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Consumer Policy and Insight
Ofgem
9 Millbank
London
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22 August 2014

Dear Jonathan,

CONSULTATION ON THE SUPPLIER GUARANTEED AND OVERALL STANDARDS OF PERFORMANCE

Thank you for the opportunity to respond to the above consultation, dated 30 June 2014.

The concept of Guaranteed and Overall Standards of Performance (GOSPs) originated in the early 1990s when electricity and gas were supplied to domestic households by monopoly providers. At the time, consumers did not have the power to punish poor service by switching suppliers, and so the Government set out powers to prescribe standard rights under the Electricity Act 1989 and the Competition and Service (Utilities) Act 1992.

It is unclear, as a matter of principle, why standard rights are still required in relation to suppliers except in so far as they relate to safety or essential security of supply. We believe that a balance needs to be struck between imposing uniform levels of Guaranteed Standards (GS) payments and leaving space for competitive differentiation between suppliers. Effective competition is more likely to be sustained if suppliers are able to differentiate their offerings on factors such as service quality and the levels of payment for service failures as well as on price. And the competitive process is generally better at determining the balance of service level and price that best meets the needs of consumers.

We believe Ofgem should seek to focus the standards only in areas where there is a clear rationale for intervention, such as ensuring customers have a safe and secure supply of energy. As Ofgem note in the consultation document, poor service in other areas is not likely to lead to significant detriment to a consumer, and within a competitive market, customers have the option to switch to another supplier if they suffer poor service.

Turning to the specifics of Ofgem's proposals, we would highlight the following key points:

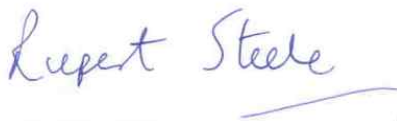
- We are cautious about the idea of extending the proposed GS regime to some smaller non-domestic customers. Not only is this a matter which should be capable

of being managed by the competitive market, but we are concerned that the significant implementation costs and operational complexity to suppliers could outweigh the benefit to consumers. In particular, 'micro business' is defined in a way that captures a number of large (in consumption terms) customers which can have complex contractual and metering arrangements which may not sensibly and cost-effectively fit within the GS framework. Accordingly, any GS requirements on micro business for electricity should be limited to micro business customers in profile classes 3 and 4, and similar issues may arise for gas. Furthermore, there remains a risk that segmenting the customer base to include exactly the right customers could also be difficult and complex.

- We welcome Ofgem's proposals to implement the revised GS framework for suppliers through separate Regulations for supply businesses and will be happy to provide comment on the draft Statutory Instrument(s) at a later date.
- While we are in general supportive of Ofgem's proposed changes to streamline the GS for domestic customers, and in particular to align the standards across the gas and electricity markets, we believe that at least 6 months should be allowed for implementation of the changes, so that meter operators have sufficient time to adapt to the revised standards and suppliers to amend existing contracts with meter operators.
- We would also ask Ofgem to clarify whether it proposes to maintain the current set of exemptions provided within Regulation 22 of the electricity regulations and Regulation 13 of the gas regulations. We believe that the exemptions remain relevant for the revised regime proposed by Ofgem and therefore we believe any new statutory instrument should maintain such exemptions.
- We think that (except in relation to loss of supply problems that are the responsibility of the supplier), there is no need for the standard on the keeping of appointments, as ensuring good service in this area can be left to competition, as it is in other sectors.

Our detailed response to the Consultation is set out in the attached Annex. Should you wish to discuss any of the points set out in the Annex or above, please contact me via the details provided or contact Rhona Peat (rhona.peat@scottishpower.com) on 0141 568 3231.

Yours sincerely,



Rupert Steele
Director of Regulation

CONSULTATION ON THE SUPPLIER GUARANTEED AND OVERALL STANDARDS OF PERFORMANCE

SCOTTISHPOWER RESPONSE

Chapter 3 – Existing GS and OS Service Area Coverage

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?

Yes, we agree that a new GS should be created to replace 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.

