

Review of the Ombudsman Services response to the Lucerna report of Ombudsman Services: Energy

Final – 23 December 2016



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1. Purpose

This paper details the activities completed by Ombudsman Services: Energy in response to the Lucerna report and the progress that has been achieved working jointly with Ofgem and other key stakeholders including Citizens Advice.

2. Executive Summary

The Lucerna report highlighted three broad recommendations: the roles of the ombudsman and the expectation of Ombudsman Services: Energy (OS: Energy) for fulfilling these, improved management and more effective use of data and ensuring the correct skills are available to deliver the full benefits for consumers.

OS: Energy responded to the review by establishing a joint working group with Ofgem and agreeing seventeen shared objectives in response to the recommendations.

The two organisations worked collaboratively with Citizens Advice (CA) and the Department for Business, Energy and Industrial Strategy to create a new way of working across the industry. Both this approach and the scope of the objectives go beyond the recommendations of the Lucerna report and create a platform for further collaborative working in the future.

The key changes resulting from this are:

- Structural changes within Ombudsman Services to focus more on the capability required to fulfil the broader ombudsman role, specifically:
 - Refocusing the management information team to ensure the appropriate capability to provide insightful analysis rather than just reporting of data;
 - Creation of an External Ombudsman team led by the Energy Ombudsman, a Stakeholder Manager role to support key stakeholders such as Ofgem and CA and realigning business relationship managers to partner with key suppliers and progress tailored joint business plans based on a framework of enhanced activities; and
 - Increased emphasis on policy development across the whole sector.
- A revised framework to measure the performance of OS: Energy, combining monthly operational performance indicators, quarterly customer satisfaction, six-monthly supplier satisfaction, annual stakeholder satisfaction, and an annual benchmarking exercise;
- Monthly Tripartite Engagement between Ofgem, CA and OS: Energy to identify early warning signs across the energy sector to support energy providers and in turn minimise consumer detriment; and
- A revised Memorandum of Understanding between Ofgem and OS: Energy.

3. Background

Ofgem commissioned Lucerna Partners to carry out a strategic forward looking review of Ombudsman Services: Energy in the context of the requirements of the new Alternative Dispute Resolution (ADR) Regulations and the Consumer and Estate Agents Redress (CEAR) Act, 2007.

Ombudsman Services: Energy (OS: Energy, referred to as OSE in the review) worked with Lucerna Partners to enable them to complete the review.

The review was carried out in May 2015 and published by Ofgem on 23 September 2015.

The review concluded that:

- *there has been a particularly challenging environment for OSE over the past three years with significant increases in case numbers;*
- *OSE has performed well in meeting core case handling targets and in resolving individual complaints; and*
- *OSE has appropriate quality assurance processes in place.*

However:

- *the transition in case management systems (from TK to Peppermint) has highlighted some issues around reconciling data sets, particularly since TK had limited ability to track uphold rates;*
- *OSE should be focussing more on addressing the causes of complaints since this is to the benefit of all consumers, whether they have complained to OSE or not;*
- *OSE's work on supporting and promoting best practice complaint handling at the first tier should become more systematic and more visible to Ofgem;*
- *a persistently high rate of cases being upheld is suggestive of the need for such systemic work. It may also indicate that a change in the case mix might be expected over the longer term with a shift to fewer and more complex cases; and*
- *the resources, skills, capabilities and systems required to underpin such a shift would be likely to be very different and would require careful planning.*

4. Lucerna report Recommendations

The Lucerna report into OS: Energy makes nine recommendations which are organised around three broad categories:

- *Clarification and agreement between Ofgem and the OSE of the different roles of an ombudsman and the expectation on OSE for fulfilling these, and the development of success measures and implementation plans to ensure all roles are effectively delivered.*
- *Improved data management by the OSE to monitor its own performance and a data strategy to identify and collect a wider data set that can be effectively used by the OSE and/or others to identify wider issues and act on them to the benefit of all consumers.*
- *The recruitment and application of key policy and data analysis skills necessary to deliver on the wider role of an ombudsman scheme to capture the full potential benefits for consumers.*

5. The response from Ombudsman Services: Energy to meet the recommendations

OS: Energy responded to the review by establishing a joint working group with Ofgem and undertaking a number of internal improvements.

The two organisations jointly agreed seventeen objectives to meet the detailed recommendations. The objectives are detailed at Annex A to this paper and the alignment of each objective to the Lucerna report recommendations is at Annex B.

It is important to highlight that the work undertaken to meet the recommendations in the Lucerna report and the new ways of working between OS: Energy, Ofgem and the wider sector has not resulted in higher costs to energy providers and subsequently to energy consumers. The changes made within OS: Energy are about realigning how OS: Energy operates and being more efficient and effective.

