

Energy Sector Report

January to December 2019



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Energy Sector Report

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Welcome

It is fair to say that the energy sector is facing significant challenges - both at present but also set to impact in the longer term.

In 2019, we saw a number of energy suppliers fail. On each occasion, this required Ofgem to appoint a Supplier of Last Resort (SoLR) to ensure continuity of gas and electricity supply for affected customers. The process was successful in ensuring they continued to receive their energy supply, however, we've noted areas for improvement in policy and an inconsistent approach taken by each Supplier of Last Resort company, leading to customer complaints. We organised workshops to address key challenges and formulate actions to improve consistency and ultimately fairness for customer complaints.

We were pleased to see an increase in the number of companies using our Facilitated Complaint Resolution (FCR) process - we saw an increase from 8% in 2018 to 23% during 2019. FCR enables us to make a decision or resolve a complaint without the need for a full investigation.

We've witnessed increased competition in the market with the entry of several new, smaller service providers, often equipped with innovative ways of serving their customers. However, at times some new entrants have struggled to meet the demands of their customers. And while in recent years, suppliers have made strides to better serve the needs of customers whose circumstances may make them vulnerable, there is a general acceptance that there is more to be done.

In the longer term, we expect to see a considerable amount of change within the energy sector, both in terms of how energy is generated and with the increased demand for sustainable, clean energy sources. We also expect to see changes with how customers are billed for their energy usage, as the sector moves to a net zero carbon model. Innovation offers some exciting new possibilities to transform the way services are delivered to customers, but they need to be placed at the heart of the changes we will see to ensure minimal disruption.

We have an important role to play in helping the energy sector to meet these challenges. With this in mind, it has been our great privilege to work with the participating companies, Ofgem, Heat Network and other organisations to help identify the problems that may be causing customers to complain and to better understand how they can be overcome. It has been great to receive so much positive engagement from the sector in 2019 and we look forward to continuing this work with our stakeholders in 2020.



Read the full 2019 Annual report and accounts



68,523

initial contacts inside terms of reference

48%

of complaints
we received
had evidence
of signposting

99.2%

of energy complaints
were resolved
within SLA

56,978

energy cases
were resolved in

2019

We secured

40

pieces of online
and broadcast coverage
for our news story
on complaints
relating to switching
energy providers

Consumer Action Monitor



We published our sixth annual Consumer Action Monitor (CAM) report in 2019.

What is the CAM report?

The CAM report contains valuable data and insight outlining consumer attitudes to customer experience and complaint handling of companies within the energy and communications sectors.

The Consumer Action Monitor report (CAM) is the most comprehensive, multi-sector survey of its kind in the UK. It's recognised as an industry-leading tool, providing us with valuable insight.

How does it work?

We commissioned more than 4,000 online interviews with consumers across the UK to get their views.

The focus for 2019's report was Implicit Attitude Testing (IAT) and the areas below:

- 1. The impact of, and expectations around, new technology.**
- 2. Millennial attitudes and how generations approach complaints.**
- 3. The need for businesses to recognise and address consumers in vulnerable circumstances.**

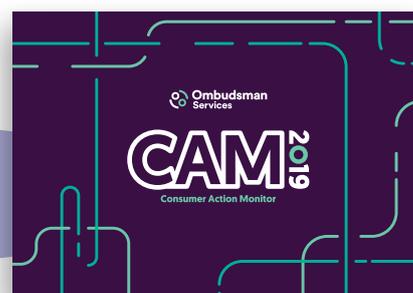
We dug deeper thanks to the use of IAT technology, keen to understand the emotional drivers that influence consumers to decide whether and how to complain.

What about the energy sector?

Overall, 2019 saw the year where consumers showed more confidence in vocalising their complaints, whether it was criticising a company on social media, directing the complaint back to their supplier, or escalating it to a third party for a more formal resolution.

Deeper, meaningful insight into the data also provided an opportunity to look beyond the stats, helping to transform customer experiences and empower businesses to develop long-term trust with their customers.

[Read the CAM 2019 here](#)



Headline findings included:

Of the **4,000** people interviewed
74% made a complaint about the energy sector

28% found their problem difficult to get resolved, below sector average

Over half of people
54% said they don't know where to take an energy complaint if something goes wrong

40% of people who had an energy complaint think complaining is a waste of time



Ombudsman Services Conference 2019

Our first conference took place in June 2019. It focused on putting consumers at the heart of markets and driving behavioural change within businesses to build consumer trust and confidence.

