

Response to Ofgem on Guaranteed and Overall Standards of Performance

28 February 2013

Call for evidence on Guaranteed and Overall Standards of Performance

Ombudsman Services' response

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1 Summary

1.1 About Ombudsman Services

The Ombudsman Service Ltd is a company limited by guarantee that provides ombudsman services for the energy, telecommunications, property and copyright licensing sectors, by appointment or approval from the relevant regulators. We provide dispute resolution and redress to domestic consumers and micro-businesses. Established in 2002, Ombudsman Services now has over 8,900 participating companies and last year we resolved over 18,000 complaints. The company employs around 180 people and has a turnover of just under £8 million.

Ombudsman Services complaints resolution service is free to consumers and is at no cost to the public purse; it is paid for by the participating companies under our jurisdiction by a combination of subscription and case fee. The participating companies do not and should not exercise financial control over the company. Ombudsman Services' governance ensures that we are independent from the companies that fall under our jurisdiction. The more complaints there are about a company, the more the company pays, ensuring an incentive for the company to improve their customer service.

To help 'level the playing field' between consumers and companies, we have a contact centre which provides information and helps those who have difficulty in making a complaint. We achieve proportionality by providing alternative dispute resolution

through different processes, from early resolution to in-depth investigation with decision. Our decisions are enforceable through the courts.

With our sustainable funding model, independence and considerable experience we have the capacity and appetite to undertake further work.

2 Response to the call for evidence

2.1 Ombudsman Services response

Ombudsman Services welcomes the opportunity to comments on Ofgem's call for evidence on the Guaranteed and Overall Standards of Performance (GOSP). Below is our response to the questions raised in the call for evidence.

Role and scope of the GOSP

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

In Ombudsman Services' experience, although the Guaranteed and Overall Standards of Performance do protect the consumer from subsequent poor service, the standards as they are currently framed do not in fact require the service provider to resolve the original failure of service.

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?

It is our experience that Guaranteed Standards may prove relevant and useful for domestic consumers. However, given the level of compensation and the capping of the compensation they may provide little use to business users. A service failure for a business can have significant impact on its viability. Given the potential impact, a business needs the original problem to be resolved as quickly as possible. As outlined in our answer to question 1, the Guaranteed Standards do not require that problem to be resolved.

Ofgem may wish to consider providing specific measures to protect vulnerable consumers; British Gas for example specifically mentions on its website what it already does for vulnerable consumers. Ofgem may want to use as its starting point the wider definition of vulnerability that it used in its recent consultation on its vulnerability strategy.

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?

A number of the standards provided by the companies limit the service to specific geographical and historical supply areas. Our view is that unless the location of supply presents additional problems, the standards should cover all of a company's consumers irrespective of where they live as limiting the coverage could be seen as a constraint in switching suppliers.

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 nothing should be excluded from the current standards and that in line with our response to question 2, vulnerable consumers should be better considered. Ofgem also may wish to consider requiring the suppliers to include the voluntary code on billing in the standards; this would provide both clarity to the code and ensure that the standards were comprehensive.

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?

Ombudsman Services considers that the areas that are currently subject to the GOSP such as missed appointments, moving a meter and responding to letters should continue to be subject to appropriate levels of compensation and be required to publish

their performance. Ombudsman Services wishes to re-emphasise the comment made to question 3 that the standards should be extended to cover all of a company's consumers irrespective of where they live as limiting the coverage could be seen as a constraint in switching suppliers.

While our remit is to put the consumer back into a position they would have been in if nothing had gone wrong, we do make goodwill awards which cover the time and trouble a consumer took to complain or the poor customer service they experience when the problem arose. The companies and Ofgem may wish to consider adopting this approach when making awards as part of the General Standards.

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

In line with our response to question 2, we do consider that there is a case for different levels of compensation for different consumer groups. Ombudsman Services believes that the compensation for domestic consumers is probably set at the correct level; however, given that failure of supply can have a considerable detrimental impact on businesses, there is a justification for increasing the level of compensation to non-domestic customers.

If there is a collective failure of the standards, the result of which is that a large number of domestic consumers are affected, Ofgem may wish to consider requiring the supplier to put the compensation into a trust for the benefit of the area.

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?

We understand from research conducted by Consumer Focus that consumer awareness of Guaranteed and Overall Standards of Performance is low. This view is

supported by our experience as we have received very few complaints about companies failing to meet their standards.

While we do not believe that this failure of awareness is a result of the companies making it difficult to find the standards, we suggest that the companies should be more proactive in raising awareness of them among consumers.

We believe that the companies together with Ofgem may have a role in raising awareness by providing examples of best practice from within the sector or from other industries on how they engage and inform consumers of their standards.

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

Ombudsman Services is unable to provide examples of the best way suppliers can demonstrate that they meet and, where appropriate, exceed the GOSP. Ofgem may wish to examine how other regulated sectors require service providers to demonstrate compliance with standards.

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 believe that the existing Guaranteed and Overall Standards of Performance remain appropriate in light of the introduction of smart meters. We consider that they may in fact need strengthening in light of the technology that will be used.

As remote metering will allow companies to access consumer data directly without visiting the meter, the companies will need to explain to consumers that they may not need to go and visit the premises. The standards will also need to reflect the requirement that data will need to be shared with companies and will need to address the possible reluctance of the consumer to cooperate.

Lewis Shand Smith
Chief Ombudsman

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