Ombudsman role

5.1 Recommendation 1: *Ofgem and the OSE should together clarify and agree their understanding of the definition of the three roles of an ombudsman as we have described them in chapter 3 and there should be clarity about the expectations on the OSE and how its role interacts with Ofgem's role.*

The two organisations have completed strategic reviews of key artefacts such as the “Memorandum of Understanding between Ofgem and Ombudsman Services: Energy” and the “Energy Annex to the Ombudsman Services Terms of Reference” to reaffirm the roles of Ofgem and OS: Energy.

In parallel the day to day operational model between the two organisations has been reviewed and updated, resulting in more appropriate alignment of key stakeholders at appropriate levels, with agreed frequency of formal engagement. This flows from the Chief Executive Officers of each organisation meeting regularly, high level quarterly strategic meeting and more regular policy and operational meetings.

In July 2016, OS: Energy hosted an event at the House of Commons in coordination with Ofgem, Citizens Advice and Energy UK. The organisations agreed to work more closely together to improve the consumer journey and to raise standards of complaint handling. Each organisation confirmed their role and responsibilities. The event increased awareness and provided a progress update to key industry and third party stakeholders on the work towards meeting the recommendations of the Lucerna report. The event provided an opportunity to provide an update on progress with the evolving role of OS: Energy, answer stakeholder questions, and ultimately to demonstrate a cross-sector partnership approach is being taken.

Engagement of Citizens Advice through the Joint Working Group has resulted in clarification of the roles of the three organisations and provides opportunities to work more collaboratively.

A stakeholder and meeting matrix has been put in place as a working document.

The revised Memorandum of Understanding between Ofgem and OS: Energy will be finalised and signed in February / March 2017.

5.2 Recommendation 2: *If the OSE is to take a more active part in roles 2 and 3:*

- *it will need to do substantial work to develop an implementation plan to ensure effective delivery of that role, including ensuring the relevant activities are 'funded', communicating with firms, and identifying and filling capability gaps;*
- *there should be clear KPIs and measures of success for all three roles and these should be reported on transparently;*
- *Ofgem and the OSE should put in place effective mechanisms to manage the relationship between them in a way that ensures together they contribute to the effective delivery of consumer redress in the energy sector and capture the wider benefits of learning from consumers who use the OSE.*

All seventeen objectives contribute to OS: Energy meeting this recommendation.

Ombudsman Services has placed the full ombudsman role at the centre of its strategy. This is reflected in the revised guiding principles and strategic objectives at the heart of the business planning process.

A framework has been agreed with Ofgem to measure the performance of OS: Energy, combining monthly operational performance indicators, quarterly customer satisfaction, six-monthly supplier satisfaction, annual stakeholder satisfaction, and an annual benchmarking exercise against other ombudsman organisations. The calendar for reporting is at Annex C. An initial benchmarking exercise was completed and the results shared with Ofgem, comparing OS: Energy to other UK ombudsman as well as European energy ombudsman. There is an opportunity to also review measures of success with Ofgem and Citizens Advice as part of a potential broader basket of measures.

Externally our ombudsman, relationship management and policy teams will be using insights and data to disrupt fixed patterns of thinking and to drive change. Work has started to create individual annual plans for key suppliers to identify opportunities for improvement in complaint handling and the customer journey and work to change attitudes and behaviours as well as complaint numbers. This is supported by a co-ordinated drive to increase data insight capability across the organisation and a closer working relationship with Ofgem and Citizens Advice. There is also increased engagement with Ofgem through the OS external facing ombudsman, sharing insights gained from the OS: Energy complaint data and reviewing the effectiveness of consumer redress.

The new framework which enhances the activities the ombudsman undertakes with suppliers has changed how OS: Energy engages with suppliers and other key stakeholders such as Citizens Advice (CA), Energy UK, Cornwall Energy, the Energy Network Association, the Department for Business, Energy and Industrial Strategy (BEIS) and Which?.

OS: Energy has worked with Ofgem and CA, as well as suppliers and the Energy Network Association, to improve the OS: Energy customer journey to benefit vulnerable consumers across the sector. As part of the project referral paths to the Extra Help Unit (EHU) were updated and agreed by the EHU and OS: Energy.

OS: Energy has shared the steps in the customer journey and plans for improving support for vulnerable consumers experiencing ongoing detriment. Recommendations for continuing this engagement have been made by the Joint Working Group and OS: Energy is discussing other steps that can be taken to improve engagement around vulnerability with suppliers and other industry stakeholders.

OS: Energy has worked with Ofgem, suppliers and stakeholders to create a “high impact event” process. With support from the industry this will be implemented as a practical framework to improve engagement and collaborative working in order to minimise consumer detriment. The approach has already been trialled with a number of recent high impact events including the issue where customers were being incorrectly charged due to errors in industry meter records. A supplier has provided feedback to OS: Energy recognising the success of the approach taken in response to the industry issue. OS: Energy has documented the detailed internal procedure to support this process and has begun to embed the process with staff.