We do not believe that the core requirements of the standard need to change from those set out in the existing OS. Customers covered by this GS will have been contacted multiple times by suppliers in relation to any disconnection and therefore we believe that a 24 hour timescale for reconnection is appropriate once the debt has been repaid or an agreement reached.

Question 2: Do you agree that the existing GS and OS should be merged to create a revised GS on visiting 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?

Yes, we agree that the existing GS and OS should be merged to create a revised GS on visiting to repair or replace a faulty prepayment meter.

In general we do not believe the core requirements of the existing standard need to change. We can however see the merits in aligning the timescales for a visit across gas and electricity, subject to understanding the potential impact that any change would have on meter operator resources. In particular, if the timescales for a visit to replace a faulty gas meter on a working day were to be reduced to 3 hours to align with the existing electricity standards, we believe that at least 6 months should be allowed for implementation of the changes, so that meter operators have sufficient time to adapt to the revised standards and suppliers to amend existing contracts with meter operators.

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?

We are unclear why this standard is needed in a competitive market, except where the appointments relate to essential security of supply. The keeping of appointments is not regulated in other sectors and the competitive process is in general better at ensuring that the standard of service offered reflects consumer preferences. For example, some customers would be prepared to pay extra for a very responsive appointments service, while others would select a cheaper “no frills” service.

In particular, we believe that it is important in a competitive market that individual suppliers can differentiate their service to customers rather than simply meeting the standards dictated by the GS framework which all suppliers must meet. As such, we think that in the longer term, any GS framework should focus only on those standards that relate to ensuring customers have a safe and secure supply of energy.

We agree with Ofgem's comments within the consultation document that lifestyle choices of consumers may mean that suppliers should consider providing more flexibility around appointments in the future. However, we do not believe that this should form part of any mandated GS framework; rather it is an opportunity for individual suppliers to differentiate their approach to customer service.

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?

Yes, we agree that the GS for faulty metering should be retained. We do not believe there is any need to change the existing core requirements.

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?

As recognised by Ofgem, customers with prepayment meters have protections through other regulations (for example SLC 26 and SLC 28). We agree with Ofgem that as these protections exist in other regulation, the OS for resiting meters can be removed.

In the absence of an OS in this area, we do not see any reason to change our existing processes and therefore in general we would still expect to meet the requirements that are detailed in the current standard. We assess each request on a case by case basis and where we become aware of any specific need of a customer in relation to resiting a meter, for example any potential vulnerability, we would take appropriate actions to mitigate any impact to the customer.

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?

We do not believe that there is a significant impact on customers of a failure in this area, therefore agree with Ofgem that this standard can be removed.

In the absence of an OS in this area, we do not see any reason to change our current processes and therefore in general would still expect to meet the requirements that are detailed in the existing standard. We would look at each request on a case by case basis and where we become aware of any specific need of a customer in relation to changing their meter, for example any potential vulnerability, we would take appropriate actions to mitigate any impact to the customer.

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?

We can see no rationale for giving additional protections to customers served by an ex-PES supplier operating in their ex-PES area and agree that this GS should be removed. Taking account of dual fuel accounts, the electricity market shares of the ex-PES suppliers in their traditional areas are now quite low and do not justify special treatment. Accordingly, we agree that this GS should be removed.

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.

We are cautious about the idea of extending the proposed GS regime to some smaller non-domestic customers. Not only is this a matter which should be capable of being managed by the competitive market, but we are concerned that the significant implementation costs and operational complexity to suppliers could outweigh any benefit to the customers concerned.

