

Andrius Cialka
Consumer Policy and Insight
Ofgem
9 Millbank
London
SW1P 3GE

Phone 01905 340 408
E-Mail louisa.stuart-smith@npower.com

28th February 2013

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

Dear Andrius

I attach npower's response to Ofgem's Supplier Guaranteed and Overall Standards of Performance call for evidence. Our response is not confidential.

I hope this response adequately answers your questions but please do not hesitate to contact me if you would like any other information.

Yours sincerely

Louisa Stuart-Smith
Economic Regulation

[RWE npower](#)

Oak House
Bridgwater Road
Worcester WR4 9FP

T 01905340 408
I www.rwenpower.com

Registered office:
RWE Npower plc
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 3892782

Role and scope of the GOSP

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

We do not believe the supplier Guaranteed and Overall Standards of Performance (GOSP) are an effective tool for protecting either domestic or non domestic consumers in a fully competitive market

The GOSP were originally developed prior to the introduction of the competitive market and the supplier Standards have not been subject to any significant amendments since 2001. Furthermore we are not aware of any other competitive market where there are specified rules and regulated payments for particular customer service shortfalls. In all other competitive markets this is dealt with via competition.

There have been several new developments within the energy industry in recent years including the introduction of the Ombudsman arrangements, the Complaints Handling Regulations and redress powers which have a strong overlap with GOSP. The energy market is constantly evolving and will see further improvements later this year as a result of the Retail Market Review and in particular the new Standards of Conduct (SoC) Licence Conditions. We believe there is an increasing risk of double jeopardy arising from requirements to pay compensation under multiple statutes.

For domestic and SME customers we already make goodwill payments where we believe our service has fallen below the high standards we set ourselves. The level of goodwill payments can be far higher than the compensation levels awarded under the GOSP as we do not constrain the amounts or types of payments that are made.

In areas like billing where we have the voluntary Energy UK Billing Code most suppliers have signed up to back billing rules which are more innovative than the prescriptive payments made under Guaranteed Standards. This demonstrates that in a competitive market suppliers do not need to be subjected to a regulated compensation scheme. If a larger, more prescribed list of Standards were to be introduced suppliers may be less inclined to voluntarily make compensation payments.

It would not be appropriate to extend the Overall Standards, which focus largely on metering activity for domestic customers only, to non domestic customers.

In addition to this we strongly believe the Guaranteed Standards are not an effective tool for non domestic customers and in particular industrial and commercial (I&C) customers. For large non domestic I&C customers we have contract service levels in place that include compensation payments far in excess of the payments made under the Guaranteed Standards of Performance.

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?

As discussed above we do not believe the Standards are an effective tool in the current market for all customer groups.

In particular we do not see any evidence that non domestic gas customers feel disadvantaged because the Guaranteed Standards (GS) do not apply to gas customers in

the non domestic market. We therefore believe the few GS that do currently apply to non domestic electricity customers should be removed entirely from non domestic customers.

Large I&C customers have contractual protection that generally exceeds the payment amounts covered by the Standards. In addition to this a significant proportion of I&C customers contract directly with metering and data collection agents which results in suppliers paying compensation for a service carried out by an agent with whom they do not have a formal contractual arrangement.

Where non domestic customers are not happy with the service they receive they will exercise their right to change their supplier and negotiate their contractual arrangements.

We have received feedback from non domestic customers that payments for small amounts cause them additional ledger work. The effort and resource it takes larger customers to process and track a GS payment outweighs the benefit of the compensation payment.

For non domestic customers it is not always clear whether compensation payments should be sent to the company head office or the site impacted by the failure.

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 the Charges and Payments Standard should be removed. The Standard does not apply to electricity suppliers operating outside their former licensed monopoly areas or to gas customers. We are not aware of any evidence that these customers suffer any detriment. GOSP have been in place for over a decade and have been reviewed previously. We believe that if this Standard had proved to be effective and necessary then it would have already been extended to electricity suppliers operating outside their former licensed monopoly area and to gas customers.

It is not appropriate in a market where substantial switching levels have taken place.

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 believe the Ombudsman arrangements, the Complaints Handling Regulations and redress powers, and the introduction of the SoC Licence Conditions later this year, ensure that protections are in place across all areas of customer service. We therefore believe that the Standards should be removed from the existing service areas and not extended to any additional service areas.

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?

As discussed we believe recent market developments and legislative changes have provided a more appropriate compensation approach than the provisions under the outdated Guaranteed Standards.

The service areas under the Overall Standards are very specific and narrowly focused on domestic metering activity. We do not believe it is appropriate to set performance standards for companies operating in a competitive market where customers are willing and able to change supplier if they are not happy with the service they receive. We also do not believe it would be appropriate to extend Overall Standards to non domestic customers.

