

Standards of Conduct

March 2015



Treating Customers Fairly

Findings from the 2014
Challenge Panel

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Contact: Sweta Deb and Kiera Schoenemann

Team: Retail Markets

Email: StandardsofConduct@ofgem.gov.uk

Context

Ofgem's¹ principal objective is to protect the interests of both existing and future energy consumers. As part of the Retail Market Review reforms, the Standards of Conduct were introduced with the aim of improving supplier behaviour, consumer trust and engagement in the market. They were designed to put competitive pressures on suppliers' quality of service and product offerings by requiring them to treat domestic and microbusiness consumers fairly. The Standards are a critical first step towards more reliance on regulation through general principles.

Engagement with suppliers through the Challenge Panel process was not an exercise to determine compliance with the Standards. Views expressed in this report are those of the Panel and do not represent Ofgem's views of suppliers' performance against the Standards. The examples identified by the Panel illustrate areas where suppliers have made efforts to better meet the needs of consumers. We encourage suppliers to continue these efforts and, where appropriate, to consider adopting the examples of good practice identified in this report.

Contents

| | |
|--|-----------|
| Executive summary | 3 |
| Chapter 1 – Introduction | 5 |
| Background on the Standards of Conduct | 5 |
| The 2014 Challenge Panel | 5 |
| Chapter 2 – Panel findings | 7 |
| Six key themes | 7 |
| Aligning strategic objectives with customer values..... | 9 |
| Ensuring Board engagement, effective corporate governance and accountability | 11 |
| Aligning incentives throughout the organisation | 13 |
| Empowering employees to make decisions | 15 |
| Embedding appropriate processes and continuous feedback loops | 17 |
| Using consumer feedback to inform decision making..... | 19 |
| Conclusions and next steps | 21 |
| Annex – Panel members | 22 |

¹ References to "Ofgem", "the Authority" are used interchangeably in this document. The Authority refers to the Gas and Electricity Markets Authority (GEMA). The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. References to "we" or "our" are to be construed as references to Ofgem.

Executive summary

In August 2013, Ofgem introduced the Standards of Conduct as binding licence conditions within the Retail Market Review package of reforms. The aim was to make the energy market fairer for domestic and microbusiness consumers. A year on, Ofgem established an independent 'Challenge Panel' of experts to see what progress suppliers have made.

We asked suppliers to tell us what they had changed to make things fair for consumers and what impact this was having. We carefully reviewed their submissions and invited some suppliers to be interviewed by the Panel in October 2014. This document sets out the Panel's views on progress that suppliers of domestic and microbusiness consumers have made in embedding the Standards and shares some examples of good practice. The Panel process was not a compliance monitoring exercise. Examples in this report should not be seen as a benchmark for industry. We encourage suppliers to carefully consider how best to meet the needs of consumers alongside their own business objectives.

The Standards are about the relationship between energy suppliers and consumers. We expect the Standards to be embedded throughout each supplier, driven by the Board and senior management and understood by all staff. We expect these principles of fairness to be embedded in the design, monitoring and revision of all products, policies and processes. This is to help ensure that suppliers are undertaking the culture change required to consistently deliver fair outcomes for all energy consumers.

We expect suppliers to consider innovative approaches to delivering fair treatment. This report is intended to support suppliers on this journey, with a view to ensuring all consumers can benefit from improved supplier practices.

Findings from the 2014 Challenge Panel

The Panel recognised that each supplier will face unique challenges in meeting consumer needs and encourages them to be realistic about the effort needed to address these challenges, particularly while consumer satisfaction with energy suppliers remains so low. Based on the information provided by suppliers, the Panel identified six themes that maybe particularly helpful for suppliers to consider when embedding the Standards throughout their organisation. These themes can assist suppliers to consider and implement products, policies and processes that will more consistently deliver fair outcomes for all consumers. While these themes hold value for many industries, the Panel viewed these as particularly relevant for energy suppliers, given the current state of the market.

These six themes, as outlined in the following table, are discussed in this report along with examples of good practices as identified by the Panel. By sharing some examples, this document is intended to recognise efforts suppliers have made in considering consumer needs and to help other suppliers understand how these themes may work in practice. This is to assist all suppliers in better focusing their efforts to develop and implement fair practices that will benefit consumers. We also expect that suppliers who treat consumers fairly will increasingly have a competitive advantage within the market when consumers place an increasing premium on service standards. The Panel thought that, overall, considerably more needs to be done by suppliers to ensure consumers are placed at the heart of their business.

