



E-Serve Supplier Performance Report (SPR) consultation

OVO Energy's response

25th August 2016

1. Introduction

- 1.1. OVO welcomes the opportunity to respond to Ofgem E-Serve's Supplier Performance Report (**SPR**) consultation published on 30th June 2016.
- 1.2. It is worth stating upfront that OVO wholeheartedly supports any initiative that promotes consumer engagement and improves transparency in the energy market. Customers should have information that enables them to compare supplier performance objectively and make informed decisions in choosing their suppliers. However, this does not simply mean more information. It means *better* information.
- 1.3. In this context, we have a number of concerns with publishing the proposed contents of the SPR:
 - The volume and complexity of the SPR metrics is likely to cause confusion among customers, particularly when added to the wealth of information already available such as complaints data. The SPR metrics reflect complicated schemes and therefore can be easily taken out of context and misunderstood, whether by customers themselves or the media.
 - Publishing the SPR will attract unwarranted negative media attention, which again will confuse customers and unduly undermine confidence in the market. This is of particular concern in light of the recent media coverage of the market - for example, the Competition and Markets Authority's investigation findings, and Ofgem's review of supplier insolvency processes.
 - The SPR metrics may not be consistent with other metrics used to track supplier performance such as complaints data. Again this is likely to cause customer confusion as it will not give customers a consistent picture of supplier performance.
- 1.4. In short, publishing the SPR is simply not helpful to customers. The confusion and potential 'scaremongering' that result could be detrimental to the market in deterring customers from switching suppliers. We would therefore strongly urge Ofgem to consider this consequence and not publish the SPR.

- 1.5. In the following sections of our response we will review in more detail our broader concerns in relation to the SPR (section 2), issues in relation to the scoring matrix (section 3), and OVO's recommendations for reforming supplier performance reporting in order to fulfill the underlying policy intentions of the SPR without causing confusion and panic among customers (Section 4).

2. SPR concerns - general

- 2.1. All information available to customers should be clear, relevant, consistent and comprehensive. In OVO's view, publishing the SPR fails to achieve each of those objectives for the following reasons.

Clear information

- 2.2. Given the complexity and differing nature of the six schemes, we do not believe that information in relation to supplier performance can be communicated to customers in a clear and simple way that will be meaningful to customers - i.e., enable them to make a fair judgement about a supplier's performance and compare with other suppliers.
- 2.3. For example, the Government Electricity Rebate (**GER**) was a relatively straightforward scheme where all customers were eligible to receive a one-off, small rebate. In contrast however, the Warm Home Discount (**WHD**) is an ongoing obligation which is extremely complex in terms of the different tiers and criteria applicable to customers. Therefore, we struggle to see how Ofgem will be able to publish supplier performance information in relation to complex schemes such as WHD which customers will understand, and which will enable customers to meaningfully compare performance in that scheme against performance in another scheme such as GER.

Relevant information

- 2.4. The SPR proposes to produce metrics in relation to GER which is no longer operational. We do not see how information on this scheme will be of much relevance to customers.
- 2.5. Furthermore, some schemes such as the WHD only apply to specific customers. While other customers to whom the scheme doesn't apply may be interested, we again question the relevance of supplying performance data in relation to such schemes to all customers, particularly given the complexity of the scheme.

Consistent information

- 2.6. There is already a host of publicly available metrics that measure supplier performance, published by a wide range of organisations, issued at different times, measuring different things.
- 2.7. The most prominent metrics that cover a range of suppliers (not just the Big Six) include:
- (a) The annual Which? energy companies satisfaction survey is a very comprehensive and respected measure of overall supplier satisfaction and one of the biggest publicly available customer surveys of its kind;¹
 - (b) Ofgem's quarterly data on supplier complaints covers a range of suppliers and goes into detail on complaints received and complaint handling;²
 - (c) The Citizens Advice energy supplier performance metric tracks complaint referrals to the Citizens Advice Consumer Service, the Extra Help Unit and the Energy Ombudsman.³
- 2.8. When presented together, these metrics already paint an inconsistent and confusing picture of supplier performance making it incredibly difficult for customers to make informed choices. For example, SSE is ranked number one according to Citizens Advice's latest complaints data (covering January to March 2016), 18 out of 22 according to Which?'s 2016 satisfaction survey and mid ranking according to Ofgem's latest quarterly complaints data (up to Q1 2016). Adding yet more metrics in the form of the SPR will simply exacerbate confusion among customers.

Comprehensive information

- 2.9. The SPR will include data on the 11 suppliers that are obligated by Ofgem to deliver all six schemes. Given the increasing number of new suppliers entering the market

¹ Which?, [Energy companies satisfaction survey 2016](#)

² Ofgem, [Supplier performance on consumer complaints](#)

³ Citizens Advice, [Supplier performance: January - March 2016](#)

in recent years, the SPR will only cover a quarter of all suppliers, meaning that it will present an incomplete picture of supplier performance in the market.

