



By Email

Fiona Cochrane-Williams
Consumers & Competition
Ofgem
futureretailregulation@ofgem.gov.uk

Name Pardeep Banshi
Phone 07881 617 656
E-Mail pardeep.bansi@npower.com

21 June 2018

Dear Fiona,

Policy consultation: Domestic supplier-customer communications rulebook reforms

Please find below npower's response to Ofgem's policy consultation on the proposals around reforming the domestic supplier-customer communications rulebook. We welcome the opportunity to provide our comments and input.

Overall, we support Ofgem's proposals as set out in the consultation paper. We feel that the proposed new narrow principles complement the existing Standards of Conduct and Informed Choices principles, and they set out a high level structure while affording opportunities flexibility and innovation. We expect that this will be beneficial for consumers and suppliers alike, as it should help foster better customer engagement, as evidenced by some previous customer trials we have engaged in.

We do think that some aspects of the principles need some further thought and development, particularly as it relates to the proposed principles on contract choices and bills and billing information, the detail of which is set out below. We consider that Ofgem can go a bit further in relying on the existing and new principles.

We also think it will be crucial for Ofgem to clarify its enforcement approach so that we can better consider the new principles in that fuller context, as that will help determine how flexible and innovative we can be for our customers.

Our responses to the specific questions you posed in the consultation are set out below. If you require any clarification on any of the points we have made please do not hesitate to contact me.

This response is not confidential.

Yours sincerely,

Pardeep Banshi
Regulation

Npower Group PLC
2 Princes Way, Solihull,
West Midlands, B91 3ES

Registered office:
Npower Group PLC
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 8241182

Appendix A – Responses to Consultation Questions

Question 1: Do you agree in general with our proposed reforms to the rules related to supplier-customer communications?

Yes, we support the proposed reforms on the rules relating to supplier-customer communications.

We believe that the current prescriptive requirements in the supply licence conditions relating to supplier-customer communications are excessive and lead to inflexibility for suppliers in determining how best to communicate with customers and in many ways they do not recognise that different customer groups may have varying needs that need to be met. The current approach leads to lengthy and cluttered communications being issued to customers, which many customers may find overwhelming and unengaging.

Therefore, we welcome Ofgem's proposed reforms. We believe that the new principles-based approach and the removal of many of the current prescriptive requirements will help suppliers to meet the needs of their customers whilst also allowing room to innovate. We also agree that the new approach will help future-proof the regulatory framework, which should assist as the needs of customers change over time, as communications channels and technologies evolve over time and as new types of energy supply products emerge.

Whilst we generally support the proposed reforms, we feel that Ofgem should make clearer its approach to enforcement under the new principles. A suitable balance will need to be reached in terms of ensuring that effective innovation is permitted and consumers are adequately protected.

Question 2: Do you think our proposals make appropriate use of principles and remove the right amount of prescription? Have we gone too far, or not far enough in removing prescription to enable suppliers to innovate?

We generally support the proposals and the move to principles in the area of supplier-customer communications.

We hope that Ofgem will remain open to further changes down the line should opportunities present themselves in the future (for example, if government or EU requirements are altered or removed) or the need otherwise arises.

Question 3: Do you think there are any areas of particular risk to Vulnerable Consumers that are not already addressed in this consultation and/or by the vulnerability principle in the Standards of Conduct?

No. We think that the needs of Vulnerable Consumers can be met by suppliers following both the vulnerability principle and the wider requirements of the Standards of Conduct.

It is also notable that Energy UK is leading on a couple of initiatives that focus on customer vulnerability, and these include the launch of a new, independently chaired Commission for Customers in Vulnerable Circumstances (which will explore how standards of care and support could be improved) and also the development of a new 'Vulnerability Charter' (which will look to reinforce and build on existing vulnerability commitments).

Question 4: Do you support our proposed changes to the rules regarding the (i) content, (ii) format, layout and wording, and (iii) frequency and timing of communications? If not, why not?

Yes. Subject to the comments below, we broadly support the suggested changes to the rules regarding to the content, format, layout, wording, frequency and time of the supplier-customer communications.

Question 5: Do you agree with the key features of the new principles: (i) “Key Engagement Points”, (ii) “characteristics and preferences”, and (iii) our expectations of suppliers?

Yes, we are broadly supportive of the key features of the new principles.

However, we believe that the addition of the term “throughout the year”, particularly as it relates to principle 1 (‘Contract choices’), is unwarranted and introduces vagaries here. The term appears to conflict with the notion of suppliers being able to define the Key Engagement Points for customers, and it would seem to be inconsistent with the concept of working to and observing customers’ characteristics and preferences (for example, where a customer indicates that they are affluent and would rather not engage with us during the life of a fixed term tariff). As a result, it could be interpreted as essentially introducing a de facto level of prescription around the minimum number and timing of communications (with the implication that all customers must receive contact at least once a year if not more so).

Therefore, we believe Ofgem should clarify the policy intent, and be more explicit around what the expectations are here (if any). If Ofgem is concerned that for certain groups of customers it may be relatively more difficult to define Key Engagement Points (such as customers on standard variable tariffs) and/or that certain groups of customers may need a minimum number of contacts, then it might be prudent to add the words “and, where appropriate,” before “throughout the year”. This would be more consistent with the principles based approach.

