

Dermot Nolan  
Chief Executive  
Ofgem  
9 Millbank  
London SW1P 3GE

**Sent by email**

20 October 2016

Dear Mr Nolan

**Open letter - customer satisfaction with First Utility's complaints handling**

The survey results highlighted in your open letter to me are clearly not acceptable. The results from late 2015 were absolutely not those that we would want to see from our customers when they are raising a complaint with us and I am disappointed that this was the experience for some of our customers. Please be assured that we take these results extremely seriously.

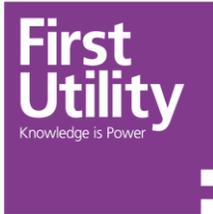
As you will be aware from our previous meetings, we have adapted our business and operational model and made substantial and ongoing investments to effect improvements in our customer service. I would like to describe the changes we have gone through over the last few years, and the changes we have been and are continuing to make to our customer services and complaints handling which are already starting to bear fruit for our customers.

**Our customer services and complaints handling processes to date**

We were fortunate enough to have a period of substantial growth in our customer base from around late 2013 through 2014. In addition to the themes emerging from your previous customer complaints handling survey published around that time, we experienced a range of challenges as a result of this growth. Consequent on these challenges, we have invested heavily in people and systems to improve our customer services, including complaints handling, investing more than £25 million up to 2015 and a further £25 million across this year.

This substantial investment has allowed us to carry out transformational change across our customer services and complaints handling processes, including how we train and support our call handlers and other colleagues who receive and handle expressions of dissatisfaction. We have also set up a dedicated Resolution Centre in our Coventry office for complaints we cannot deal with on one call, e.g. more complex complaints, including complaints with the Ombudsman or Citizen's Advice Bureau.

The creation of our Resolution Centre came after a sustained review of complaints handling which brought about a shift from efficiency-based metrics to a customer



experience-centred approach during the latter half of 2015. This was a transformational period for us that in the immediate term slowed down clearance of historical issues which to a certain extent adversely impacted on our migration from one customer relationship management system to another. This is in no way an excuse for the outcomes those of our customers surveyed – or those of any customers not surveyed - experienced. During this period, we also diagnosed a range of process issues, including around expertise in dealing with the issues driving complaints that led to backlogs forming. This review period enabled us to put in place a range of diagnostic tools and improved tracking processes, including the following:

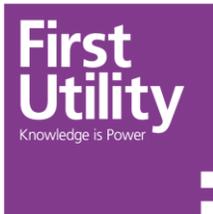
- Daily monitoring of case volumes into our Resolution Centre, and assessment of types of cases;
- Triage for issues not resolved on the first expression of dissatisfaction;
- Institution of early warning systems;
- The creation of a support function to enable us to speed up and improve the accuracy of our resolutions for complex complaints; and
- Control points across each function within the Resolution Centre.

This has allowed early notification of issues to complaints team leaders and to the Heads of Resolution Centre and Service Centres regularly. These daily checks and control points are supplemented by regular meetings of the Operational Complaints Group. This Group is made up of colleagues from our customer contact centre, our complaints handling teams, and from across the business.

The changes we have made are not just in terms of warning and monitoring: we have also focused on improving the training for those colleagues dealing with complaints so they have the knowledge and are empowered to resolve on the call where they can and if not, are able to reassure customers about the process and steps to come. Our recently introduced coaching processes provide support and help disseminate knowledge and best practice in call handling. We continue to monitor the impact of these changes and critically to examine any gaps this monitoring throws up with a view to making changes to address them: this is an ongoing process and we do continue to find areas that are not working as effectively as they might do to address customer concerns. We take customer feedback - from our own surveys or more generally - seriously and consider this when trying to address any process gaps.

All these changes are starting to bear fruit as the following metrics show:

- Complaints resolved in 8 weeks have improved from 80% to 89% throughout 2016;
- Complaints resolved within “Day+1” improved from 47% in January to 57% in September of this year;



- Ombudsman complaints per 100,000 customers improved from 37.52 in the second quarter of 2015 to 28.34 in the second quarter of 2016, with a further improvement in the third quarter of this year to a volume low of 115 in September 2016 (compared to 234 in September 2015); and
- Our Citizens' Advice publication points have reduced from 455 in September 2015 to 281 during the last quarter and we expect that this will reduce again when outcomes are next published.

In addition to these improvements, we have removed a significant amount of wait time for our customers when escalating complaints and particularly sensitive complaints are handled within the hour. There remain gaps and we clearly need to continue to challenge ourselves to improve. Whilst we are very pleased to see external verification of our improvements in key metrics, these are not yet "best in class". We are aware that improvement is an ongoing process, in particular taking account of the significant increases over a short period of time of our staffing levels and the need to scale our key systems. Now that our enlarged customer services teams are bedded in, the training and support provided to them to a certain extent has been tested: the learnings from this process are now being followed up, allowing us to focus more on individual processes that are causing concern, based on customer feedback and our own diagnostic tools. More recently, for example, we have started working with Resolver, who offer an alternative means for customers to register complaints. In their recently published survey of the top 20 companies for customer complaints handling, we are the only energy company to be featured.

Efforts to improve our customer service more generally have also been successful: we were very pleased to be awarded the "Customer Service of the Year" 2017 - Utilities.<sup>1</sup> In the recent customer survey carried out by the Institute of Customer Services, our survey result improved from 76.1 in 2015 to 87.7 this year.

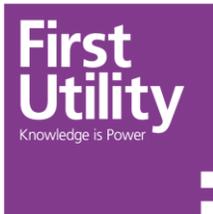
### **Our immediate actions following publication**

In addition to this ongoing improvement programme, and in terms of immediate actions following publication of the survey results, we have set up an internal working group firstly to review the survey results and the Key Drivers Analysis (**KDA**) your team provided to us and second, to effect any immediate changes that we can in order to improve the experience of customers who contact us to express their dissatisfaction. This group has met each week since publication of your open letter and will continue to meet weekly. In addition to reviewing specific parts of our complaints handling processes and practices against the KDA, which effectively forms the basis for our gap analysis, this group is also reflecting on improvement measures being suggested by our fortnightly Operational Complaints Group with a view to expediting these.

Our response team here, which includes the Head of our Resolution Centre and the Head of Customer Centres, met with your team on 17 October 2016 to discuss the results of the

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<sup>1</sup> <http://www.csoy.co.uk/>



survey, the outcome of our internal review to date, and the tender process we have initiated for the independent audit. We have sought to update your team on the progress of this tender regularly and will continue to keep them updated and involved as we progress.

We commit to publishing the results of that audit, together with any action plan to address issues raised as a result, by the end of 2016. We aim to include within the scope of the independent audit any specific actions taken by our internal working group since the open letter.

As I have noted, we are committed to working closely with Ofgem as the results of the audit emerge and hope that through this process, we can show you the improvements we have made to date and prove our commitment to continue to improve our complaints handling so that such results are not repeated in any subsequent customer survey.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ian McCaig".

**Ian McCaig**  
CEO