Ombudsman Services

Good for consumers – Good for business

Response to Citizens Advice consultation on Energy Supplier Rating

8 September 2017

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Citizens Advice - Consultation on Energy Supplier Rating

Ombudsman Services' (OS) response

OS welcomes the opportunity to respond to the consultation. The consultation sets out a number of questions and OS intends to respond to questions 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 16:

Proposed new performance information

Question 1: Do you agree with our aim to introduce changes from December 2017?

Our extensive experience as a multi sector ombudsman tells us that well informed consumers make better choices. While consumers are now able to quickly access comparison information online from a variety of sources, a large proportion of the data available still tends to focus primarily on price factors. In the energy industry, research carried out by Which?[1] showed that after price, customer service is the most important factor for consumers when choosing an energy supplier. Similarly, research published by Populus[2] suggests that customer service is more important to consumers than price. As price comparison websites do not usually provide data on customer service performance, consumers would normally need to proactively seek this information out from other sources such as the regulator, the ombudsman or from the suppliers' own websites. This can be problematic, as these organisations often look at different data sets from one another, covering different periods of time, which can create a confusing picture for consumers. We therefore fully support the work that Citizens Advice is doing in this area to pull together data from a variety of sources in order to provide a single place for consumers to visit to obtain energy supplier performance information. Citizens Advice's plans to introduce the proposed changes from December 2017 appear sensible.

Question 2: Do you support our proposed threshold for mandatory inclusion in the

[1] http://www.which.co.uk/reviews/energy-companies/article/best-and-worst-energy-companies.
[2] Populus, 'The sluggish, the savvy and the downright promiscuous: The truth about energy customer behaviour', April 2016.

rating of 50,000 domestic customers?

Broadly, yes. We note that the current iteration of the tool provides a rating for only 18 suppliers. While this accounts for a significant proportion of market share, as the consultation document points out, the coverage in terms of the number of suppliers included is actually quite low.

A rating system which does not show full market coverage will always carry the risk of being misinterpreted by consumers who might incorrectly assume that the excluded suppliers have failed meet minimum performance standard for example. We are pleased to see that the tool clearly advises consumers that 'If a supplier doesn't have a star rating it means we don't have enough information to rate them yet'. However, we would highlight that in the price comparison section of the Citizens Advice website, where the performance ratings are also used, where the supplier is not within the scope of the tool the website simply states 'no rating' next to the supplier's name. Citizens Advice may wish to consider including an explanation here to help avoid any confusion.

Clearly the more suppliers that Citizens Advice is able to bring within the scope of the rating system, the more beneficial this will be for consumers, so on this basis we support any change that would help to achieve this. While reducing the threshold from companies with over 150,000 companies to those with over 50,000 is no doubt a positive move, there will obviously be a significant proportion of suppliers still excluded from the tool so we would encourage Citizens Advice to continue to explore ways in which it can address this issue to ensure the widest coverage possible.

Question 3: Do you support the voluntary inclusion in the rating? Do you support our proposed requirements for suppliers wishing to join?

As stated above, Citizens Advice's ultimate aim should be, in our view, to bring as many suppliers as possible within the scope of the comparison tool. However, clearly some smaller suppliers would currently be unable to meet the data and reporting requirements necessary for inclusion in the rating system. On this basis, the voluntary approach that Citizens Advice is suggesting seems sensible, with suppliers having to demonstrate to Citizens Advice that they have the ability to provide the necessary

information. Smaller, less prominent suppliers who have a strong focus on customer service could actually use voluntary participation as an opportunity to promote themselves to new customers via the tool. We would therefore encourage Citizens Advice to work proactively with these companies to ensure that they understand the potential benefits of voluntary inclusion to try to maximise the take up of this option.

Question 5: Do you agree that accuracy of bills is a suitable metric for assessing billing performance? Do you have views on which of the options for measuring bill accuracy is most appropriate?

Question 6: Do you consider that timeliness of bills is a suitable metric for assessing billing performance

OS agrees that accuracy and timeliness of bills are both appropriate metrics for assessing billing performance. In 2016, OS resolved 4,701 complaints related to billing accuracy, which represented 11% of total energy complaints resolved by OS that year. For the same period, we resolved 7,158 complaints in relation to late or delayed bills, which represented nearly 17% of total energy complaints resolved by OS in 2016. These are clearly areas where customers experience issues on a large scale and as such we believe that these metrics would be key differentiators for many consumers.

In respect of the billing accuracy metric, we would favour Option 3 which reflects that a meter reading has been obtained within the previous 6 months for smart meters, and within the past 12 months for standard meters. While Option 2, a 6 month period across all meter types, is more ambitious and would hold suppliers to a higher standard, there is a risk that this could unfairly disadvantage those suppliers who currently have a lower portfolio of smart meters. Clearly all suppliers should be aiming to move as many of their customers as possible onto smart meters by 2020, but we must consider this is a voluntary initiative which requires the agreement of the consumer. On this basis, we feel that the hybrid approach suggested in option 3 is the fairest option at present. However, we would suggest that Citizens Advice keeps this under review, as the proportional mix of standard and smart meters in place will no doubt change significantly over the coming years as the roll out progresses.