Standards of Conduct

| Theme | How this might look in practice? | Desired outcomes |
|--|--|---|
| 1. Aligning strategic objectives with customer values | <ul style="list-style-type: none"> • Efforts are made to understand what consumers define as fair treatment from their energy supplier • Strategic objectives, corporate values and priorities are directly aligned to consumer needs | <ul style="list-style-type: none"> • Suppliers are attuned to consumer needs and meet these through delivery of strategic objectives |
| 2. Ensuring Board engagement, effective corporate governance & accountability | <ul style="list-style-type: none"> • Culture change is driven from the Board and is understood throughout the organisation • Governance structures identify and allocate rights and responsibilities appropriately • Accountabilities for delivery are assigned throughout the organisation • The Board is engaged on issues that affect fair treatment of consumers | <ul style="list-style-type: none"> • Consumer needs are consistently top of mind and are a priority for senior management |
| 3. Aligning incentives throughout the organisation | <ul style="list-style-type: none"> • Incentives are used throughout the organisation to drive behaviours which help ensure delivery of consistent fair treatment | <ul style="list-style-type: none"> • Staff behaviour is consistent with consumer expectations of fair treatment |
| 4. Empowering employees to make decisions | <ul style="list-style-type: none"> • Staff are able to make decisions on fair treatment to better meet individual consumer needs, including those of vulnerable consumers • Issues are escalated where appropriate | <ul style="list-style-type: none"> • Fair treatment experienced by all consumers as specific needs are met |
| 5. Embedding appropriate processes and continuous feedback loops | <ul style="list-style-type: none"> • Key performance indicators are aligned with the principles of treating consumers fairly • Systems and processes to obtain and share knowledge of consumer outcomes are embedded throughout the organisation | <ul style="list-style-type: none"> • Consumer experiences are known throughout the organisation |
| 6. Using consumer views to inform decision making | <ul style="list-style-type: none"> • Consumer feedback is used when refining specific products, policies and processes | <ul style="list-style-type: none"> • Consumer views are heard and business decisions reflect consumer needs |

Next steps

We encourage suppliers to review the Panel's findings and to reflect on what more they need to do to place consumers at the heart of their business. We are keen to play our part in facilitating the culture change required by suppliers. We will continue to engage with industry on issues around fairness, to monitor outcomes in this space and to take enforcement action where necessary. We also plan to run the Challenge Panel process again later this year.

Chapter 1 – Introduction

Background on the Standards of Conduct

In August 2013, as part of the Retail Market Review (RMR) reforms, we introduced the Standards of Conduct (Standards) to improve supplier behaviour and consumer trust in the energy market. The Standards were implemented by binding licence conditions, which require suppliers to treat consumers fairly. They apply to suppliers servicing domestic and microbusiness consumers.²

We proposed this regulatory action because the voluntary interventions through previous measures had not, in our view, improved supplier behaviour and consumer trust in them.³ Our research also showed that supplier misconduct extended to microbusiness consumers and across a wide range of interactions for domestic consumers.⁴

The Standards are expressed as principles. This approach allows for flexibility and innovation in the way suppliers deliver fair outcomes to best meet the needs of their current and future customers. This includes consumers that are considered to be vulnerable. The Standards require fair treatment in three broad areas:

- Supplier behaviour
- Information suppliers provide to consumers
- Supplier processes

The domestic Standards apply to all domestic suppliers (and their representatives) and cover all interactions with consumers. The non-domestic Standards apply to suppliers with microbusiness consumers (but not their representatives) and covers all aspects of billing, transfers and contracts. The domestic and non-domestic Standards do not cover the level of prices, except in the case of Deemed Contracts. The Standards do apply to whether it is fair to charge for a given product or service, including the circumstances in which a charge is levied.

As part of their obligations under the Standards, suppliers must produce a Treating Customers Fairly Statement every year. This should outline the main actions taken by suppliers to ensure the delivery of fair treatment to consumers.

The 2014 Challenge Panel

In Autumn 2014 we set up an independent senior-level 'Challenge Panel' chaired by our CEO, Dermot Nolan. The Panel's aim was to help us understand how suppliers of domestic and microbusiness consumers are embedding the Standards. As such, we asked suppliers to tell us what they had changed to make things fair for consumers, and what impact this was having. After carefully reviewing supplier submissions and detailed case studies, we invited ten suppliers to be interviewed by the Panel in October 2014. This included both domestic and

² Under Standard Licence Conditions 25C and SLC 7B of gas and electricity supply licences.

³ Ofgem Energy Supply Probe – Proposed Market Remedies, August 2009.

⁴ Ipsos Mori, Consumer First Panel Year 4, January 2012. Ipsos Mori, Consumer Engagement Tracking Survey, October 2012. Insight Exchange, Consumer research and collaboration engagement on Standards of Conduct, October 2012. Insight Exchange, Research into the Proposed Standards of Conduct: Non-Domestic Consumers, December 2012. Opinion Leader, Research Findings on the Experiences of Non-Domestic Customers, December 2012.

non-domestic suppliers, and suppliers with the largest market shares as well as smaller suppliers with examples of good practice.

