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Dear Mark

Thank you for the opportunity to respond to the proposed Supplier Performance Report (SPR). In keeping with our previous conversations and engagement on the matter, we understand the potential value of providing enhanced view of this data for customers but have some concerns that we would like to share.

One of the stated goals of the SPR is to build a culture of compliance. Whilst this objective is already pursued with the current regime of audits and periodic reporting applied to each of the relevant schemes, it is intended that the SPR will further enhance compliance behaviours. SSE, like many obligated parties, has a compliance team who work to carry out their own additional compliance checks. If, as a result of this additional compliance work, we become aware of compliance risks affecting a Scheme (which may be industry-wide) then we would typically draw this to Ofgem's attention. However, if such proactive work resulted in "a black mark" in the SPR, then there is a risk that this could dis-incentivise behaviour that currently adds value to delivery of these schemes.

SSE is also keen that the SPR does not detract from other scheme-specific relationships with Ofgem. It is not desirable for the SPR to be the main route of feedback on compliance performance. Any necessary feedback should continue to be provided at the time the concerns are identified as well as being reflected in the SPR. Obligated parties should also



have the opportunity you investigate the issue themselves, and feed back to Ofgem any points of clarification to ensure that the SPR reflects the accurate position.

Finally, it is unclear how burdensome the maintenance of the SPR will be in practice. However, we are concerned that this activity may detract from the main objective of E-Serve to ensure the effective administration of the relevant Schemes. If this exercise is to be resource-intensive, and therefore costly, then we would expect that Ofgem has undertaken a cost-benefit analysis to establish that the SPR delivers value, justifying the re-allocation of valuable resource from the delivery of E-Serve's core objectives.

Our responses to the individual consultation questions are given below.

**Question 1: Do you agree with our analysis that shows that publishing the SPR will promote the interests of consumers? Please support your answer.**

We believe that publishing the SPR will have the potential to promote the interests of consumers, but it would be useful to understand whether there is genuine customer demand for this information in practice. This information is more likely to be used as benchmarking information for obligated parties, with potential interest from consumer bodies and the media. Therefore whilst this information is likely to be reviewed by "the industry", we are not clear whether there is genuine customer demand in practice.

As noted above, we consider that the maintenance of the SPR is a valuable use of E-Serve's resource, therefore we would expect that Ofgem is clear regarding the expected benefits of the SPR and how these justify this use of resource.

Should Ofgem continue with the publication of this data, it should measure how often the data is accessed and viewed to establish the benefit delivered in practice. Any change in behaviours from obligated parties should also be measured. This will enable Ofgem to measure whether the SPR is delivering a requisite level of benefit to justify the continued use of resource.

**Question 2: Do you agree with this method of scoring and the definitions we are proposing? If not, what alternatives do you suggest?**

Given the range of data needing to be captured by the scoring system, there are weaknesses that can be identified in the scoring method being proposed. The attached Annex provides specific comment to each of the proposed categories

These categories are not equally valid in demonstrating scheme compliance. It is unclear how 'Effect on industry/government/public confidence' can be consistently applied without

the risk of introducing conjecture. Nor is it clear if this is useful when the other categories should already show these impacts.

Findings made about compliance with obligations should be anchored to the legislative obligations and guidance issued under the legislation. This is important to ensure consistency and to reflect the intent of the scheme. The SPR should not be used to introduce any additional comment on supplier performance that is not directly related to these matters as this could introduce a level of subjectivity that could lead to unfair and potentially inaccurate outcomes.

The incident types should be improved in providing clearer definitions of when and how they are applied. 'Late data' can be measured by the number of instances but 'Communication' is at risk of reflecting how Ofgem would like to be contacted without considering an otherwise reasonable approach a business may want to take. If Ofgem wants to log an instance of "poor communication", then there should be clear guidance as to the expectations in this area and when communication may be non-compliant in practice.

Regarding the scoring method, SSE agrees that cumulative scores for more minor infractions should not displace more severe failures. Similarly, SSE supports the decision not to weight results based on market share. Doing otherwise would likely penalise larger Obligated Parties for schemes they are obligated to participate in and the work they must conduct as necessary. Smaller Obligated Parties would be able to avoid this work (and the associated risk) by choosing not to participate.

### **Question 3: Do you agree with the data we plan to publish?**

The examples given with 2 different sets of graphs are in keeping with the idea of not just acknowledging the number of incidents but their severity as well (Fig A1 and A2 of the consultation document). Transparency and accuracy are clear aims of the SPR and in keeping with this, scheme specific graphs should be produced to allow comparison between all participating Obligated Parties. This would also allow consumers to target their queries on the schemes closest to their own interests. A better sense of the scale of delivery could also be shown with the findings being linked to a set number of customer accounts. This would improve comparability from a consumer perspective too.

