



By Email

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Dear Andrew,

Standards of Conduct for suppliers in the retail energy market

Npower welcomes this statutory consultation which sets out Ofgem's final proposals for the next steps for principles-based regulation and an amendment to its information-gathering powers. This response is submitted on behalf of all our UK retail energy supply activities within the Npower Group PLC.

We note that you intend to move the Standards of Conduct to the front of the supply licences to give them more prominence. We understand the logic in doing this, however for our part it will not change the way we act upon them to engage with and service our existing and prospective customers ensuring compliance. We already take the Standards extremely seriously within our business and they are at the forefront of our thinking in our dealings with customers. To this end we have a well-established Customer Insight programme in place to empower the business with a proactive and meaningful understanding of the lives, aspirations, challenges and needs of our customers. This programme includes ongoing sources of information, such as our Customer Relationship Survey which measures indicators such as customer satisfaction, drivers of satisfaction and dissatisfaction, an exit survey, a brand tracker as well as a number of ad hoc studies that provide us additional depth on issues that these sources highlight. In addition we maintain a customer panel, with whom we regularly consult on ad hoc customer decisions. Through these tools we are able to keep abreast of key customer issues, and take any remedial action and/or look into new solutions where appropriate.

In our response to your previous consultation on these proposals, we explained that whilst we are supportive of the intention to rely more on principles and less on detailed prescriptive rules, we would like more clarity on how Ofgem will approach compliance under this new approach.

Whilst we are disappointed that you have not taken on board the concerns we expressed in relation to the changes to the Fairness Test and removal of "all reasonable steps" threshold, we welcome your assurances that the wording continues to recognise suppliers' legal rights to act in certain circumstances which may not lead to a favourable outcome for the customer

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and that you will act proportionately when dealing with cases of harm or potential harm to consumers, giving suppliers the opportunity to explain why this was “reasonable in all the relevant circumstances”. Whilst we would have welcomed clarification from you as to how fairness will be assessed, how you will review customer outcomes and what level of customer detriment would be regarded as unreasonable, we note that you go to some length to provide assurances that you will not pursue enforcement action every time there is a negative customer outcome and that suppliers’ efforts to achieve compliance will be taken into consideration in making such decisions.

We also note your intention to refine further your operating approach and to review the Enforcement Guidelines later this year. We would be happy to provide views and feedback in this area as your thinking develops. We support the idea of using practical examples to inform stakeholders of the stance you are likely to take in certain scenarios and we welcome your expressed intention to provide greater transparency regarding your actions to address compliance issues.

With regard to the introduction of a new “informed choices” principle into the domestic Standards, we agree that in due course there would be merit in simplifying the licence further by removing the narrow principles which overlap with the broad principles in this area. We also look forward to the progression of the work that Ofgem has planned in relation to reviewing the continued need for prescription on customer communications. We strongly believe there will be benefits for the customer in allowing suppliers to innovate in this regard and tailor their communications in response to customer feedback – the recent trial of a revised version of our Statement of Renewal Terms is evidence of this.

The new and increasing focus on vulnerability is welcome, however the new principle is very broad and draws no distinction between short-term vulnerability arising e.g. from bereavement or changes to family circumstances, which may last only days or a few weeks, and longer-term vulnerability e.g. disability, learning difficulties, families with young children. Due to its short-term and often very personal nature, identifying transient vulnerability is clearly difficult. When we learn that a customer is experiencing transient vulnerability, our approach must of course respect their privacy and the sensitivities of the situation. We also note the potential conflicts arising from the requirements of the General Data Protection Regulation (GDPR) which go beyond the provisions set out in the Data Protection Act which was more broadly drawn. We consider that energy and other industry actors as well as support agencies need to work together to find a way through this, and it would be helpful to explore this further with Ofgem.

We look forward to engaging further with you over the coming months as these principles are embedded and your proposals for customer communications and the review of the Enforcement Guidelines progress.

This response is not confidential.

Yours sincerely,

A handwritten signature in cursive script that reads "Sasha Pearce".

Sasha Pearce
Regulation