The Panel's role was to:

- Scrutinise information suppliers provided prior to and during the Panel interviews
- Assess how suppliers have embedded the Standards within their organisation
- Identify examples of good practice

The Panel was not asked to assess suppliers' compliance with the Standards.

The Panel chair facilitated the interviews and ensured Panel members had the opportunity to present their independent views on suppliers' performance. Panel members were chosen for their specific knowledge in the energy market or their expertise in customer experiences. There are more details in the Annex.

The Panel members were:

- **Allen Creedy**, Chairman of the Federation of Small Businesses' Environment, Water and Energy Committee
- **Martin Dowson**, Director of CX Strategy at Comotion
- **John Howard**, Non-executive Member of the Gas and Electricity Markets Authority
- **Helen Parker**, Assistant Chief Executive and Director of Policy at Which?
- **Adam Scorer**, Director of Consumer Futures at Citizens Advice

In their interviews with the Panel, each supplier gave a presentation on how they have embedded the Standards within their organisation. They also had the opportunity to present a practical case study of where they have considered the Standards when introducing a change in a product, policy or process. This was followed by a question and answer session by the Panel.

This document

This document aims to share learnings among suppliers and to encourage suppliers to embed the Standards effectively within their organisations. The content of this publication has been informed by information presented by suppliers and the Panel's assessment of suppliers' progress and actions taken to date. This document is not intended to be a benchmark of good practice; highlighted examples do not signal that a supplier is compliant with the Standards, but instead indicate examples of good practice identified by the Panel.

The themes discussed in this report are by no means an exhaustive list of actions suppliers can take to embed the Standards. Importantly, the Panel emphasised that the six themes in this report should be applied collectively to drive the necessary changes across a supplier's entire business. The Panel recognised a variety of successful approaches taken by different types of suppliers. This included approaches that were most effectively demonstrated by larger or smaller suppliers, or suppliers with different organisational cultures and structures.

We expect to see individual suppliers increase their efforts to make whatever culture change is needed. This report is intended to support suppliers on this journey, with a view to ensuring all consumers can benefit from improved supplier practices.

Chapter 2 – Panel findings

Six key themes

The Panel identified six themes for suppliers to consider as they go about embedding a culture change within their organisation to achieve better consumer outcomes in line with the Standards. This was done following interviews with some suppliers in October 2014 and was based on information suppliers provided to the Panel.

Applied collectively, these themes can assist suppliers to consider and implement the products, policies and processes that will enable them to more consistently deliver fair outcomes for all consumers. These themes are discussed in this chapter along with examples of good practices as identified by the Panel. The themes are summarised in the diagram below.⁵

Diagram: Embedding the Standards in practice



This chapter discusses each of these six themes. Each section is structured by first setting out the Panel’s key findings on how suppliers appear to be implementing the theme. Following this, the section sets out how this particular theme may look in practice and its relevance, with specific points that energy suppliers may wish to consider. Examples of activities which may constitute good practice, as identified by the Panel, are then provided. These include examples of where suppliers have attempted to embed aspects of the theme in their business.

⁵ Any views expressed in this report about suppliers’ progress in embedding the Standards are those of the independent Panel convened for the purposes of this report. They do not necessarily reflect the views of Ofgem or the Authority.

Examples of good practice

By sharing some examples of what may constitute good practice, as identified by the Panel, this chapter is intended to assist suppliers in developing and implementing fair practices. This will not only benefit consumers, but we expect that suppliers who treat consumers fairly will increasingly have a competitive advantage within the market when consumers place a premium on service standards.

Examples provided in this report are not intended to be used as a benchmark for suppliers to simply copy. Rather, these examples outline some efforts that suppliers have made to gain a better understanding of consumer needs and ways in which to reflect these needs within their businesses. In this way, the report is also intended to encourage suppliers to learn from the Panel's recommendations and one another. It allows suppliers to be innovative in their approaches to treating consumers fairly – including the policies, products and processes that support this outcome.

At the time of this report's publication, Ofgem is currently investigating npower and ScottishPower for suspected breaches of the Standards of Conduct. The examples provided in this report do not reflect Ofgem or the Authority's view of either supplier's compliance with the Standards, nor do they have any bearing on the current investigations. The examples cited in this report have been selected by the Panel, which is independent of Ofgem's Enforcement team and the Authority. The Panel was also not required to carry out any investigations into whether the content suppliers presented accurately reflected what their businesses are delivering in practice.

The Panel thought that, overall, considerably more needs to be done by all suppliers to ensure consumers are placed at the heart of their business. This is particularly evident at a time of high consumer dissatisfaction with energy suppliers and poor consumer outcomes. Suppliers may want to reflect on each theme as outlined in this chapter and consider seriously where there are further opportunities to embed a culture of fairness within their organisation.