While there is the offer being made for Obligated Parties to review any findings and appeal them, the burden to do this appears too high. Having any findings objected to and successfully removed should be based on an accurate account of events and not just on whether they 'seriously and prejudicially affect' their interests. There also needs to be sufficient consideration of where an increase in findings across Obligated Parties has been the result of updated guidance, which may be indicative of a lack of clarity or understanding that ought to be addressed rather than reflected in the SPR. There would also seem little

value in reporting findings that have been given a 'zero'. This will ensure that what is presented is worthwhile, reflects true compliance issues, and does not detract attention from more severe findings that ought to be highlighted.

Ofgem has noted that it intends to report on issues as of October 2015 but this still covers a period prior to Obligated Parties having any awareness of this project. The approach E-Serve has historically taken to recording items in the SPR is not transparent, and in some cases, it may not have been readily apparent due to lack of guidance that certain issues would have been considered non-compliant (e.g. issues around communication are potentially subjective). It would therefore be preferable that the SPR covers issues that have arisen since such clarity has been made available by Ofgem.

**Question 4: Do you agree with our proposed timings of publication?**

The proposed quarterly publication is in keeping with other data reported by Obligated Parties and published by Ofgem but is not best suited for this particular project.

Given the nature of certain schemes, it may be expected to experience both periods of intense activity and more latent periods too. Warm Home Discount will have a mass application and Feed-in Tariffs has both periodic and annual submissions. These patterns may not be immediately understood and will require additional commentary depending on their scale.

So that such patterns can be adequately described and that scheme delivery can be accounted for in its entirety, it would be more effective for an annual update to be produced instead of quarterly efforts. With that being said, while the customer facing report may only be produced once a year, Obligated Parties should still have quarterly contact from Ofgem to be kept informed of which issues are likely to be included in the SPR. This allows any review to be closer to the time of the failing which is then more likely to give a better account of events. Annual publications would also fall in line with the current regime of audits and reporting too. This approach would mean that in following years it would still be possible for customers to make both year-by-year and month-by-month comparisons.

The findings provided to Obligated Parties must not only give the scores but be substantiated with the data and evidence used to inform the rating. With the detail required to be reviewed, the proposed 2 week review period is insufficient for Obligated Parties to thoroughly consider and respond to any findings.

**Question 5: Do you have any comments on the SPR webpage we propose?**

As stated in the response to Q4, the presentation appears consistent with other customer facing data but it could be augmented to give a better representation of each supplier's



position. At present, a supplier being absent from view would not equal full compliance and could easily be misconstrued without necessary qualifiers and descriptions. Ofgem should be aware that this presentation will likely distort the consumer view of the market where non-compliance could be hidden from view.

While there may be an additional CSV file attached this would not be as customer orientated in terms of accessibility. Raw data is not as informative as the segmented charts being proposed. An additional file being provided must also be consulted on in the same way Obligated Parties have had the opportunity to review the data presentation of the proposed charts and graphs.

In particular, it is not clear why some Obligated Parties would appear to be completely absent despite administering certain schemes. It would be useful to understand if the details will be entirely data driven or if any attempt at describing the details will be given alongside this. Masking performance in this way where non-compliance could be hidden is incompatible with the aim of providing improved transparency.

If you would like to discuss this in more detail then please feel free to contact me.

Yours sincerely

Josh Henderson  
**Regulation Analyst**

## Annex 1

### **Proposed categories**

**Compliance with Obligations:** This must be clearly defined as legislative obligations as these are the consistent standards that Obligated Parties must ultimately adhere to.

**Deadlines:** SSE does not agree that the *chance* of a deadline being missed can be considered as non-compliance. Only a deadline *being* missed could accurately be considered as a failing, The severity could in turn then be considered against published guidance and legislative obligations so there is full traceability between the finding the source of the contravention.

**Governance:** The definition of Governance being applied here requires more detail. From experience, such issues are better identified from audit processes and would be difficult to identify as part of the SPR checks.

**Accuracy of data:** Ofgem contacting a supplier need not necessarily result in any incident being recorded as severity rating 1. There also appears to be scope that a change in scheme guidance would result in an increased volume of exchanges with Ofgem and drive the score up further. Increased contact from Obligated Parties to Ofgem is a reasonable and expected result of clarification on updated guidance being required.

**Financial loss:** SSE can understand in principle that financial loss would eventually be picked up by the consumer and that this concern is important to the SPR itself. However, ECO can also see costs absorbed by the applicable supply chain so clarification is needed how the category will be applied to this scheme in particular.

**Effect on industry:** SSE would welcome clarification that increased communication with Obligated Parties is not considered as communication with 'interested parties'. This category would also require some bench mark to accurately track any increase in communications.