3. SPR concerns - specific metrics

- 3.1. We have significant concerns with the scoring matrix proposed in the SPR in a number of respects.

General concerns

- 3.2. First and foremost, we believe that small and medium sized suppliers could be unfairly penalised through the scoring process. The Big Six have been running all six schemes since their inception and have well established processes to deliver them. For independent suppliers however, some schemes - the Feed-in Tariff (**FIT**), Energy Company Obligation (**ECO**) and WHD - applied only once they crossed the 250,000 customer threshold, which for most was relatively recently. This means that independent suppliers have had much less experience of running the schemes, and their operational processes will not be as well advanced as the Big Six's processes.
- 3.3. However, the proposed metrics do not reflect the distinction between different types of suppliers and the different stages at which they might be in implementing a scheme. We do not believe it is fair to compare an independent supplier's compliance against a Big Six supplier.
- 3.4. We are also concerned about the subjective nature of much of the scoring and the lack of detail in the SPR to explain how scores are formulated. While we appreciate that internally Ofgem will need to apply a degree of subjectivity in assessing a supplier's compliance with a scheme, it can be a complex assessment and certainly one which a customer will not be privy to or indeed understand easily if presented details. Therefore we do not believe it is fair on either suppliers or customers to make subjectively-assessed data publicly available.
- 3.5. Finally, the existing proposals score compliance infractions for all six schemes against a common standard, implying all schemes are of equal importance. However, all six schemes differ greatly in terms of their costs, operational complexity and underlying policy intention. Therefore we strongly disagree with the proposal to give equal weighting to scoring compliance infractions across all six schemes. Doing so would be greatly misleading to customers in reflecting a

supplier's level of performance. To give a practical example, a customer won't be able to gauge the significance and relevance of a score of four against say the GER scheme and compare it fairly against a score of four against say the WHD scheme.

Compliance with overriding scheme obligation

- 3.6. We are concerned with the way in which the "compliance with overriding scheme obligation" metric is scored. We understand that the scores are binary - a supplier will either be judged as having complied (which will earn a score of zero) or not (which will earn a score of four), and no details have been provided as to how such scoring will be assessed - i.e., how and to what extent non-compliances in any particular scheme will be taken into account in not awarding a score of four.
- 3.7. We struggle to see how this approach fairly reflects a supplier's performance, given the complexity of the schemes and the fact that any instance of non-compliance will have varying degrees of severity and impact on customers. In fact Ofgem typically applies different tiers when auditing a supplier's compliance with a scheme and assessing the severity of any non-compliance. Therefore this binary approach is unfair to both suppliers, by inaccurately reflecting their degree of compliance, and unhelpful to customers in using any such data to compare suppliers.

Timelines

- 3.8. The SPR does not recognise that suppliers' performance in a scheme is highly contingent on the ability of the scheme administrator to issue timely guidance and meet their own timelines. These delays could have significant impacts on suppliers' ability to meet the scheme targets and deadlines.
- 3.9. For example, issuing retrospective guidance will impact the ability of suppliers to operate a scheme. This occurred when ECO guidance was issued around score verification, which has required suppliers to make significant changes to their processes and supply chains, and therefore is likely to have impacted their ability to comply with the scheme (whether directly or indirectly).

4. Solution

- 4.1. For the reasons outlined in the sections above, OVO strongly disagrees with publishing the SPR.
- 4.2. Instead, OVO recommends that Ofgem work with industry stakeholders such as Citizens Advice to standardise supplier performance metrics such as complaints to ensure that customers have greater transparency, without causing greater confusion and harm.
- 4.3. For example, we understand that Citizens Advice is currently consulting on “Improving energy supplier performance information” and is proposing a new scoring system. This combines their existing complaint metrics with metrics on customer service, billing, switching and customer commitments. This could form the basis for a comprehensive set of metrics that would provide customers with a coherent, robustly assessed end-to-end view of how suppliers perform. It would also reduce confusion among customers by giving them a ‘single source of truth’ - i.e., consolidating performance assessment by the regulator and the consumer body.
- 4.4. We would also strongly urge Ofgem to re-assess the effectiveness and complex operational mechanisms of each scheme to ensure that they are delivering the right outcomes for customers. Taking the WHD scheme as an example, we believe that this is unnecessarily complex, restrictive and ultimately ineffective in targeting vulnerable customers who are in genuine need of support. Each supplier is given a set quota of eligible customers to find and this is calculated according to market share, with no consideration given to a supplier’s customer demographics or profile of vulnerable customers. As a result, some suppliers struggle to meet their quota while other suppliers have surplus demand.