Theme 1

Aligning strategic objectives with customer values

Key Panel findings:

- Some suppliers have taken innovative approaches to understand consumer needs, including going back to the basics of what 'fair' means to energy consumers.
- Some suppliers misunderstood fairness to only mean good customer service and did not demonstrate how achievement of their strategic objectives would lead to consumers being treated fairly. Gaining this understanding should be considered much more seriously.
- In general, larger suppliers often considered formal research, governance structures and defined processes as important in aligning the outcomes delivered by the organisation with consumer views.
- In general, smaller suppliers demonstrated the ways they quickly capture, analyse and relay information from all consumers to inform strategic decisions and business developments. This information can then be used to implement services that aim to better meet consumer needs.



How might this look in practice?

Suppliers can better attune themselves to consumer needs and values by actively engaging with consumers to understand what they value from a service provider. This can also help ensure the business is considerate of the needs of different types of energy consumers, including those in vulnerable situations.

Gas and electricity supply are essential services. It is important that consumers have confidence that they are being treated fairly when they interact in the market. Understanding consumers is vital to successfully delivering these services. There are many ways a supplier can achieve this. For example, they can collect and analyse data, such as consumer complaints or information gathered through an online portal. They can also be proactive and simply ask consumers what they want, through quantitative and qualitative research.

Importantly, while energy as a product is the same for all consumers, the service required by different types of consumers may often be very different. This affects what consumers value and what they prioritise. To learn what consumers really need, it is important to contextualise feedback within the consumer's broader environment (eg economic climate, vulnerability factors), as well as concerns relating to specific products and services.

Once suppliers understand what consumers view as fair treatment, they can strategically consider how best to focus their organisation on delivering the policies, products and processes which meet consumer needs. Aligning strategic objectives with consumer needs can help suppliers to more consistently deliver fair treatment. This also goes for an organisation's corporate values and priorities.

The five remaining themes discussed in this chapter can help suppliers ensure that overarching strategic objectives around fairness are consistently met and continue to reflect the needs of consumers.

Examples of what could constitute good practice

ScottishPower – Approach to understanding and reflecting consumer needs⁶

The Panel noted the steps ScottishPower had taken to align their strategic objectives with consumer values. ScottishPower used a multi-channel approach to understand and identify what their customers wanted from them as an energy provider. They identified four key consumer values, which they have sought to embed throughout their business. ScottishPower's research consisted of customer research and feedback (including complaints). These four values were then translated into underlying principles for the organisation, and now form part of their Treating Customers Fairly Statement. ScottishPower also set up a bespoke system to identify the needs of vulnerable customers, who are often then referred to specialised agents to better support their needs.

British Gas – Steps taken to understand fairness

The Panel observed that British Gas had taken steps to better understand how their customers view the concept of fairness. British Gas undertook research using an expert third party. This research sought views from customers on the most important components of fairness and trust, as well as which aspects of fairness resonated most with them as energy consumers and their needs at key touch points. British Gas used this research to create aspirational statements of customer fairness. British Gas then communicated these statements internally, with the intention of influencing strategic decision-making, informing day-to-day employee decisions and supporting improved consumer outcomes.

⁶ Ofgem is currently investigating ScottishPower for suspected breaches of the Standards of Conduct. The examples cited in this report do not reflect Ofgem or the Authority's view of ScottishPower's compliance with the Standards, nor do they have any bearing on the current investigation. The examples cited in this report have been selected by the Challenge Panel, which is independent of Ofgem's Enforcement team and the Authority.

Theme 2

Ensuring Board engagement, effective corporate governance and accountability

Key Panel findings:

- Some suppliers demonstrated Board-level engagement with the Standards and noted that their internal culture change towards fairness is also driven by their own long-term interests in retaining and attracting consumers.
- The lean structures of smaller suppliers enabled senior management to be engaged, flexible and more personally accountable when responding to issues.
- Some suppliers had implemented new governance and oversight processes. However, it was not always clear how these will deliver positive outcomes in relation to the Standards across the organisation.



How might this look in practice?

At a time of record consumer dissatisfaction with energy companies, the Boards and senior management of suppliers can do more to retain and gain new consumers by better meeting their needs. As sticky, incumbent consumers gradually become more engaged, they may shop around and may consider the reputations of company leadership and the validity of each organisation's promise of delivering fair treatment.⁷ When consumer needs are top of mind and a priority, the Board can drive a consistent internal culture for the entire organisation. Company Boards that embrace the change towards a focus on consumer outcomes can help refine their business operations more quickly, to better meet consumer needs and sharpen their competitive edge.

