



Andrius Cialka
Ofgem

By email only

SSE
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

5 March 2013
Steven.Findlay@sse.com
01738 516852

Dear Andrius,

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

SSE is pleased to enclose its response to the above call for evidence. SSE welcomes the Ofgem Supplier Guaranteed and Overall Standards of Performance (GOSP) Review and firmly believes that this is a correct time to review the appropriateness of the GOSP given the significant strides made by industry to regain consumer trust.

The GOSP were introduced at time when financial penalties were required in order to drive improvements in the industry. SSE firmly believes that competition in the energy supply market has significantly evolved in recent years paving the way for Ofgem to remove the GOSP. We believe that competitive pressure provides a larger incentive to provide our customers with excellent service and commitments. Given the recent steps by suppliers to improve trust and transparency we would recommend that the majority of the GS and OS standards are removed.

SSE considers that many of the standards set out in the GOSP have been superseded by subsequent regulations and industry practice. The context of the various different obligations and policy initiatives that are currently (or likely to be) in place over the next few months provides reasoning to remove much of the GOSP.

Firstly, through Ofgem's Retail Market Review¹ suppliers will be required to adhere to 'Standards of Conduct' (SoC) that will be embedded within the gas and electricity supply licences. The SoC will apply right across the entire energy supply market and will affect decision making and contact with customers throughout our business. The SoC should bring a new level of confidence for consumers when dealing with energy suppliers and as a suppliers result will be incentivised to offer an excellent level of service or otherwise fall short of meeting the SoC proposed by Ofgem.

In addition to this SSE, Ofgem and other suppliers, have developed new, transparent reporting in relation to complaints under the Complaint Handling Standards Regulations (CHSR). As a result, customers will be able to openly compare our performance to that of other suppliers. As part of this, SSE and other suppliers will publish quarterly complaints information in a prominent position on each of our respective websites. Experience would

¹ <http://www.ofgem.gov.uk/MARKETS/RETMKTS/RMR/Pages/rmr.aspx>

suggest that should a supplier miss an appointment or fail to address a meter dispute the customer will express some form of dissatisfaction and as is required under the Consumer Complaint Handling Standards² this would need to be recorded and reported upon by the relevant supplier. Therefore, if a supplier is failing to meet the requirements under the GOSP this is already reflected within the complaints reporting. This will ensure that suppliers are meeting a minimum level of service otherwise face the resulting impact of losing customers.

SSE has also developed a number of Customer Service Guarantees that go over and above the requirements of the Guaranteed Standards. We believe that this demonstrates our overall commitment to customers further removing the need for GOSP.

SSE would recommend that Ofgem reconsider the drafting of the requirement to provide customers with an annual 'Notice of Rights'. We believe Ofgem should enable suppliers to include the information solely on their website, provide customers with a copy should they request one and notify them annually of their right to do so (reflecting other requirements within the energy supply licence). Under the GS, suppliers are required to dispatch a copy of the 'Notice of Rights' document on an annual basis to each of their customers. SSE estimates that the cost of doing so is approximately £1.5 million per annum (due to paper weight etc). We note that there is little desire amongst customers for this information within the overabundance of regulatory information that suppliers are required to send on a regular basis in addition to other information that they might wish to send to promote their products and services. Of note is the requirement to send the Concise Guidance (as produced by Consumer Focus) and the SoC statement.

Overall, we believe that through increased transparency and the developments in recent times of industry attempting to regain the trust of consumers, the GOSP should be removed as a requirement and allow suppliers to develop their own guarantees in attempt to differentiate themselves from their competitors.

I would welcome the opportunity to discuss any of the points within this letter in more detail as soon as possible. Please do not hesitate to give me a call should you wish to discuss this response in more detail.

Yours sincerely

Steven Findlay
Regulation

² <http://www.legislation.gov.uk/uksi/2008/1898/contents/made>

Annex

Role and scope of the GOSP

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

SSE no longer targets internal service performance based on GOSP. SSE is significantly more focussed on improving the lack of service that a customer is receiving as a result of failing to keep an appointment or due to a meter or billing dispute, as these will be highlighted if the customer was to complain.

For example, as we have highlighted above, some of the requirements under the Guaranteed Standards are no longer required. In particular the requirements under Section 16 of the electricity Guaranteed Standards³ (GS) 'Charges and payments' is superseded by the SoC, as well as the CHSR, which require a supplier to have a complaints handling procedure in place, as well as ensuring an appropriate outcome for the customer. In our experience, if SSE was to fail to provide an explanation or an appropriate outcome in relation to Section 16 the customer will express a form of dissatisfaction⁴ and the supplier would be obliged to find an appropriate outcome.

Also, under Ofgem's proposed SoC suppliers will have a duty to ensure that we 'act promptly to and courteously to put things right when we make a mistake'. SSE believes that this would capture Section 17 of the electricity GS and section 4 of the gas GS⁵ in relation to metering disputes.