The event drew together a community of stakeholders from across a range of sectors including energy with senior representation from consumer groups, charities, businesses, regulators, policymakers, behavioural psychologists, innovators and academics.

We showcased key findings from our Consumer Action Monitor (CAM) research, to help guide discussions around the areas below:

- Technology and innovation.
- Trust.
- The gap between customer expectation and experience.
- Millennials and their impact on changing the consumer landscape.
- Vulnerability.
- Behavioural psychology.

Popular sessions included:

- **Harnessing technology whilst recognising customer wants and needs** led by Martin Boon, independent researcher at Deltapoll and our CAM report pollster.
- **The transition from vertical trust (trust in businesses, government, etc) to horizontal trust (the influence of social media)** led by Will Higham, one of Europe's leading consultants on future trends in consumerism.

All respondents said they'd be interested in attending our 2020 conference.

Following the conference, all respondents gave an overall star rating of at least

3 out of 5

30%

awarded the conference a **five star rating**



Meetings with our energy providers

We maintained engagement with our business customers and our Relationships Managers attended a number of face-to-face meetings with approximately 90 energy sector companies during 2019.

Energy sector liaison panel events

We held two events for our member companies focused on key issues in the energy sector, with up to 47 companies in attendance. We covered the areas below:

- Business updates [breaking down financial information, service and quality metrics, forecasts and including news of existing and new projects and new staff appointments].
- Reviews of complaints data.
- Sector feedback.
- Insight into complaint trends.

SME support and insight

We held a fringe event at the Conservative party conference to advise how to help build trust amongst energy SMEs by improving the protections available for them so they can get on with running their business.

Building consumer trust

We held a fringe event at the Labour party conference and facilitated a debate into how to build consumer trust in the energy sector by delivering better outcomes for consumers. We also produced an accompanying research report,

[How can we build trust and protect consumers in the energy sector](#).

Supplier of Last Resort (SoLR)



During 2019 we saw several energy suppliers cease trading and lose their supply licences. Through its Supplier of Last Resort process, Ofgem appointed alternative energy companies to provide gas and electricity to affected homes and businesses. The process was successful in ensuring consumers continued to receive an energy supply, however, some were negatively impacted.

For example, the Supplier of Last Resort process guarantees that consumers will receive any outstanding credit on their account, but we saw examples of long delays in consumers receiving refunds as well as consumers disputing the amounts that they were owed. It appeared that the refund claim process was heavily influenced by the administrator chosen to oversee the closure of the failed energy company.

We were unable to help all consumers affected by their supplier ceasing trading. Our terms of reference only allow us to consider complaints from consumers who are or who've been trying to be a customer of a supplier.

What does this mean?

This means we were unable to accept complaints from consumers who were owed a credit balance, but who had transferred away from the failed supplier before the Supplier of Last Resort procedure had been appointed.

Many consumers of failed suppliers had other outstanding issues - for example, some believed their bills were incorrect or there were unresolved problems with their supply or meter. These consumers understandably expected resolutions but couldn't get answers from failed suppliers, and the new suppliers were only responsible for problems with credit balances or the new account.

Policy improvements needed

The Supplier of Last Resort process ensures continuity of supply for consumers. However, we've noted areas for improvement in consumer protection policy and we feel improvements could be made to the process to ensure all consumers can pursue their unresolved complaint.

What we did

We worked with our partners Ofgem and Citizens Advice to draw up some minimum expectations around how suppliers should manage these situations to minimise detriment. We also published the actions we would take relating to supplier failure complaints.

We worked closely with each Supplier of Last Resort to encourage appropriate outcomes for consumers, but noticed the inconsistency of approach, with some failed suppliers struggling to meet minimum standards, while others went above and beyond what they formally had to do.

To improve consistency across the industry to minimise consumer detriment, we arranged a Supplier of Last Resort workshop with key industry stakeholders. This allowed us to understand the challenges and come up with an action plan to improve consistency which we'll discuss in future Supplier of Last Resort meetings with stakeholders.

Backbilling



Once again, data shows billing is the most frequent complaint type we saw within the energy sector during 2019. Delving deeper, we continued to see inconsistency in approach with backbilling across the sector, after the introduction of the new licence condition in 2018 which meant consumers received different outcomes.

What types of backbilling issues did we see?

Specifically, we saw examples of:

- Suppliers failing to apply a backbilling reduction in situations where it'd failed to complete an accurate direct debit review within a 12-month period.
- Suppliers confusing rationale for a reduction with the previous standards contained within the Code of Practice for Accurate Bills.