Robust governance structures can help align consumer interests with business objectives by allocating rights and responsibilities throughout the organisation. Good corporate governance can also help ensure that the needs and interests of consumers – as key stakeholders – are taken into account in a transparent manner. This ranges from senior management making strategic decisions, to call centre agents responding to billing issues. Good corporate governance is not just about having the right policies and procedures in place. It also includes

⁷ For example, as outlined in the Treating Customers Fairly Statement.

driving the culture of an organisation from the top down, and taking personal responsibility for the outcomes delivered.

Systems and structures can support good corporate governance practices. In the end, however, it is largely the behaviour of the individuals responsible for the organisation who can determine whether governance objectives are achieved. Suppliers can be more confident that they are aware of their impact on consumers when accountabilities for delivering fair outcomes are clear and performance of senior management is measured. It is also important that the performance of all staff accountable for delivering fair outcomes is measured. We explore this further in 'Theme 3, Use of incentives.'

Examples of what could constitute good practice

Opus Energy and First Utility – Clear accountabilities and governance structures

The Panel noted that Opus Energy and First Utility both demonstrated active engagement with, and accountability for, the Standards at Director level.

Opus Energy showed clear accountabilities and governance structures which allowed issues to be escalated to senior management for consideration. The Panel noted a clear difference in their approach due to the size of their customer base.

First Utility's senior management were accountable for considering outcomes of fair treatment on an ongoing basis and there was a process in place to quickly escalate issues to senior management for resolution where necessary.

ScottishPower – Board-level engagement

ScottishPower demonstrated to the Panel that they had good governance, ownership and accountability for the Standards at CEO and Director level. The Panel noted that a strong sense of senior management commitment to the Standards was demonstrated by having the CEO attend the interview. ScottishPower also highlighted the CEO's experience of personally attending consumer focus group sessions to gain a better understanding of fairness and trust first hand. ScottishPower also report overall customer service and customer experience updates related to the Standards to the Board on a quarterly basis.

British Gas – Use of governance structures

British Gas demonstrated examples of implementing corporate governance structures and senior level accountability. They set up a 'customer fairness' committee comprised of executive and non-executive members who are personally accountable for embedding the Standards across the business. The committee agreed on principles which reflected elements of fair treatment, and developed a strategic plan to deliver fair treatment, which is updated on a quarterly basis. British Gas report monthly to their Board on their performance against the Standards as part of an overall update of their business.

Theme 3

Aligning incentives throughout the organisation

Key Panel findings:

- Overall, suppliers can do more to embed incentives that support staff in meeting consumer needs throughout their organisations.
- Suppliers often showed examples of incentives at the top or bottom of the organisation, but not necessarily linked throughout. This did not provide the Panel with assurance that consumers



would consistently experience positive outcomes. When incentives are not linked in an organisation and aligned to the principle of fair treatment, it may lead to inconsistent behaviours of staff delivering poor outcomes for consumers.

How might this look in practice?

When incentives are set at the top of an organisation and linked throughout to front line staff, they can help to encourage staff to behave in a manner more consistent with consumers' expectations of fair treatment. Aligning incentives throughout a supplier's business can be achieved through targets and bonuses, which are initially assigned to Board members and senior managers, and devolved to individual staff through their personal development and action plans. The performance of individual staff, and the organisation as a whole, can be measured through the use of key performance indicators and performance reviews. These indicators can reflect the Standards and outcomes that are important to energy consumers, and therefore can be useful measures against the delivery of fair outcomes.

Senior management can help ensure that the organisation is sufficiently meeting consumer expectations by introducing performance indicators and ensuring they are regularly reported on. If these indicators suggest that a supplier is not delivering fair treatment, targeted changes to business objectives, practices and incentives can be made in response. Incentives can be skewed to drive behaviours which may not lead to positive outcomes for consumers. Repeated below, the Panel suggested that – applied properly – the use of appropriate incentives can be a good tool to help prevent unfair treatment, such as providing a customer with incorrect information or mis-selling. As we will outline in Theme 5, good training and ongoing supervision can also help ensure that incentives are not driving behaviours which deliver poor consumer outcomes.

Examples of what could constitute good practice

E.ON – Use of incentive schemes

The Panel noted that E.ON demonstrated the use of incentive schemes throughout the organisation, and that these incentives were explicitly aimed at delivering fairer consumer outcomes. The Standards are directly embedded in staff objectives and linked to incentive schemes throughout the organisation, including performance objectives of third party intermediaries. E.ON explained that incentives via bonuses are linked to objectives around treating customers fairly. Their aim is to ensure that staff at all levels of the organisation are committed to delivering fair outcomes for consumers, and that this is front of mind in their day-to-day actions and decision-making.