In particular, we would highlight the following points:

- As a result of the broadened definition of Micro Business customer introduced as part of the Retail Market Review, a number of our larger non-domestic customers (in terms of consumption) are now defined as Micro Business. Because of their higher consumption and different metering arrangements, such customers are managed using different systems than conventional micro-businesses. Although there are relatively few such customers, and the cost of GS payments *per se* may not be large, there would be significant and disproportionate costs to upgrading our systems to manage such GS payments. Furthermore there is no obvious policy rationale for including such businesses within the scope of GS, given that they generally enter into bespoke and/or legally represented contractual agreements with their supplier. We therefore believe that if the GS are applied to micro-businesses for electricity, this should only be to a subset defined as micro business customers in profile classes 3 and 4. Similar issues may arise with gas.
- Some micro businesses (particularly larger businesses) can also have significantly more complex metering arrangements which may require attendance by specialist engineers. Therefore if the proposed GS regime were to be applied to micro business customers, we believe that the timescales for visiting a customer in all relevant standards would need to be extended to take account of the longer time it may take for a specialist engineer to attend.
- The exemptions within the regulations would need to be considered within the context of the customers the GS applied to and consideration given as to whether any amendments or additional exemptions are appropriate.
- There remains a risk that segmenting the customer base to include exactly the right customers could also be difficult and complex

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

In the short term, we consider that Ofgem's proposals are a step towards a more relevant and targeted set of standards. However, in the longer term, we believe Ofgem should streamline the revised set of standards further by focusing only on those standards that relate to ensuring customers have a safe and secure supply of energy. In a competitive market we believe that it is important that individual suppliers can differentiate their service to customers rather than simply meeting the standards dictated by the GS framework which all suppliers must meet. As Ofgem note in the consultation document, poor service in other areas is not likely to lead to significant detriment to a customer, and within a competitive market, customers have the option to switch to another supplier if they suffer poor service.

We welcome Ofgem's proposals to implement the revised GS framework for suppliers through separate Regulations and will be happy to provide comment on the draft Statutory Instrument(s) at a later date.

Finally, we would ask Ofgem to clarify whether it proposes to maintain the current set of exemptions provided within paragraph 22 of the electricity regulations and paragraph 13 of the gas regulations. We believe that the exemptions remain relevant for the revised regime proposed by Ofgem and therefore we believe any new statutory instrument should maintain such exemptions.

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

We agree that the definition of working hours should be aligned. Our preference would be to have the current electricity working day of 8am to 8pm also apply to a gas working day.

Chapter 4 – The Guaranteed Standards – Payments and Information Provision

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?

Yes, we agree that the payment levels should be aligned as we see no reason for different payment amounts between different fuels or for different standards. As Ofgem note in the consultation document, the payments in relation to the GS are to recognise that suppliers have not met a certain level of service rather than to compensate the customer for any specific level of detriment suffered, with customers able to take a complaint further either with their supplier or the Energy Ombudsman for compensation where merited in an individual case.

Increasing the payment amount in line with inflation seems a reasonable approach. Given the rate of change of inflation we believe that a review every five years would be appropriate as anything more frequent than this could result in increased costs to suppliers to amend systems and processes for a relatively small increase in payment to customers.

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 noted in our response to Question 11, we believe that the payment should be the same regardless of what customers the standards apply to as it only relates to recognition that a certain level of service has not been met rather than the level of detriment a customer has suffered.

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?

As noted in our response to Ofgem's Call for Evidence, we believe that the current Notice of Rights is not the most efficient or effective way to make customers aware of their rights and we welcome Ofgem's proposal to give suppliers flexibility.

In particular, in line with the Standards of Conduct, suppliers could set out their commitments publicly, for example on their websites, focusing on the benefits to the customer and the level of service they can expect. This transparency would be a good transition to a world in which the level of service was set by consumer demand through competition rather than administratively through the GOSP process.

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?

Yes, we agree that suppliers should be required to provide information about their performance and welcome Ofgem's proposal to provide suppliers with flexibility in how this is done.

We believe that publishing supplier performance on individual supplier websites alongside customer rights (see our response to Question 13) would increase transparency about supplier service standards. We want our customers to know how hard we work to provide the best possible service to them, which is why we already publish performance against a number of our customer service measures online. As an example, we would highlight the current complaints handling reporting which we believe is beneficial in driving supplier performance and valuable to consumers as it provides an overview of the key issues affecting customers as well as showing a snapshot of supplier performance.

Publication of performance data would help empower customers to drive suppliers to better cost effective service through the competitive process.

ScottishPower
22 August 2014