Question 7: Do you favour using timeliness, accuracy of bills, or both, as metrics of supplier performance on billing? Are there other metrics that we should have considered?

We note that the current iteration of the tool also looks at 'Ease of understanding bills' and uses qualitative consumer research data to score this metric. We would be keen to see Citizens Advice retain this measure as, together with timeliness and accuracy of bills, we believe that this provided a well-rounded picture of overall billing performance, with consumers at the centre.

Question 8: Do you agree that the Guaranteed Standards are an appropriate measure of supplier performance for prepayment?

Question 9: Do you support Option 1 (including prepayment where suppliers have sufficient PPM customers)? Do you support the proposed thresholds?

Question 10: Do you support Option 2 (scoring all suppliers according to billing performance only)?

The standard metrics used to calculate a company's billing score would obviously not be applicable to prepayment customers as these measures focus on accuracy and timeliness of bills, which prepayment customers do not typically receive. If Citizens Advice were to choose Option 2 and score all suppliers according to the standard billing score metrics, this would obviously result in suppliers being assessed on different percentages of their customer base depending on the proportion of standard/ prepayment customers they have. For those suppliers specialising in prepayment, this could result in their billing score being calculated based on a relatively low percentage of their actual customers. We can therefore appreciate why Citizens Advice is exploring ways in which it can include prepayment customers in its 'billing performance' scoring system.

However, we have considered the proposals under Option 1 which suggest that if a company has over 25% of its customers using prepayment services, the billing score calculations will include metrics relating to the company's performance against The Electricity and Gas (Standards of Performance) (Suppliers) Regulations 2015. We note that these standards largely relate to the action a supplier must take to fix a faulty prepayment meter. OS does not believe that that these are appropriate metrics for measuring billing performance as they appear to relate more closely to customer service provision. Similarly, the consultation document suggests some other prepayment metrics including availability of emergency credit, and whether prepayment

meters are functioning properly. Again, we do not see these as appropriate 'billing performance' metrics, and we believe that they would be more suitable metrics for measuring customer service quality. One metric suggested in the consultation; *'tools and services available to help customers understand their usage'* is something that we think would be appropriate for calculating this score. However, this on its own would not be sufficient for measuring billing performance for prepayment customers. On this basis, if the consultation fails to elicit any more suitable suggestions for prepayment billing metrics then, on balance, we would favour Option 2.

Question 11: Do you support our focus on telephone support as the key route for consumers to contact their supplier? Do you support our proposed metric in this area (average wait time for telephone services)?

OS agrees that this is an important metric to include. Anecdotally, through our case work we frequently hear from frustrated customers whose issues have been exacerbated by difficulties getting through to the supplier over the telephone with long periods left on hold.

As suppliers commonly have multiple telephone numbers, we would recommend that the phone line used for this metric is the customer services telephone number rather than, for example, the sales number as this should give a better indication of how quickly existing customers can contact the supplier should issues arise, rather than how fast the company is in answering the telephone to prospective new customers.

Question 12: Do you support the option to include additional contact methods in the scoring for some suppliers? Do you support the proposed threshold for including additional channels?

OS agrees that Citizens Advice should include additional contact methods in its scoring system. In today's omnichannel world, with more and more consumers opting to complain via email or webchat, there would certainly be value in looking at how promptly suppliers respond via these alternative forms of contact.

Looking at OS's own contacts for example, we currently receive around 35% of these via telephone and around 65% through email and other channels. Therefore, an assessment of telephone contacts alone would only give a partial picture in respect of

our customer service response times. The proposed threshold of >25% of contact via alternative methods seems a sensible approach.

Question 13: Do you agree that changing the weighting of OSE cases would better reflect consumer outcomes? If not, please provide your reasoning.

OS notes that the current metric around cases which come to our service only includes cases which have reached 8 weeks without a resolution, and excludes cases where a deadlock letter has been issued by the company. The consultation proposes bringing deadlocked cases within the scope of the metric.

OS supports this approach. In many of the cases that come to our service due to being unresolved within 8 weeks, we see that there were opportunities for the company to have resolved matters much sooner for the complainant and the delays have resulted from poor customer service and complaint handling. Cases which come to our service after a deadlock letter has been issued, however, tend to be more complex cases where there is some fundamental disagreement between the consumer and the supplier which requires intervention from the ombudsman as an independent third party. We can therefore appreciate why Citizens Advice has previously focussed on the latter group of complaints. However, in deadlocked cases, we must consider that the supplier may have made an incorrect decision on the case which still represents poor complaint handling. It therefore seems sensible to begin to include deadlocked cases in the metric.