Theme 4

Empowering employees to make decisions

Key Panel findings:

- Some suppliers engaged actively with third party intermediaries and required them to apply the same standards for treating consumers fairly.
- Some suppliers demonstrated ways in which they educated staff and empowered them to make judgement calls delivering better services.
- Some suppliers have introduced changes to their staff and call router systems to help better meet the needs of vulnerable consumers who contacted the supplier.



How might this look in practice?

In the energy market, consumers often have limited interactions with suppliers and most interactions occur with front-line staff. These interactions can have significant impact on consumer trust in suppliers. The Standards allow for suppliers to take innovative approaches when responding to consumer needs. By effectively empowering staff with the correct knowledge and incentives to address consumer issues, suppliers can help reduce consumer dissatisfaction with a range of issues, such as lengthy wait times when issues are continuously redirected. This is an area where suppliers can employ flexible approaches to realise improved consumer outcomes.

When suppliers empower their staff to make decisions on treating consumers fairly staff are able to listen to specific consumer concerns and can often better meet their needs without having to continuously consult a manager. For staff empowerment to be effective, suppliers need to also ensure that front-line staff and managers are effectively trained to make decisions and can demonstrate sound judgement on how to deliver fair treatment to consumers. It is also important to ensure that consumers are being treated consistently by each staff member they encounter.

As we will outline in Theme 5, it is important to monitor staff performance to help ensure that incentives, training, policies and procedures are indeed driving the appropriate behaviour across the business that consistently delivers fair treatment of consumers. Also, as outlined in Theme 2, senior management must still hold ultimate accountability for ensuring the correct procedures are in place and correct actions are taken to deliver outcomes that are aligned with the Standards.

Examples of what could constitute good practice

Npower – Empowering front-line staff⁸

The Panel observed that npower had taken steps to empower their domestic telesales staff to make decisions on fairness. Npower launched an internal awareness strategy to train staff on customer needs and how to treat customers fairly in accordance with the Standards. They demonstrated in their case study that they transitioned increased responsibility for responsive decision making to their telesales staff. This included empowering these agents to make judgement calls on the fair treatment of the individual customer rather than using a strict formula. Npower emphasised that these staff members have the responsibility to ensure that consumers receive information that is accurate and not misleading. Npower considered that this increased responsibility would enable telesales staff to gain a better understanding of individual consumer needs and learn from their previous mistakes, rather than relying on more prescriptive scripts for guidance.

⁸ Ofgem is currently investigating npower for suspected breaches of the Standards of Conduct. The examples cited in this report do not reflect Ofgem or the Authority's view of Npower's compliance with the Standards, nor do they have any bearing on the current investigation. The examples cited in this report have been selected by the Challenge Panel, which is independent of Ofgem's Enforcement team and the Authority.

Theme 5

Embedding appropriate processes and continuous feedback loops

Key Panel findings:

- Some examples of feedback loops were demonstrated by suppliers.
- More could be done to show that processes reflecting the Standards are embedded throughout each organisation, rather than approaching the Standards as a separate regulatory tick-box activity.



How might this look in practice?

Business processes and systems can help suppliers collect, filter and distribute data and information about consumer experiences across the organisation. When designed and used appropriately, suppliers' internal systems can enable continuous learning, including a culture that emphasises transparency and learning from experience. The use of feedback loops can enable suppliers to deliver evidence-based policies and services which are more responsive to consumer needs in the short and long run, as outlined in Theme 6.

When suppliers collect information reflecting consumer experiences related to the Standards, they can be better informed about the impact they are having on consumers. How an organisation collates this information based on different consumer types, for example vulnerable consumers, may also influence its ability to understand and respond more effectively to specific consumer concerns.

If information gathered through a supplier's monitoring processes illustrates poor experiences, the business, particularly senior management accountable for delivering fair treatment, can consider what changes need to occur to improve these experiences. Feedback loops can also communicate consumer outcomes via relevant governance structures throughout the organisation, as outlined in Theme 2. This allows senior management to have sight of the impact the organisation is having on consumers and whether they are meeting consumer needs sufficiently.

When processes are in place to report relevant information, suppliers can help ensure that senior management and the Board are well informed on outcomes experienced by consumers. As outlined in Theme 6, this information can help senior management make decisions on the fair treatment of consumers that are well informed.

Examples of what could constitute good practice

EDF Energy – Embedding processes throughout the organisation

EDF Energy demonstrated to the Panel that they had taken steps to embed processes throughout the organisation which encourage staff to critically question their own activities and conduct. This includes how their actions may impact on consumer trust. This was done through the development of a 'Trust Test' - an overarching set of principles, aligned with the Standards. All staff are required to complete a mandatory test which questions their activities and conduct when making decisions that affect consumers. EDF Energy considered that this process has helped them to align decisions at all levels with their 'customer fairness principles'.

