



Dermot Nolan  
Chief Executive  
Ofgem  
9 Millbank  
London SW1P 3GE

**Sent by email**

16 January 2016

Dear Mr Nolan

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

I am writing to introduce the independent audit report on our complaints handling processes you asked us to carry out in your open letter to me of 22 September 2016. I also set out our response to that report, including the key actions we have been taking and are committing to take following our own internal review of our complaints handling processes.

I would like to start by restating that our survey results published by Ofgem in September 2016, based on a random sample of 247 of our customers drawn from late 2015, are clearly not acceptable. These results highlighted a number of areas across our processes where we had not delivered the service our customers have every right to expect from us and which we aspired then and continue to aspire to provide now. As a result, you asked us to commission an independent audit to review our entire complaints handling processes, in particular looking at: (i) ease of complaint registration; (ii) keeping complainants informed of progress; (iii) satisfactory resolution and confirming with the complainant as to closure; and (iv) the procedure for referring complaints to our complaints handling policy and to third parties to help them to resolve the situation leading to the complaint.

We committed to commissioning an independent audit and to communicating these results by the end of 2016, together with our plans to address any issues found. Following a competitive tender process, we appointed PwC to carry out this work, which was on an "agreed upon procedures basis". In this we were assisted by the Key Drivers Analysis (KDA) provided to us on 23 September 2016. We used the KDA to carry out our own review and we incorporated it into our tender process and subsequent agreed upon procedures. We have maintained the open approach we took following your 22 September letter and kept your team updated as to our progress, including delivering the draft report before the end of the year. The PwC report is attached to this letter.

As I described in my 20 October letter, we had been undertaking a transformational change programme across our complaints handling and customer service functions prior to the commencement of the complaints handling survey. This programme aimed at embedding a customer experience-centred approach to complaints handling. Part of this



transformational change programme was to implement a new Complaint Management Tool (**CMT**) in April 2016 to build on the substantial organisational and process changes we had made up to that point. Given the scale of change, we had more recently also started an operational review of the efficacy of our customer-facing processes, including complaints handling.

We paused this operational review on receipt of your open letter to me and immediately set up a review of those specific policies and processes. This was done to ensure that any issues or improvements that arose could be dealt with as soon as possible. We noted to your colleagues for example at our initial meeting with them on 27 October that we were commissioning a survey (with a sub-set of questions drawn from those used by Quadrangle on Ofgem's behalf) to provide a rolling tracker for us. We are also in the process of ensuring that the results form part of our updated management information packs for complaints-specific leadership teams and our senior executive team. These two changes are therefore key actions within our Action Plan.

My complaints handling team, working alongside the internal review team, provided access to our policies and all our processes relevant to complaints handling to the PwC team, as well as the means to assess actual complaints handling. We are grateful for the engagement of your colleagues as we tendered for and commissioned the audit, and during the audit itself. As agreed, we have kept them informed of progress and provided them with a draft of the report prior to the end of the year.

PwC carried out a thorough review of our policies, processes, governance and assurance arrangements, management information, training and call handling, as well as our approach to ensuring the customer viewpoint is at the heart of what we do. I am grateful to them for their hard work and engagement with our internal working group.

I am pleased to say that overall PwC's report shows that we have in place the governance, processes and systems, including our new CMT, that enable us to meet the requirements of the Gas and Electricity (Consumer Complaints Handling Standards) Regulations 2008 (**Complaints Regulations**) and to treat customers fairly as required by our Standards of Conduct. Crucially, PwC raised no exceptions indicating that there were systemic issues preventing or limiting our ability to meet the demands of the Complaints Regulations and in continuing to embed the principles and requirements of our Standards of Conduct.

PwC raised several exceptions against the agreed upon procedures, which I address below:

- *That our Complaints Policy does not include a definition of when a complaint can be closed as resolved and contacts to be made within an existing complaint. We have committed this month to bringing together the various internal policies we had in place to ensure that these points are covered into one policy and to ensure that this is fully reflected in our customer-facing complaints handling policy; and*



- *That whilst we do check commitments to customers are carried out, this does not include a control to monitor agreed tasks; that our quality assurance (QA) checklist does not include whether commitments made to the customer are carried out; or checks that handovers meet internal policy requirements; and that this QA process is carried out on one case per month. We have invested in adding to the number of checks made and to augmenting the checklist our QA colleagues use. We have also checked that our management information processes address this so that senior management receive reports against commitments made and actions taken.*

These actions are included in our Action Plan, which we have shared with your colleagues (together with our more detailed responses to PwC's findings and the exceptions that they raised).

PwC in its report does however highlight a number of exceptions following their review of a sample of our complaints handling calls. Whilst this is not due to any underlying systemic issues, we have been making substantial changes to our customer service and complaints handling. The exceptions highlight that we need to ensure that our call handlers and the colleagues that support them have the training and support they need to log complaints, and handle them as our customers would expect as well as in compliance with our obligations.

Taken together therefore, these results indicate that we have work to do fully to embed the processes and approaches that put our customers and their interests and concerns absolutely at the heart of our complaints handling procedures.

Our focus now, as reflected in our Action Plan, is on making sure that our call handlers know what is available to help them handle complaints and what is expected of them in doing so. My team has included specific actions against all exceptions in our Plan and we have also made changes to our internal reporting and assessment so that we can track our progress. Our COO, Phil Gripton, and our Head of Resolution Centre, Andy Eadle, are committed to ensuring we continue to improve here, as am I. One of the actions we take is calling out great feedback from our customers (all of which is seen by senior management) across the customer-facing functions. This allows us to recognise and share good behaviours and it helps us all learn. We do not shy away from negative feedback either, which is also reported on internally (and seen by senior management) as a further spur to improvement. We also hold monthly round-up meetings with the complaints handling teams, sharing learning, discussing issues that the teams have faced and rewarding colleagues who have gone above and beyond in their support of our customers.

I highlighted in my letter of 20 October that the changes we have been making are starting to bear fruit and we continue to see improvements. For example, our Citizen's Advice energy supplier publication points for the last quarter published (third quarter of 2016) were 228, an improvement from 455 in the third quarter of 2015. In 2016, we were the first utility company to be Reader Recommended by the Good Housekeeping



Institute (and indeed, we are recommended again for 2017). We were awarded the Silver European Contact Centre and Customer Service Award for Best Social Media in Customer Service in November 2016 and were finalists in the Best Customer Facing Team and Customer Engagement categories at the annual Utilities Awards for 2016. We continue to challenge ourselves to improve our processes and approach and our Action Plan specifically provides for ongoing surveys of our customers and reporting the results. Crucially, we are all committed to assessing those results on an ongoing basis and to keep all our approaches for customer service under review.

It remains to say that I am happy to meet with you to discuss our approach to the audit and results. My team is also keen to continue the helpful ongoing discussions with your colleagues and to report back on our progress against our Action Plan over the course of the next year. We hope and expect that our results from the next Ofgem survey will start to reflect the improvements we have already made and that we continue to make.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ian McCaig". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Ian McCaig**  
CEO