Question 6: Do you agree with our package of proposals to change the current customer communications rules to “encourage and enable” engagement? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

Yes, in broad terms we support the proposals around the encourage and engage principles.

However, we would question the inclusion of the wording “how they may benefit financially from doing so” as it appears in principle 1a. This part of the principle covers suppliers helping customers to understand that they can switch tariff (with their own supplier) or switch their supplier – whilst the incumbent supplier may be able to articulate to customers how they could potentially benefit financially switching to an alternative tariff within their portfolio, the incumbent supplier cannot help the customer understand how they may financially benefit from switching supplier. At best, the incumbent supplier can only be clear about the terms and the cost of the tariff that the customer is currently on with them, and it is for the customer to assess how they may benefit financially through switching supplier by obtaining quotes with other suppliers direct or via third party intermediaries.

Question 7: Do you agree with our definition of Key Engagement Points?

Yes, we broadly agree with the definition of Key Engagement Points.

We would question the inclusion of the term ‘want’ in this context as it could be quite subjective in practice. We think that it should be replaced with the term ‘need’ , and this would reflect the fact that customer ‘needs’ are distinct from customer ‘wants’.

Overall, the definition is a positive development that we support and we believe suppliers are best placed to determine what the Key Engagement Points should be for their customers. Therefore, we trust that Ofgem will not introduce any prescriptive requirements here, whether through guidance or otherwise. However, as noted above in our response to question 5 above, if Ofgem does have minimum expectation in this regard then they should be set out as part of the policy intent.

Question 8: Do you support our package of proposals to change the current customer communications rules to ensure consumers are aware of, and can obtain, “assistance and advice”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

Yes, we support the proposals around the new principle on assistance and advice information.

We note that the drafting on this principle refers to suppliers providing “relevant information about their energy services”. The term “energy services” seems to be too wide in application here, especially considering that it is neither defined nor referred to anywhere in the supply licence conditions. We believe the application of this should be restricted to the supply of gas and electricity.

The draft principle also refers to ‘Relevant Ombudsman’ but this is not yet a defined term in supply licence condition 1, and we believe that this needs to be appropriately defined.

Question 9: Do you support our proposed changes to the customer communications rules relating to “Bills and billing information”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

Yes, we are broadly supportive of the proposals in relation to bills and billing information. We welcome the recognition by Ofgem that bills and billing information does not need to be provided to customers via particularly types of format and communications channels, and that this can be delivered through other mechanisms of existing and emerging technology. We feel that this can assist customers to become more engaged with the market.

We note from both the drafting of principle 4 and paragraph 5.18 of the consultation paper that it indicates that there will be a shift from the requirement for suppliers to “make available” bills/billing information to having to “provide” the same to customers. Ofgem should clarify the policy intent here and what it will mean in practice.

We think that Ofgem needs to bear in mind issues relating to data protection. Suppliers may, in determining how they comply with data protection requirements, provide the notification of bills or billing information becoming available via email or text message but require the customer to pass some security measures (such as a log-in) before being provided with the detail in their online account or mobile app. This is a standard practice across other industries. Therefore, we expect that suppliers will be deemed to have met the standard in the new principle if they have provided a notification to customers each time a bill or billing information has become available (for example, in the customer’s online account or mobile application) but not necessarily provided the actual bill or billing information itself (as long as this is made available to the customer). The presentation of bills and billing information in this form and through this method may also accord with customer characteristics and preference. If Ofgem deems that this would not meet the standard under the new principle then this should be made clearer and supporting rationale provided.

Question 10: Do you agree with the distinction between billing information and Bills?

Yes, we agree with the distinction between Bills and billing information.

Question 11: Do you agree our principle reflects the different needs and circumstances of different customer groups, including prepayment customers?

Yes, we agree that the new principle reflects the varying needs and circumstances of different customer groups, including prepayment customers.

In terms of how principle 4 is drafted, with specific reference to the timing of when Bills are issued, we assume that this has no impact on the final bill obligations in supply licence condition 27.

Question 12: Do you support our proposed changes to the customer communications rules relating to “contract changes”? Please explain your answer, in particular noting any consequences you envisage for consumer outcomes or suppliers’ ability to innovate.

Yes, we broadly support the proposed changes to the customer communication rules relating to “contract changes”. We feel that the removal and amending of the prescriptive requirements will be beneficial and help customers engage more effectively, as evidenced in our trial initiatives in this area.

Question 13: Do you agree with our proposal to no longer require suppliers to provide Annual Statements?

Yes, we agree with the proposal to remove the requirement for suppliers to provide annual statements to customers. We do not feel that the Annual Statement is an effective piece of communication or helpful to the large majority of customers, and therefore eliminating the requirement will assist customers by removing communications clutter and help prevent over-burdening the customer with information.

Question 14: Do you agree that the intended outcomes of the Annual Statement are reflected in our proposed new principles?

Yes, we agree that the intended outcomes of the Annual Statements can be better delivered under the new proposed principles and delivered through other customer communications.