E.ON – Use of feedback loops

The Panel identified E.ON as an example of a supplier making an effective use of continuous feedback loops throughout the organisation. This was demonstrated through a system used by customer service agents to record potential issues believed to be systemic in nature. This information is passed through a team to highlight areas requiring a process review. Recommendations for change are fed into a process through which a Board member and business owner are assigned to identify the root cause and to ensure an adequate resolution. E.ON uses this process to identify and monitor ongoing customer issues and inform senior management of potential systemic issues.

Theme 6

Using consumer feedback to inform decision making

Key Panel findings:

- Several suppliers demonstrated the use of consumer feedback when designing or refining products, policies and processes. One supplier in particular demonstrated how customer feedback was used to develop services which reflected the needs of vulnerable consumers.
- Suppliers can use information and research to obtain feedback that specifically relates to consumer experiences rather than just product or service design preferences.



How might this look in practice?

Consumer feedback can be captured and disseminated through well-designed information systems, as outlined in Theme 5. This can include raw complaints data and feedback from consumers, consumer representatives and other external bodies. In addition, organisations can undertake qualitative and quantitative research to help inform more detailed decisions about specific products, processes or policy options.

As energy consumers do not have regular interactions with suppliers, it is important to understand what the key interactions are in a customer journey. The way that a supplier interacts with different types of consumers is important, as their needs may be vastly different. If positive outcomes are not experienced by consumers this can be identified via feedback loops. When decisions to rectify these issues are well informed, they can lead to better outcomes for consumers.

Examples of what could constitute good practice

EDF Energy – Utilising consumer feedback in decision-making process

The Panel thought EDF Energy's case study illustrated that they carried out extensive customer research to inform better decision-making. This research consisted of qualitative and quantitative interviews to understand what customers wanted from a proposed new product. Customer research was central to the development of the product and a dedicated customer insights team was tasked with undertaking different types of customer research with the aim of gaining a more rounded view of customer needs. The insight gathered from the research was used to guide decisions in the development stage of the product. This process of gaining customer insight validation is a mandatory requirement in the 'idea development stage' for any of EDF Energy's new products. This must be signed off by senior management to progress to implementation stage. As mentioned in Theme 5, EDF Energy's products must also pass the overarching 'Trust Test'.

SSE – Utilising consumer views in development of products and services

The Panel noted that SSE had taken steps to use customer views in the development of products and services, to help ensure these are developed with their preferences in mind. SSE have set up a dedicated team that is responsible for undertaking primary customer research in the development stage of their products and services. This included customer tracking surveys and the use of online customer panels. They also ran forums with customers, chaired by independent parties, where customer views were heard and considered with reference to the 'treating customers fairly' agenda. Views on new products are also tested at these forums. This was aimed at ensuring products and services were developed with their customers' preferences in mind.

Total Gas & Power – Gathering consumer views

Total Gas & Power is an example of a supplier who the Panel thought had taken steps to seek customer views to better understand their needs. They conducted an annual satisfaction survey inviting customers to provide specific satisfaction ratings on their services. The results of the survey are shared with senior management teams throughout the organisation. Customers that had expressed dissatisfaction or had a concern were contacted individually with the aim of listening and understanding their needs better.

Crown Gas & Power – Engaging Third Party Intermediaries for customer feedback

The Panel noted that Crown Gas & Power had taken steps to use customer feedback to improve services and product offerings. They actively engaged with third party intermediaries that are involved in the sales process to gain feedback on customer needs. This feedback was used to inform decisions on future offerings. They also set up a customer complaints committee that reviews cases. The committee is attended by senior management, with the aim of helping to ensure that business decisions reflect consumer feedback.

Conclusions and next steps

Consumer outcomes in the energy market remain generally below the levels expected of these essential services. It is clear that more needs to be done by all suppliers to ensure fair treatment of domestic and microbusiness consumers. The onus is on suppliers to embed the Standards effectively within their organisations. The Standards are about the relationship between energy suppliers and consumers. We expect them to be embedded throughout the organisation, be driven by the Board and senior management and understood by all staff. Fairness should also be embedded in the design, monitoring and revision of all relevant products, policies and processes. This is to help ensure suppliers are embodying the culture required to consistently deliver fair outcomes and better service for energy consumers.

Supplier action to embed the Standards is an ongoing process. It should evolve over time depending on a range of factors including consumer needs, changes in the market, technology and other opportunities to consider and implement changes within their organisation based on consumer feedback. As a result, we would expect to see increasing consumer satisfaction with the products and services provided by energy suppliers and improved consumer confidence that suppliers and the market will respond to their needs fairly.