Through the Joint Working Group, OS: Energy is reviewing the information available on consumer participation with the ombudsman. This will provide a clear understanding of why eligible consumers experiencing detriment who could participate with the ombudsman do not do so and agree a strategy to encourage participation by those consumers or consumer groups. OS: Energy will use postcode data to identify and target the areas where there is opportunity to increase participation.

OS: Energy shared progress on the response to the Lucerna report with Energy UK members on 1 December 2016 and hosted an interactive Sector Liaison Panel on 8 December 2016 with suppliers.

The framework measuring the performance of OS: Energy is effective from 1 January 2017, including the new OS: Energy operational key performance indicators.

The revised reporting to Ofgem will be piloted in December 2016 and formally commence for January reporting in February 2017.

Consumer satisfaction and supplier satisfaction surveys will commence by February 2017, with Stakeholder satisfaction surveys starting by April 2017.

OS: Energy will host a Sector Liaison Panel focused on High Impact Events on 9 March 2017.

Data Strategy

5.3 Recommendation 3: *The OSE should significantly improve the collection and reporting of basic data so that it can better monitor its own performance including tracking performance and understanding trends.*

Ombudsman Services has undertaken a significant initiative across all sectors to ensure that key data items are recorded accurately. In addition, OS: Energy has revised the categories against which complaints are recorded to align to those used by CA.

To ensure the full benefits of this are realised, the work is governed by a wider project to improve data and insight capability with Ombudsman Services.

A revised set of key operational performance indicators that provide more clarity on the OS: Energy customer journey has been reviewed with the Joint Working Group. The revisions include the addition of a measure of the time to complete a case and an amber band has been introduced to provide an early warning of internal and external factors that have affected performance. These have been reviewed by the Joint Working Group and will be formally agreed with Ofgem for reporting in 2017.

The new OS: Energy operational key performance indicators are effective from 1 January 2017 and reporting to Ofgem will commence in mid-February 2017 (data showing performance for January 2017).

5.4 Recommendation 4: *A new data strategy should consider what wider data set the OSE could collect that would enable it to meaningfully identify and comment on wider issues that may affect consumers in the energy sector.*

The Joint Working Group established the Data subgroup, enabling OS: Energy to work collaboratively with Ofgem and CA to identify and share data that each organisation collects.

This approach enables the three organisations to identify early warning signs of companies failing to manage their complaint process. Targeting those companies at an early stage means we can help to minimise detriment to a much broader customer base than could be achieved individually. The three organisations proactively engaged directly with a supplier after seeing patterns across their complaint journey that may identify an area of potential concern.

In addition, in response to the Lucerna report, the three organisations have agreed an augmented data set that will be shared in the future. This will strengthen the ability of each organisation to analyse data and draw insights as they will have access to a broader data set. Whilst there are considerations to be finalised around the protocols to sharing this data, OS: Energy already captures the data that has been identified.

OS: Energy has revised the “complaint types” used to categorise each complaint so that they provide richer analysis and align to CA categories.

OS: Energy updated the complaint types used to categorise energy complaints on 1 August 2016. These are reflected in reporting issued to suppliers, regulators and other key reports such as the quarterly energy data publication along with discussions at monthly tripartite meetings.

5.5 Recommendation 5: *The data strategy should address how OSE can make the most effective use of its data, for example, how it uses the data itself, how it shares the data with affected parties and how the data might underpin regulatory action by Ofgem where necessary.*

OS: Energy recognises that insights only have value when they are shared appropriately and where action can be taken. The Ombudsman Services strategic objectives and revised organisational structure and capability will enable a more proactive, influential role with suppliers and ultimately entire industries. It will enable OS: Energy to advise and shape the way suppliers and regulators operate in order to prevent customer detriment and positively influence the sector as early as possible. OS: Energy shares data with the industry by hosting quarterly Supplier Liaison Panels as well as contributing to events organised by other industry stakeholders such as Energy UK and Cornwall Energy. Additionally, OS: Energy is engaging with the sector regarding the Smart Meter rollout and OS: Energy is capturing data on related complaints and will be sharing this data at industry events.

In addition to the collaborative working outlined above, Ofgem, CA and OS: Energy jointly agreed a data publication approach and timeline on complaint data that will ensure there is a coherent and aligned message provided to consumers and the industry each quarter. This approach commenced with the Quarter 2 reporting at the end of September 2016.

The 2016 Quarter 3 data publication was published on 24 November 2016 based on the approach and timetable agreed by the three organisations.

5.6 Recommendation 6: *The OSE should consider the potential benefits in greater transparency of its data, making the data available to others who might be able to use it to deliver improvements and benefits for consumers.*

Through the project, Ofgem, CA and OS: Energy agreed a target data set that will be shared amongst the three organisations in the future. This was based on the data that is shared at the moment and identification of whether further data would enable further analysis and insight.