A number of requests were also received from suppliers asking for us to provide clarity on our position on backbilling. As the Ombudsman, we consider it vital that all consumers receive fair outcomes and we saw this an opportunity to drive improvements in billing within the energy sector.

What we did

To assist suppliers and provide consistent outcomes, we outlined our position on the main types of backbilling scenarios we came across with partner organisations Ofgem and Citizens Advice. We outlined our position, providing clarity to suppliers at the Sector Liaison Panel meeting in September. We also ran a workshop at the meeting to discuss different scenarios, getting the views from our suppliers. After the workshop and after providing another opportunity for suppliers and stakeholders to provide feedback, we updated our partners website with information on our backbilling position and common backbilling scenarios.

Throughout the year we also worked with individual suppliers, providing assessments and workshops to provide more guidance. These sessions were well-received and demonstrates our commitment to improve the sector for all consumers and not just those who use our service.

Complaint handling



2019 saw a marked increase in the number of suppliers using our Facilitated Complaint Resolution (FCR) process which has improved through new functions on our Content Management System (CMS). Overall FCR increased from 8% in 2018 to 23% during 2019.



What does this mean?

Consumers can achieve a quicker resolution for what is usually a straightforward complaint. While it's beneficial for individual complaints to be resolved as quickly as possible, we always encourage suppliers to learn from complaint resolutions through FCR and encourage them to resolve the complaint.

We saw a drop in overall signposting rates during 2019 - it fell from 51% to 48%. This means fewer than half of customers who successfully register a complaint, have been properly signposted by their supplier in a timely way. This is mainly down to an issue we saw with smaller suppliers. It's vital that all consumers are given clear information on how to get an independent view on their energy-related problems.

Signposting information must be given at the appropriate time to ensure the Alternative Dispute Resolution (ADR) process is effective and available for all. We'll keep working with individual suppliers on this and fully support improvements in this area.



Helping our non-domestic consumers



We offered our insight and services to help better deal with energy complaints affecting the micro-business retail market in 2019. In May 2019, Ofgem launched a review of this market; we recognise that smaller businesses experience many of the same issues as domestic consumers and that they also need access to a competitive retail market as well as protection.

What we did

We provided a comprehensive consultation response to the review where we highlighted that a common complaint was around allegations of mis-selling from the brokers. At present, while we need an energy contract to be voided before we can consider if a consumer has been misled, we can't take direct action against the broker itself or engage with the brokers to help with preventative work. This is a missing element; we see no reason why a consumer should receive less protection because of how they've chosen to purchase their energy supply, so we're ready to work with Ofgem on this.

We also introduced a designated investigation team focusing solely on complaints from micro-businesses so we could build a bank of knowledge and insight in this area. We split part of our sector liaison panel meeting between domestic and non-domestic suppliers and at our first session in December 2019 we discussed the theme of deemed contracts which prompted lively debate.

We recognise that there are a considerable number of businesses which aren't covered by ADR due to their size. Currently, we turn away a section of the market who don't fulfil Ofgem's microbusiness criteria, unlike the Financial Ombudsman, who can accept complaints from Small and Medium Enterprises (SMEs).

“ In last year's report, we identified that nearly a third of all small and medium enterprises surveyed think they get an unfair deal compared to residential customers when buying and using essential services. ”

Nearly half the respondents said their business would benefit from additional support when resolving disputes.

We'll continue pushing for a fairer outcome for our non-domestic consumers going forward.

The road to net zero



We've been turning our attention to what the future of ADR will look like in the energy sector - developments in technology, consumer behaviour changes and government objectives to achieve a carbon-neutral state by 2050, are key considerations.

We want to ensure consumers choosing greener energy aren't left behind and that they're protected.

Already at the forefront of heat networks; we provide solutions for consumers whose supplier has signed up to the Heat Trust Scheme, the independent consumer champion for heat network consumers. We welcome the government's plan to bring heat networks within our remit and that of Ofgem's.

