

Emailed to: fwp@ofgem.gov.uk

Ofgem
10 South Colonnade
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E14 4PU

20 February 2020

Dear Sir/Madam,

Ofgem Forward Work Programme consultation 2020-22

I write in response to the Ofgem's Forward Work Programme Consultation 2020 – 2022. Included at Appendix A to this response is information about Ombudsman Services.

General Comments:

We welcome Ofgem's Forward Work Programme and think that it addresses some of the important challenges in the industry to ensure consumers are protected, that innovation is encouraged and that ambitious net zero targets are achieved.

Key points:

Affordability

We support the work to review the default and prepayment price cap and think it is important for Ofgem to consider early what the successor (if any) to the price cap will be and what the impacts are for all consumers. It is right to update the 'Ability to Pay Principles' and provide more targeted support as well as helping consumers avoid self-disconnection from energy services, as we previously commented in the response to that consultation in September 2019. The price cap has been put in place to ensure that consumers are charged fairly for energy use, and while it has clearly benefitted consumers on default tariffs who now pay less than would otherwise have done, it also interacts directly with the issue of trust, which we discuss below. So, it will be important to review the outcomes and impacts of any price cap measures on other market forces besides price such as complaints and customer service. Likewise, it will be important to understand what encouraging switching based primarily on price differentials could mean for the quality of service provided by suppliers.

Trust, Compliance and Net Zero

Trust will be key in getting consumers to embrace new technologies, products and services to allow for a smooth transition of the energy market to reach net zero targets. We agree and support Ofgem in its role to monitor the health



of individual energy suppliers, as the true cost of supplier failure goes beyond credit balances and Government scheme costs. As we highlighted in our response to the Supplier Licensing Review in December 2019, a rounded view of consumer protections needs to underpin any approach to stop consumer detriment. It is crucial for consumers to see appropriate compliance and enforcement measures delivered by Ofgem against suppliers to ensure that standards are raised, and to make clear to consumers that they can trust the market will work for them and offer protections when things go wrong.

Consumer protection and regulation now and in the future

Increasingly there is a call for regulation to be fit for the future. It is valuable to look at where the gaps in protection exist now as this will help to show where these gaps may be exacerbated in the future. We support the work Ofgem proposes for a microbusiness action plan mentioned on page 13. Microbusinesses can face similar challenges to individual consumers, but are often not afforded the same protections, so it is right to look at what more can be done, and we will provide any data or insight to support this work. Likewise, we see the gaps in the market around energy brokers and Third-Party Intermediaries. We already know that consumer protection in the area of heat networks is limited to those consumers on networks registered with Heat Trust. Ofgem has been recommended as the regulator for heat networks in the recent BEIS consultation for building a market framework, which we support. We think that regulating this sector and ensuring the right level of consumer protections are made available is important, particularly given the essential role of heat networks in decarbonisation efforts.

As the market moves towards the decentralisation of services, greater digitisation and a need for changing consumer behaviour, it will be important for regulation to keep pace and intervene early where gaps in protection are causing consumer detriment or might do in the future. Some of these areas may be highlighted by consumers through advocates such as Citizens Advice or through complaints made to our service. The insights Ombudsman Services gather through its complaints data will be useful for spotting these emerging areas where consumers aren't protected, and we are keen to continue to work with Ofgem on this.

Working together for better consumer outcomes

Last year, several bodies such as the National Audit Office and Public Accounts Committee called for regulators to measure their impact and work more closely with other organisations across the sector to deliver better outcomes. We see these as calls for wider collaborations, not just for regulators but for all industry bodies within the sector. As a cross-sector body, we think there is value in working together and using the experience of other sectors to inform best practice, build consumer trust and resilience. The more data, insight and research can be shared or co-created, the more we can inform policy. We want to continue to work closely with you, identifying trends and systemic issues to contribute to your strategic objective of protecting consumers to stamp out sharp practice and ensure fair treatment.

Please do not hesitate to contact us if you would like further information regarding our response. Our response is not confidential.

Your sincerely,

Ed Dodman
Director of Regulatory Affairs

For more information regarding this consultation please contact:

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Appendix A

About Ombudsman Services:

Ombudsman Services is a not-for-profit private limited company established in 2002 which runs a range of discrete national ombudsman schemes across different sectors including energy, communications and an appeals service in private parking. Each scheme is funded by the companies under our jurisdiction and our service is free to consumers. In 2018 we received 174,855 initial contacts from complainants and resolved 68,063 complaints. In the energy sector we received 108,349 initial contacts and resolved 45,667 cases, and in the communications sector, we received 62,233 initial contacts and resolved 21,251 cases. We also received over 67,000 appeals in our private parking appeals service.

We are:

- to our consumers, the people they can turn to for impartial advice and solution that's fair;
- to our partners, the people they look to for knowledgeable and insightful ways to help them reduce complaints by enabling them to make the changes they need to deliver better customer services;
- to our regulators, champions in protecting rights as well as partners in information sharing, we share our analysis so that regulators and business partners can make improvements; and
- to our people, here to enable them to deliver clarity to consumers and partners through meaningful work.