We would encourage all suppliers to consider the Panel's recommendations and consider seriously where there are further opportunities to embed a culture of fairness within their organisation. In terms of next steps:

- **Challenge Panel** - We recognise that Ofgem has a role to play in creating an environment in which suppliers can make the necessary culture change. As part of this, we plan to run the Challenge Panel process again later this year.
- **RMR evaluation** - We will be reporting on qualitative and quantitative measures of trust in our domestic RMR evaluation report in Summer 2015. We will also be publishing some research undertaken on small and microbusiness consumers shortly, which includes reporting on trust.
- **Monitoring** - We take compliance with our regulations seriously. We will continue to monitor consumer outcomes and engage with suppliers on an ongoing basis.

We will maintain our dialogue with suppliers on the principle of fair treatment. We look forward to seeing how suppliers continue their efforts to embed this principle throughout their business.

Annex – Panel members

Dermot Nolan – Panel chair



Dermot joined Ofgem as Chief Executive Officer in March 2014. He brings with him extensive leadership experience in energy regulation, market competition and the protection of consumers' interests having most recently been Commissioner at the Commission for Energy Regulation in Ireland from May 2008 and its Chair since May 2011.

Prior to this, he was Senior Economic Adviser at the Commission for Communications Regulation and was manager of the mergers division for the Irish Competition Authority. A graduate of Trinity College Dublin, he undertook further study at Yale where he gained a PhD in Economics. He has lectured at the University of London, specialising in the areas of market structures and firm performance.

Allen Creedy – Panel member



Allen is a Chartered Town Planner with pan-European urban regeneration and sustainability experience; Qualified ISO9000 and 14000 Auditor and Ecologist. He was the Head of Sustainable Development and Planning at Newcastle City Council before being seconded to work for the European Commission and then the OECD as an urban and energy policy expert.

Allen left the public sector in 2003 and founded Ethical Partnership as a pan-European planning and sustainable development consultancy. The partnership now has a diversity of blue chip energy, construction, and development clients that secures the permissions and permits for large scale, complex and multi-faceted commissions, including power stations and infrastructure. In addition to this, Allen is also Chairman of the Federation of Small Businesses' Environment, Water and Energy Committee.

Martin Dowson – Panel member



Martin is the Director of CX Strategy at Comotion. He has been championing Customer-Led Business for over 14 years. After leaving Accenture's UCD practice Martin spent 8 years as a CX Strategy Coach, working with many of the UK's top brands. In 2013 Martin co-founded Comotion to help organisations become customer-led with sustainable growth.

Martin speaks internationally on Customer Led Business and Customer Experience, has been a judge for the UK CX Awards for the last three years and has built CX capability and strategies at major household brands including Barclays Bank, Virgin Media and Sainsbury's. Martin has valuable experience with regulatory frameworks for customer fairness through his work at Tesco Bank, Clydesdale Bank and in particular HSBC where he successfully integrated CX methodologies into a major regulatory change programme.

John Howard – Panel member



John Howard is a non-executive Member of the Gas and Electricity Markets Authority. He originally qualified as a solicitor but moved into broadcasting as a BBC television and radio presenter. He became one of the front line voices on Radio 4, championing consumer issues as principal presenter of the daily 'You and Yours' programme, as well as the legal series 'Out of Court' and the environment programme 'Nature' for BBC2 TV. He has won several broadcasting awards.

John was a Council Member of the former consumer body Energywatch, an independent director of the Mortgage Code Compliance Board and a non-executive director of the Financial Ombudsman Service. For eight years he was a member of the Financial Services Consumer Panel, which he chaired from 2005 until 2008. He now provides strategic advice on financial services. He is an advisor to Lloyds Banking Group, a non-executive director of National Counties Building Society and a Trustee of the Thalidomide Trust.

Helen Parker – Panel member



Helen Parker is Assistant Chief Executive and Director of Policy at Which?, the UK's largest independent consumer organisation. As Director of Policy she is responsible for the consumer insight, research and analysis that underpins Which?'s campaigning and advocacy work on behalf of all UK consumers. Helen was previously the organisation's Editorial Director, responsible for the information and advice it provides in digital and magazine form to the organisation's 800,000 members.

Adam Scorer – Panel member



Adam Scorer is the Director of Consumer Futures at Citizens Advice and has overall responsibility for developing and directing the work programme and impact. Consumer Futures transferred to Citizens Advice in April 2014, in order to establish one point of contact for consumers seeking help and advice, it includes the statutory consumer watchdog formed in 2008 by the merger of Postwatch, Energywatch and the National Consumer Council.

Prior to his appointment with Consumer Focus, Adam was the Director of Campaigns for Energywatch, leading on all external advocacy work across the range of energy market issues. In advance of taking up the Energywatch role, Adam worked as a senior Public Affairs adviser for Which? (Consumers Association), gaining exposure to the policy challenges impacting consumers in a myriad of regulated sectors and public services.