Our contribution so far

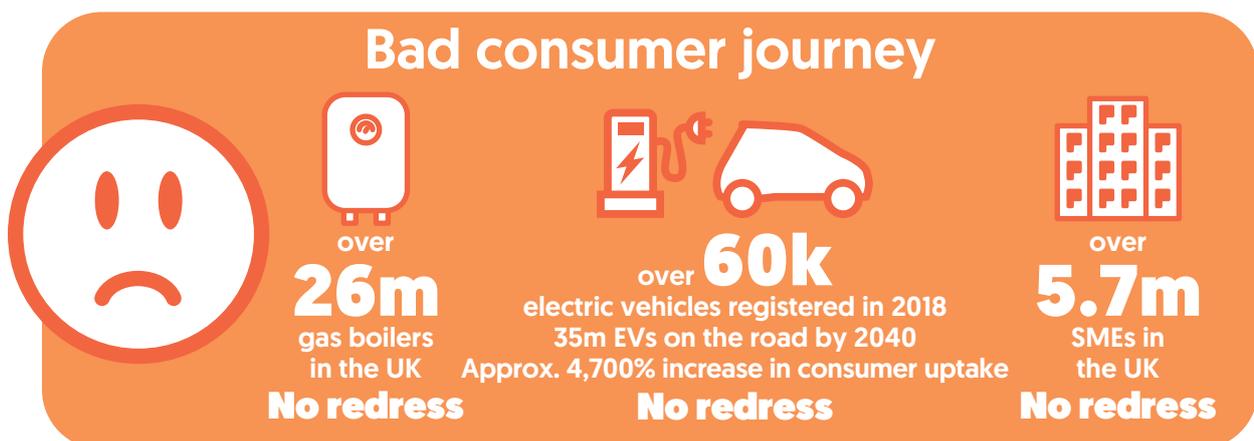
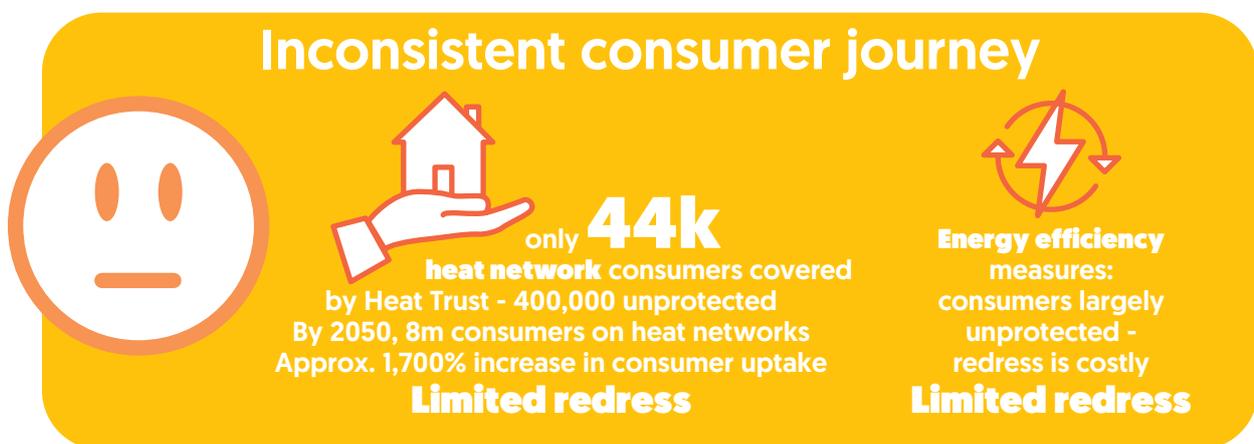
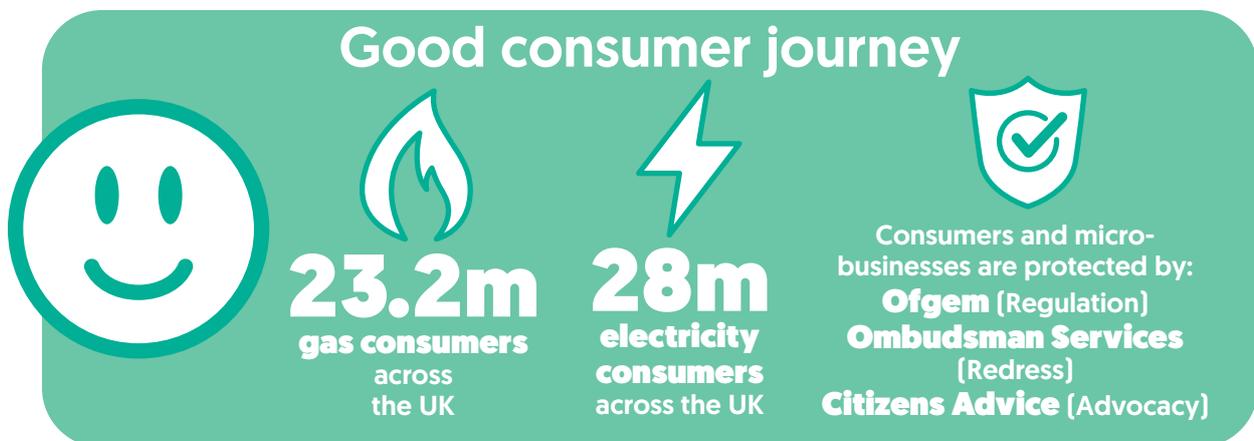
- We've worked with Heat Trust by providing data and insight into common complaints we see.
- We attended meetings with Heat Trust and its registered members to discuss complaints and share industry best practice to improve the customer journey. We're part of a working group with the Department for Business, Energy and Industrial Strategy (BEIS) that discusses the regulation of the sector and we share our expertise and knowledge to ensure fairness and consistency for consumers receiving energy on a heat network.