SSE currently reports to Ofgem its performance relating to GOSP each quarter. Ofgem will note that the number of payments made during each quarter is minimal suggesting that SSE is meeting the vast majority of its appointments etc. We would also challenge the value of suppliers publishing Overall Standards of Performance as in our experience, customers are significantly more interested in how a supplier can assist in a particular scenario rather than overall performance across each supplier.

SSE has also launched a 'Customer Charter'⁶ that makes a number of promises to customers in relation to our Billing Guarantee in order to provide additional protection. We have also introduced our Service Guarantee⁷ which offers customers £20 compensation should we fail to meet a number of promises.

In addition to the above, we have also implemented our 'Sales Guarantee'. If a customer considers that they switched to SSE as a result of inaccurate or misleading advice, we encourage them to contact us within six months of their account being set up. Our specialist team then look into the customer's query and if they have been financially disadvantaged due to inaccurate or misleading information on SSE products or services, SSE will make good any resulting financial loss.

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?

In our experience the majority of GS failures and payments relate to the domestic market. We therefore believe that, as the CHSR would apply to this group of consumers, adequate protection currently exists.

³ <http://www.legislation.gov.uk/ukxi/2010/698/contents/made>

⁴ Under the CHSR this would require a complaint to be recorded.

⁵ <http://www.legislation.gov.uk/ukxi/2005/1135/contents/made>

⁶ <http://www.sse.co.uk/uploadedFiles/CoreMarketingSites/Assets/Documents/CustomerCharterSSE.pdf>

⁷ <http://betterway.sse.co.uk/>

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?

SSE would recommend that the majority of GOSP are removed as a requirement based on analysis within this response. However, should Ofgem decide that the Charges and Payments obligation be extended, it should apply to all suppliers regardless of size or geographical location.

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?

As previously indicated, the CHSRs apply to every single contact with an SSE customer, whether this is directly or through a representative of SSE. We believe that the CHSR provide adequate protection across all areas of SSE's customer service operation and ensure appropriate and adequate outcomes for customers where we have failed to meet their expected level of service.

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?

SSE believes that the GOSP apply equally across all customer groups, with the exception of prepayment customers who are provided with additional protection should their meter fail to operate.

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

SSE has no comment regarding the level of payments, however they appear to be appropriate when compared to the level of customer inconvenience. Regardless of the level of payment, SSE is firmly of the belief that the potential reputational damage caused by failing to keep a promise with one of our customers could result in that customer expressing dissatisfaction under the CHSR or ultimately deciding to exercise their right to switch to a competitor.

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?

SSE believes that it is of high importance that customers understand their rights and responsibilities in relation to their supply of energy. The SSE Customer Charter (as outlined above) clearly states this information.

Under the GS, suppliers are required to dispatch a copy of the 'Notice of Rights' document on an annual basis to each of their customers. SSE estimates that the cost of doing so is approximately £1.5 million per annum (due to paper weight etc). We note that there is little desire amongst customers for this information within the overabundance of regulatory information that suppliers are required to send on a regular basis in addition to other information that they might wish to send to promote their products and services. Of note is the requirement to send the Concise Guidance (as produced by Consumer Focus) and the SoC statement.

SSE would recommend that Ofgem reconsider the drafting of this requirement to enable suppliers to include the information solely on their website and provide customers with a copy should they request one, and notify them annually of their right to do so (this would reflect other requirements within the energy supply licence). SSE is already required, under the energy supply licences, to provide a copy of the Concise Guidance⁸ to each of its customers annually which provides information (page fifteen) relating to the customers entitlement to compensation under the Guaranteed Standards.

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

SSE believes that significant progress has been made recently across the energy industry in an attempt to increase consumer engagement and trust in the market. As a result, the GOSP are effectively obsolete in an ever evolving and competitive market. Overall, SSE believes that the SoC, the CHSR and other initiatives such as SSE's Customer Charter, Sales and Service Guarantees provide customers with a better level of protection and allow suppliers to differentiate themselves on a competitive level of service.

SSE is developing an 'Open Book' approach in which it will publish increasing amounts of information online relating to its customer service performance. We believe this approach will provide customers with the necessary level of transparency and information relating to supplier performance under the GOSP (and where we have chosen to go beyond this).

In relation to the Overall Standards, SSE believes that these were originally developed in order drive supplier performance on a number of specific issues which might not be a natural service offering in the early days of the competitive market. Since then, the market, and specifically the issues that are important to consumers, has significantly developed since then. SSE recommends that the Overall Standards are removed entirely from the GOSP. This will not reduce the level of consumer protection given that these issues, if they do arise, will be a part of each supplier's own service offering for customers, which is more appropriately monitored through each supplier's own publications.

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?

The GOSP will have less influence in the future given the introduction of Ofgem's SoC, the CHSRs and the Smart Metering Code of Practice for Installation (SMICOP), which relates solely to installation visits for smart metering.

SSE believes that the above requirements will provide customers with a significant level of protection, not only in the immediate future but in the light of further market development.

⁸ <http://www.consumerfocus.org.uk/files/2012/11/Staying-connected-2012.pdf>