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22 August 2014

Consultation on the Supplier Guaranteed and Overall Standards of Performance

Dear Jonathan,

I am pleased to attach Energy UK's response to Ofgem's review of the Guaranteed and Overall Standards. 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

Consultation on the Supplier Guaranteed and Overall Standards of Performance

Energy UK response

22 August 2014

Energy UK is the trade association for the energy industry. Energy UK has over 80 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.

Executive Summary

Energy UK is supportive of Ofgem's review of Guaranteed and Overall Standards of Performance (GOSP). The standards date back to the advent of privatisation, and Energy UK is pleased to see that the standards will be streamlined to avoid duplication with regulation which has superseded them, and to acknowledge the competitive pressure which drives suppliers to meet and exceed the standards in most cases. On this point, Energy UK members consider that even if the standards were removed in their entirety, competition between suppliers on customer service - and the existing systems and processes suppliers have in place - would ensure that they would continue to meet and surpass the standards.

Question 1: Do you agree that a GS should be created, replacing the existing OS, to cover the time taken for suppliers to reconnect customers disconnected for unpaid charges once the debt has been repaid/an agreement reached? Would the core requirements of the standard need to change from those set out in the existing OS standard?

Energy UK supports Ofgem's suggested amends here. We believe the core requirements do not need to change.

Question 2: Do you think the existing GS and OS should be merged to create a revised GS on acting quickly to repair or replace a faulty prepayment meter? Would the core requirements of the existing standard need to change, for example aligning the timeframes for visit?

Energy UK supports the amends suggested here. Members agree that timeframes should be aligned for electricity and gas, and that a requirement for suppliers to visit within four hours on any day would be the simplest transition in terms of supplier systems.

Question 3: Do you agree that the GS to cover the making and keeping of appointments by suppliers should be retained? Would the core requirements of the existing standard in this area need to change and if so, how?

There is currently an inconsistency between the applicability of these standards to non-domestic customers, in that they do not apply to gas customers but do apply to electricity customers. As a general rule, Energy UK believes that the standards, designed as a safety net during the maturation of competition, should if anything be reduced in scope rather than increased. On this basis, Energy UK would suggest that the wording of the electricity standard referring to 'all customers' should be revised to 'domestic customers' to ensure consistency across the standards. At the very least, Energy UK would not want to see regulations increasing in scope in respect of gas supply.

Energy UK members agree that there should be no change to the definition of an appointment as currently set out in the standards. Any review performed now or in the future should include a full impact assessment as any changes may have adverse operational and cost implications to the smart roll-out (which will involve a large number of appointments over the next five years).

Question 4: Do you agree that the GS for faulty metering should be retained? Do any of the core requirements need to change, and if so, how?

Energy UK supports Ofgem's decision to retain this standard. We believe the core requirements do not need to change¹.

Question 5: Do you agree that the OS for resiting meters can be removed? How will suppliers manage requests from customers wishing to have their meters resited in the absence of a performance standard in this area?

Energy UK agrees that this standard should be removed. Members will respond individually with more information on their systems and processes.

Question 6: Do you agree that the existing OS requirement for changing the basis of charging involving a change of meter should be removed? How will suppliers seek to manage requests from customers in the absence of a performance standard in this area?

Energy UK agrees that this standard should be removed. Members will respond individually with more information on their systems and processes.

Question 7: Do you agree that the GS applying solely to customers served by an ex - PES supplier operating in their ex - PES area should be removed?

Energy UK agrees that this standard should be removed as it distinguishes between PES and ex-PES suppliers and duplicates Standards of Conduct.

Question 8: We would welcome views along with supporting evidence on whether the revised GS should apply to micro business customers as well as domestic. We would also be interested in views regarding whether coverage should be limited to a subset of micro business customers and if so how any such subset might be defined, and whether only certain of the revised GS might apply to them.

Energy UK feels that the revised GS should not be applied to micro businesses. As stated in response to question 3, Energy UK believes that the standards, designed as a safety net during the maturation of competition, should if anything be reduced in scope rather than increased.

¹ One supplier feels that the GS for faulty metering should be removed as most instances of billing errors are not due to faulty meters, and therefore the impact assessment does not support retaining this standard. Instances of Billing errors already have protections under the Energy UK Billing Code.

It is unclear which market failure, if any, Ofgem would be seeking to address by applying the standards in this way. There is no clear evidence based reason for extending any of the protections to micro businesses (i.e. that micro businesses have been suffering detriment that would be remedied by their extension), which are covered by protections in existing license conditions and Complaints Handling Standards Regulations. These existing protections are subject to review on a regular basis in order to ensure they offer sufficient protection without negatively impacting competition and innovation in the market.

There is no average micro business customer or bill, and Ofgem would be failing to acknowledge this if it took a non-discriminatory approach and applied the Standards to these customers.

Additionally, extending the standards to micro businesses would be incompatible with principles of Better Regulation, and the purpose of the exercise of reviewing the Standards as stated in the Simplification Plan, which is to ensure the Standards: 'remain fit for purpose, reflect consumer needs and do not create unnecessary burdens'².

If the standards were applied in this way, suppliers would in some cases have to redesign systems, and this could imply considerable costs – particularly for non-domestic only suppliers who may make arrangements with customers on an individual basis, and for whom putting in place automatic scheduling and flagging systems would be very expensive.

Question 9: Are there any areas of the regulations where you think the obligations could be clarified? Please explain why.

Please see the answer to Question 10 below.

Question 10: Do you agree that the definition of working hours should be aligned? If so, what should those working hours be?

Energy UK agrees that the definition of working hours should be common across the electricity and gas standards. 8am until 8pm would seem the most appropriate definition as it is consistent with practices in other service industries, and in line with typical working hours of customers.

Question 11: Do you agree that payment levels should be aligned and increased to £29 for all standards? What method should be used to decide revised payment levels going forwards and how frequently should this review take place? Do you think that it would be appropriate to set differing payment levels for differing GS accounting for the likely impacts when each GS is breached?

Energy UK agrees with Ofgem's suggested common payment level of £29 across the standards, in line with inflation and in the interests of consistency. Energy UK members feel that the monetary amount associated with this standard should be reviewed in tandem with Ofgem's periodic review of the GS.

Question 12: If the revised GS are applied to both domestic and micro - business customers, do you agree that the payment level should be the same?

As discussed in our response to Question 8, Energy UK feels strongly that neither the current GS and OS, nor the revised GS, should apply to micro business customers.

Question 13: Do you agree that suppliers should be given flexibility in how to inform customers of their rights under the supplier GS? Are there other options for raising awareness more generally?

² <https://www.ofgem.gov.uk/ofgem-publications/37060/ofgem-simplification-planweb.pdf>

In line with Principles Based Regulation, Energy UK agrees that suppliers are best placed to inform their customers of their rights under the supplier GS. Energy UK support an awareness campaign if this would help inform customers of their rights, and would be happy to provide any assistance it can.

Question 14: Do you agree that suppliers should be required to provide information about their performance, with flexibility in how to do so, via the Regulations? How might suppliers increase transparency about their performance?

Energy UK members believe that the current requirement on Citizens Advice to publish GS performance on its website renders a similar requirement on suppliers unnecessary. Suitable signposting to the appropriate Citizens Advice page would not only prevent unnecessary duplication of information, it would ensure consistency of the customer process and would highlight the impartiality of the figures – customers may be more likely to trust and take heed of the information if it is provided by and branded by a trusted third party.

Ofgem's customer research findings as described in paragraph 4.13 show that customers want to be able to access such information, but not necessarily need it. The process described above would allow this to occur.