Next steps

We've also been in discussion with the regulator Ofgem and part of our work plan for 2020 sees us researching this area and establishing links with relevant stakeholders to inform future policy.

We predict there'll be a number of areas where consumers won't be able to seek redress which includes electric vehicles and gas boilers.





As you can see, currently there are a significant number of consumers who either receive an inconsistent or bad consumer journey because there's a lack of support for them to get a solution. Without change, these numbers will only increase. Using our experience in the energy sector we are well-placed to work with Ofgem to ensure minimal consumer detriment as technology develops.

In the news



Energy switching complaints

A sharp increase in complaints relating to switching energy providers was made in 2018 - 3,352 in total. In April 2019 we issued a press release about this, generating the coverage below:

More than 40 pieces online and via broadcast

An appearance on BBC Radio 4's flagship consumer affairs programme, You and Yours

A live studio interview on ITV News



Complaints about a major energy supplier

In May we appeared on primetime national TV - BBC One's Watchdog - discussing viewer complaints about a major energy supplier.

The collapse of small energy suppliers

The Guardian

Mirror

FINANCIAL TIMES

The Telegraph

BBC

sky NEWS

THE Sun

Our reaction to this area was used consistently throughout the year by national media including the BBC, The Guardian, Daily Telegraph, The Sun, Daily Mirror, Sky News and Financial Times.

Regular industry news column

Our CEO Matt Vickers started a regular online column for Utility Week.

Policy announcements

We secured coverage on BBC News and The Guardian relating to policy announcements by Ofgem, Citizens Advice and other stakeholders.

Customer satisfaction



Service complaints

The number of complaints received about our service in 2019 was 1,213 - up from 860 in 2018.

We upheld 83% of the complaints referred to us in 2019 - up from 74% in 2018.

The Independent Assessor considered 129 cases in 2019 - up from 83 cases in 2018. 90% were upheld or justified and so had merit, up from 78% in 2018. We handle in excess of 74,000 cases a year to the business overall, so a large majority of which are not directed to the Independent Assessor.

Energy complaints



Areas of improvement

Our customer relations team have taken a collaborative approach to complaint feedback in 2019, pooling our data with other business areas to improve insight and highlight the main causes of dissatisfaction for customers, helping to make these a priority for action.

One of our main priorities for 2019 into 2020 was to focus on our relationships; to support this, we've worked on improving our customer experience.



In response to the Independent Assessor's feedback, we appointed a Customer Experience Manager in Q4 of 2019 to manage this. They're acting as a 'Customer Chair' and can consider the customer impact, whilst ensuring our relationships and services are built with all our them in mind.

We also created new surveys which were sent to our energy business partners in Q4 2019 to gain benchmark customer experience scores. We looked at Customer Satisfaction scores [CSAT], Customer Effort Score [CES]* and Net Promoter Scores [NPS]*. These scores allow us to understand how satisfied partners are with our services, how easy they find it to use our services and how likely they are to recommend our service to others.

In Q1 2020, results from Participating Companies [PCs] survey results showed the sector is largely happy with the improvements we've made during 2019 and continue to make.

Results at Q4 2019 stood at:

Customer Satisfaction Scores (CSAT): 61.2%

Customer Effort Score (CES): -18.2%

Net Promoter Score (NPS): -29.2%

These scores allow us to understand how satisfied they are with our services, how easy they find it to use our services and how likely they are to recommend our service to others. Customer surveys will be launched in Q1 2020.

** NPS and CES are calculated via a net equation and can range from -100 to +100. Anything above 0 is considered 'good'.*



Improving backbilling knowledge and process

We identified that a supplier had been struggling with backbilling cases and we were dealing with the majority of these as complaints.

