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28 February 2013

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

Dear Mr Cialka,

I am pleased to attach Energy UK's response to Ofgem's Supplier Guaranteed and Overall Standards of Performance call for evidence. It is not confidential.

If you have any questions, please do not hesitate to contact me on 020 7747 2963 or daisy.cross@energy-uk.org.uk

Yours sincerely

Daisy Cross
Policy and External Relations Executive

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

Energy UK response

28 February 2013

1. Introduction

- 1.1. Energy UK is the trade association for the energy industry. Energy UK has over 70 companies as members that together cover the broad range of energy providers and supplies and include companies of all sizes working in all forms of gas and electricity supply and energy networks. Energy UK members generate more than 90% of UK electricity, provide light and heat to some 26 million homes and last year invested £10billion in the British economy.
- 1.2. Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. We are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and independent regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.
- 1.3. These high-level principles underpin Energy UK's response to Ofgem's review of Guaranteed and Overall Standards of Performance. This is a high-level industry view; Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

2. Executive Summary

- 2.1. Energy UK welcomes Ofgem's review of Guaranteed and Overall Standards of Performance (GOSP) and will continue to support Ofgem in its objective to promote a competitive energy market that produces good outcomes for consumers, and which enables energy customers to trust and engage with their energy suppliers.

Suppliers take consumer protection seriously, and are committed to identifying and helping their most vulnerable customers. Energy UK members have already been active in developing reform which enhances customer protection alongside competitiveness. For example, under the Energy UK Safety Net established in 2004, the incumbent six suppliers agreed to never knowingly disconnect a vulnerable customer at any time of year. Safety Net protections have been further increased over the years, for example including a commitment to compensate customers who have been disconnected in error. We also set up the Code of Practice for Accurate Bills in 2007, confirming suppliers' commitment to billing customers regularly and accurately.

- 2.2. Ofgem's review of the GOSP is in keeping with Government's Red Tape Challenge, Ofgem's Simplification Plan and the move towards principles-based regulation. We consider that many of the standards set out in the GOSP have been superseded by subsequent regulations and industry practice, particularly the incoming Standards of Conduct (SOC) Licence Conditions, but that some of the standards remain relevant.
- 2.3. Energy UK would also welcome greater consistency within the GOSP; where possible Ofgem should aim to ensure that the standards, and the prescribed periods and sums, are the same for gas and electricity. This will improve clarity for consumers.
- 2.4. This response considers each of the supplier-focused standards in the GOSP in turn, analysing the standards against existing and incoming legislation, including SOC, and the relevance of each of the standards to consumers in the current retail energy market.
- 2.5. Energy UK would like to highlight that a competitive energy market has, in many instances, driven suppliers to go above and beyond the measures set out in the GOSP to provide compensation in such events.

3. Guaranteed Standards

PART IV

Charges and payments

- 3.1. Energy UK considers that this standard is no longer relevant, as it is adequately covered by the forthcoming SOC, as well as the existing Complaints Handling Standards Regulations (CHSR), which mandate that a provider has to have an appropriate complaints handling procedure in place, that all customer complaints are addressed responsibly, and that customers are signposted to the Ombudsman if they cannot be resolved to their satisfaction. Energy UK also notes that this standard applies only to the supply of electricity, with no equivalent in the gas standards.

PART V

Meter disputes

- 3.2. Energy UK believes that this standard can be removed from the GOSP, as it will be covered by the SOC duty on suppliers to 'act promptly and courteously to put things right when [it] make[s] a mistake'. The measures in this standard are also assured by Energy UK's Code of Practice for Accurate Bills, which ensures suppliers take accurate meter readings, and commits suppliers to advising customers of their complaints procedure and the dispute resolution service.

Pre-payment meters

- 3.3. Energy UK considers that, as this standard sets an appropriate minimum standard for visiting premises in order to rectify a problem, it still has value and should be retained in the GOSP. However, for the sake of clarity, it is important that Ofgem resolves the discrepancies between the Working Hours stated in the Electricity and Gas standards.

PART VI

Appointments

- 3.4. Energy UK members judge this standard to be consistent with the current market, and that it will remain useful amidst market developments such as Smart Metering.

Disputes

- 3.5. Energy UK acknowledges that, as it was drafted in reference to all of the Guaranteed Standards, this standard is relevant where Guaranteed Standards are retained.

Payments

- 3.6. Energy UK considers this standard is still relevant to consumers, and believe it should be retained. However, tighter drafting is necessary in order to clarify that the mandated 10 day allowance period in which suppliers' must respond to an issue should commence from the time that the supplier is alerted to the issue. This will ensure that consumers are not given inappropriate incentives to withhold information, and that suppliers can address it as swiftly as possible.

Timing of notification

- 3.7. Energy UK acknowledges that, as it was drafted in reference to all of the Guaranteed Standards, this standard is relevant where Guaranteed Standards are retained.

Notice of rights

- 3.8. Energy UK considers that it is of high importance that customers understand their rights, and our members have published clear, accessible statements outlining these rights. However, we think it is of equal importance that any publications are engaging and valuable for customers. Members generally agree that dispatching physical copies of this information is not particularly efficient or effective, and that there is little evidence to suggest consumers engage with the information in this format. Therefore, we think that this requirement can be better designed with consumers in mind. Energy UK would recommend that Ofgem consider re-drafting this standard to require suppliers to publish this information in a prominent and accessible way, making it available on their websites, to any customer who requests a printed copy. This should be coupled with a broader information or education piece that would ensure that customers are made more aware of what information is available on their supplier's performance and where they could access it.
- 3.9. Energy UK would also like to draw attention to suppliers' commitment to publishing their complaints data to underline the fact that suppliers are going above and beyond the requirements set out in this prescriptive regulation. We consider that this type of publication is more relevant to consumers in the modern market and provides them with a better assessment of their supplier's individual performance on the issues that matter most to consumers, than the Overall Standards.

PART VII

Information to be given to customers about overall performance

- 3.10. Energy UK considers this standard to be redundant as it refers to the Overall Standards, which our members have agreed should be entirely removed from the GOSP.

4. Overall Standards (Electricity and Gas)

- 4.1. The Overall Standards were originally designed to 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. However, the market, and particularly the issues that are important to the majority of consumers, has changed since then. Therefore, the consensus among Energy UK members is that the Overall Standards rely on narrow definitions, and mitigate against circumstances which do not regularly occur in the existing energy retail market. Considering this, and keeping in mind Ofgem's move towards principles-based regulation, Energy UK recommends that these standards be removed from the GOSP in their entirety. We do not think that this will leave a gap in protection for customers, since these issues, if they do arise, will be part of a supplier's service offering for customers, which can be more appropriately monitored through each supplier's own customer service publications.
- 4.2. Overall members agree that the SOC will better allow suppliers to support their customers broadly, and will foster competition among suppliers for better levels of customer service.