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

For non domestic customers we do not think it is necessary or appropriate for the compensation levels to be specified within the legislation. If GS are not removed for non domestic customers we feel it would be more appropriate for the legislation to refer to the need for compensation to be covered in contractual terms and conditions.

If additional Standards are adopted to cover service levels not currently covered by GOSP there is a risk that a fixed minimum payment level would become the maximum payment level issued by suppliers. This would disadvantage customers who might otherwise receive higher goodwill compensation payments.

If compensation payments are to remain in place it would be sensible for the payments for gas to be aligned with electricity.

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?

The relevant Statutory Instruments require suppliers to dispatch a statement outlining their rights under the Standards of Performance known as a Notice of Rights. Suppliers are also required to prepare a statement outlining the Overall Standards and our performance against those Standards. The information has to be dispatched to customers at least once in any 12 month period.

npower has developed a leaflet that contains both information required under the Notice of Rights and information on our performance against the Overall Standards alongside other regulatory information. We distribute the leaflet to all our domestic customers along with their bills on a yearly cycle in quarter one and quarter two. For domestic customers who have opted to receive electronic bills we send out a separate email with a link to the leaflet on our website. We will also send the leaflet out to any customer on request.

We have developed a separate leaflet for our non domestic customers. As with payments it is not always clear who we should send the leaflet to so instead of distributing the leaflet we make it available on our website and advise non domestic customers of the leaflet on the back of the bill. This is also in line with feedback we have received from non domestic customers who prefer to receive communications electronically rather than in paper format.

We believe the current requirement ensures all customers are advised of GOSP.

If GOSP is to remain we believe the legislation should be updated to include and encourage the switch over to electronic communications for all customer groups.

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

We currently report data to Ofgem quarterly on our gas and electricity Guaranteed and Overall Standards. We are happy to continue reporting this data to Ofgem.

We note that Ofgem does have the power to publicise the names of companies whose performance fails to meet the levels set out in the Overall Standards so that customers can make informed choices. However, in order to avoid misleading customers and inducing them to potentially making poor decisions, it is vital that:

- i) comparative data is available for all suppliers, not just a subset and
- ii) Ofgem ensures all suppliers are reporting on a comparable basis.

If the Standards are to remain in place then we believe the best way for suppliers to make customers aware of their performance against the Overall Standards is to continue to include the information as part of the Notice of Rights statement.

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?

We do not believe GOSP will remain relevant in the future.

The Standards were originally designed prior to the proliferation of dual fuel accounts. As drafted currently if we miss a single appointment booked to cover activity on both the electricity and gas meters at an individual site we would owe compensation under both the electricity and gas Regulations even though only one appointment had been missed. This could cause unnecessary cost if GOSP were to remain in place throughout smart meter roll out. If the Standards are to remain then we believe it would be more appropriate for GOSP to cover scenarios relating to dual fuel accounts.

We note that the Smart Metering Installation Code of Practice requires smart metering installation appointments to be carried out in line with Standards of Performance Regulations. This would require appointments to be booked either am, pm or 2 hour time band on request. However it is our understanding that the interpretation of the GOSP requirements for smart metering installation appointments varies across suppliers with some believing it is acceptable to offer all day appointments. We would appreciate it if Ofgem could provide clarity on the requirements under GOSP for appointment booking for smart metering installations and confirm whether all day appointments can be offered for smart metering installation visits.

The existing Regulations require suppliers to receive compensation payments for failures that have been incurred by the electricity distribution and gas transportation companies and pass on those payments to the customer. In practice the main electricity distribution and gas transportation businesses now pay the compensation payments for their failures to the customers directly. We believe this is a much more efficient process and if the Regulations are to remain in place this practice should be formalised.

There are currently a number of inconsistencies between the gas and electricity Regulations. If the Standards are not removed we believe these should be addressed. In particular we note:

i) the working hours in Part II of Schedule 1 are different for both the electricity and gas Statutory Instruments (electricity is defined as 7am to 7pm on each working day and 9am to 5pm on any other day and gas is 8am to 8pm on each working day and 9am to 5pm on any other day)

ii) Following the changes that were made to the electricity compensation payment levels as a result of the Distribution Price Control Review in 2010 the payment levels are different for gas and electricity.

iii) The gas Regulations allow for payments to be transferred via BACS transfer to a supplier's bank account however the electricity regulations only allow payment by cash or cheque. It would be helpful if this facility could be widened to allow suppliers to make payments to customers electronically.

If following the Ofgem Review of GOSP the Standards remain in place we believe they should be reviewed again in 5 years once smart meter roll out is further advanced.