We decided that the supplier should apply a backbilling reduction in cases where it'd previously told the customer that a reduction didn't apply, when in fact it did.

We had previously run separate workshops with two suppliers in which general understanding of backbilling was discussed, along with working through some scenarios.

We reached out to the supplier who welcomed our support. Firstly, we wanted to get a better understanding of how the supplier worked out backbilling complaints, so we sent a backbilling assessment before meeting them. This was to test they had the basic required level of understanding of how to deal with backbilling.

A 'pass' mark was set with the decision that only those who reached this, could attend our workshop. We were able to tailor sessions for the specific needs of the supplier to make sure workshops were relevant.

After concluding the assessments, we visited the supplier to deliver the interactive session. These are the areas we covered:

- A general overview of backbilling.
- A run-through of the assessment questions explaining the reasoning behind the answers.
- Going through multiple scenarios covering a variety of backbilling case studies.
- One supplier requested we looked at their process for calculating backbilling, which we did, and we provided input into improving their process.

The supplier was extremely grateful for the session. They applied their learning, and as a result we've seen a significant improvement in their backbilling cases.



Heat Network misinformation

The consumer contacted their energy provider as they were receiving intermittent hot water. In late December 2018, one of the provider's engineers arrived at the consumer's property to look at the Heat Interface Unit (HIU). They noticed that the heating valve was stuck half-open, so fixed the valve and the consumer was able to access hot water as normal. The engineer explained that the heat plate had scaled up and the consumer would need the scale inhibitor to be replaced before the next appointment in early January 2019. The engineer then disconnected the supply, leaving the consumer with no heating or hot water for two weeks over Christmas.

The consumer bought a new scale inhibitor and arranged for a plumber to fix the part, therefore following the advice of the engineer. In total, this cost over £249.

In early January 2019, another engineer arrived at the property as scheduled and told the consumer there'd been no reason to disconnect the supply in December. The issue with the valve that was fixed in December 2018 also resolved the issue with the heating and hot water, so there was no need to replace the scale inhibitor.

In response to the complaint, the energy provider explained that their engineer found that the original de-scaler was over five years old and due to its age it'd need to be changed to help protect the primary heating element of the HIU, but this was not urgent.

The energy provider explained that the de-scaler is the responsibility of the consumer so it wouldn't cover the cost of this part of the cost of the private plumber, as it was the consumer's choice to use this service.

The complaint was escalated to us; once we'd reviewed the engineer's report from December 2018, it confirmed they'd incorrectly advised the consumer to replace the scale inhibitor. Looking at receipts for the part, we could see the consumer decided to replace the part on the same day, which suggested significant importance had been placed on them to replace it.

The consumer was without heating and hot water for two weeks. The second engineer who attended in early January confirmed that there'd been no reason for the new part, and subsequent work. There'd also been no reason for the supply being disconnected either.

We were satisfied that the incorrect information had been provided by the original engineer, resulting in unnecessary costs for the consumer. The fact that the supply had been disconnected was a service shortfall, too.

We decided the energy company should provide a payment to cover the costs incurred, as well as a time and trouble payment to reflect the time the consumer didn't have heating and hot water.

Energy sector highlights 2019



Total initial contacts

68,523*

* Inside terms of reference.

How these contacts got in touch

26% phone 

74% written 

of those written contacts

 **2%**
letters

 **4%**
emails

 **62%**
web forms

6%
other

Complaints resolved

56,978

of the complaints resolved

57% upheld

The complaint was justified but we considered the actions taken by the company to resolve the complaint were insufficient. Additional action was required.

9% not upheld

The company had not made a mistake and had treated the complainant fairly. There was no basis for the complaint and no remedy or award was required.

23% settled

An agreement is reached between the complainant and company, after the complaint came to Ombudsman Services but prior to an investigation outcome.

11% maintained

The complaint was justified and we considered the actions taken by the company to resolve the complaint prior to the case being accepted for investigation were fair and reasonable. We required the company to maintain the offers already made but we did not require any additional action.

Average time to respond to a complaint

28.5 days

Key performance indicators (KPIs)

100%

 of correspondence actioned within 10 days

65.3%

 resolved in under 4 weeks

97.2%

 resolved in under 6 weeks

99.2%

 resolved in under 8 weeks

Top complaint types

billing

payments and debts

customer service

Awards and remedies

 **1%**
financial

 **8%**
non-financial

 **91%**
both





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