The consultation document proposes removing cases which are 'not upheld' from the scoring. OS agree with this approach. In respect of deadlocked cases this would exclude cases where the company acted appropriately in the first instance and the dispute has arisen due unrealistic expectations on the part of the consumer for example. For cases which come to our service after 8 weeks, even if the original issues giving rise to the complaint are not upheld, if there have been unnecessary delays or poor customer service on the part of the company, OS would generally make a small goodwill award to the consumer in recognition of the shortfalls experienced. This would result in the complaint being recorded in one of the other uphold categories and so it would not be exclude from the scoring as a 'not upheld' case. The metric would

therefore, appropriately, include the type of cases discussed above where the company has simply failed to deal with the issues within a reasonable timeframe.

Finally we note that Citizens Advice is minded to change the relative weightings of the upheld, maintained and settled categories, and intends to consult on this further in due course. We see no issue with this in principle and look forward to seeing the precise proposals in due course.

Question 16: Are there any other changes to the supplier rating?

One additional point we would like to makes is that one of the challenges of enabling consumers to utilise supplier performance information is a general lack of awareness and uncertainty of where to find this. While the continuing development of the supplier comparison tool will undoubtedly be helpful in making useful information more readily available for consumers, the consultation document does not outline how Citizens Advice intends to bring consumers to its website so that they actually utilise this resource.

OS would suggest that a proactive awareness-raising strategy is crucial to ensuring that consumers are aware of the information available to them and can take full advantage of the positive work that Citizens Advice is doing in this area.

OS is happy to discuss our comments in more detail.

Yours sincerely

Matt Vickers
Deputy Chief Ombudsman

8 September 2017

Annex A - About Ombudsman Services

Established in 2002, The Ombudsman Service Ltd (TOSL) is a not for profit private limited company which runs a number of discrete national ombudsman schemes across a wide range of sectors including energy, communications, and property.

We are an independent organisation and help our members to provide independent dispute resolution to their customers. Each scheme is funded by the participating companies under our jurisdiction. Our service is free to consumers and, with the exception of an annual subscription from Department of Energy and Climate Change (DECC) for the Green Deal, we operate at no expense to the public purse. OS governance ensures that we are independent from the companies that fall under our jurisdiction and participating companies do not exercise any financial or other control over us.

We have in the region of 10,000 participating companies. Last year we received 246,274 initial contacts from complainants and resolved 72,652 complaints. We saw a year on year increase in complaints of 118% between 2013 and 2014 and a further 35% increase between 2014 to 2015. In the energy industry alone we witnessed a 336% increase in complaint volumes between 2013 and 2015. The company currently employs more than 600 people in Warrington and has a turnover in excess of £30 million.

In July 2015 the EU Alternative Dispute Resolution Directive (the ADR Directive) came into force requiring all member states to ensure that ombudsman or ADR schemes are available in every consumer sector. The Department for Business Innovation and Skills, the government department responsible for implementing the ADR Directive in the UK, called upon the market to plug the gaps where no ADR provision existed and to coincide with this in August 2015 we formally launched our new portal (http://www.consumer-ombudsman.org). The launch of this website was welcomed by

BIS and means that consumers can raise a complaint about a product or service in any sector where there is no existing redress provision - including retail, travel and home improvement.

Our complaints resolution service operates once a company's own complaints handling system has been exhausted, and we have the authority to determine a final resolution to each complaint. Our enquiries department handles primary contacts and makes decisions on eligibility. If a complaint is not for us, or has been brought to us too early, we signpost the consumer and offer assistance. Eligible complaints are then triaged. The simplest can be resolved quickly, usually by phone in two or three hours. Around 10% are dealt with in this way. For the majority of complaints we collect and consider the evidence from both parties, reach a determination and seek agreement; about 55% are settled like this. The most complex cases require a more intensive investigation; they may require more information and lead to further discussion with the complainant and the company to achieve clarification. The outcome will be a formal and binding decision.

We are 'Good for Consumers and Good for Business'.

For consumers, we offer a free, fast and accessible form of civil justice with no requirement for legal representation or specialist knowledge, and with a particular focus on access for vulnerable consumers. We ensure that complaints are dealt with swiftly in an impartial manner, and we make decisions based on what is fair and reasonable rather than narrow remit of the law.

For businesses, we offer a fast and low-cost alternative to the courts, and make decisions based on expertise in industries. By looking to resolve disputes, we promote brand loyalty and repeat purchasing as well as building reputation and trust. We offer guidance on improving standards of service hence sharpening competitiveness. We go beyond individual complaints to find broader trends which can be a source of innovation.

More broadly, we provide an efficient and effective means of addressing consumer detriment and building business capability without recourse to the public purse. We

take pressure and cost away from small claims court and legal system and help to build consumer confidence which bolsters the economy.