Sharing of this data will commence once constraints around the restrictions in sharing this data have been overcome. Meanwhile the three organisations have started to collaborate in working sessions to share insights from their data. The aim of this is to identify early warning signs and prevent further consumer detriment. OS: Energy is also engaging directly with suppliers to share insights and understand where more value can be provided through the data collected during the complaint process.

OS: Energy is sharing its data as part of the tripartite engagement process. A target model for full data sharing across the three organisations is work in progress due to the current legal constraints on reciprocal data sharing by Ofgem.

Capability and Skills

5.7 Recommendation 7: *The effective delivery of ombudsman roles 2 and 3 as we describe in chapter 3 is crucially dependent on having the right policy skills and the right data analysis and management skills in place - which may be different from those required for role 1. Acquiring and developing these skills should be a key part of any implementation plan.*

By progressing and completing the objectives of the Joint Working Group, OS: Energy is working differently in response to the Lucerna report, much of this is reflected in the recent organisational and capability improvements within Ombudsman Services to facilitate this:

- Following a review of capability and structure, the Management Information team in OS has been refocused to ensure the appropriate technical capability and analysis capability. Specifically OS is recruiting additional resources with data insight capability; analysts are partnering with key departments such as Ombudsman, Policy and Operations to drive more insightful analysis;
- A project has been established to coordinate activities including improving data accuracy, improving the efficiency of our processes, understanding the requirements of suppliers, stakeholders and regulators and how additional data could be of benefit. The monthly reporting provided to Ofgem will be enhanced to include further insight around both the performance of OS: Energy and supplier;
- Ombudsman Services has demonstrated its commitment to deliver the wider ombudsman roles by creating an externally facing Ombudsman team, led by the lead Ombudsman in the energy sector. The external facing team will work closely with the Internal facing ombudsman team to ensure that insights gained from handling complaints support the generation of insight for suppliers across the industry. A key role for the External Ombudsman Team will be to oversee working with energy suppliers to improve the customer journey and complaints handling. The Team has started to put in place action plans and agreed objectives with some suppliers and will with all suppliers. This will help formalise closer working and also provide greater flexibility, with a toolkit of options available, to provide a customised approach for suppliers.
- The relationship management team will work differently, forming strategic partnerships with key suppliers to build trusting relationships with a collaborative approach to sharing of insights and knowledge.
- A senior policy officer has engaged directly with Ofgem, spending a day a week in the Ofgem office to build the policy links in key policy areas and also make a reality the desire to create a new way of working;
- In addition, OS: Energy has committed other policy resource to the energy sector, in order to play a more influential role in shaping the future of the industry. For example, responding to many of the Ofgem consultations over the year on:
 - The Future of Retail Market Regulation - OS: Energy has for many years worked to key principles such as fairness and supports the approach Ofgem is developing. By working with individual suppliers in a more comprehensive but flexible way through enhanced activities, OS: Energy and suppliers will be able to look at what will work and add value for each supplier – moving away from prescription to a more customised and holistic approach to the customer journey by suppliers;
 - Smart Billing for a Smarter Market;

- Smart Prepayment for a Smarter Market;
 - Proposals to Improve Outcomes for Prepayment Customers;
 - Forward Work Programme 2016-17;
 - Priority Services Register Review - Final Proposals;
 - The removal of certain Retail Market Review Simpler Tariff Choices rules;
 - Confidence Code review 2016 - OS: Energy now has a complaint category for third party intermediaries (TPIs). This will provide data and insight for the future development of policy around TPIs and the impact of changes to the Confidence Code, the drive for greater switching and the inevitable increase in the number of tariffs available; and
 - Helping consumers make informed choices – proposed changes to rules around tariff comparability.
- And other energy related consultations such as:
 - Consultation on Strengthening enforcement in gas and electricity markets (DECC)
 - Consultation on Pre-Legislative Inquiry on Draft Energy Legislation (Energy and Climate Change Committee)
 - Citizens Advice consultation on Improving energy supplier performance information - energy supplier comparison tool consultation.
 - Other examples include OS: Energy having observer status on the SMICoP Governance Board – with OS: Energy due to present complaint data on smart at SMICoP in March 2017, being a member of the BEIS Customer Reference Group on smart – enabling the whole customer journey to be mapped, OS: Energy will present complaint data on smart at the Smart Meter Design Group in February 2017, and, working at a policy level with Citizens Advice and Which?;
 - This policy commitment has also been matched by a public affairs commitment with the Ombudsman Services Chief Executive and Chief Ombudsman, and the Ombudsman Services Deputy Chief Ombudsman having regular meetings with Ministers at BEIS, Energy Advisors at Downing Street Policy Unit, the Department of Justice, the Department of Transport and the Scottish Government to promote the work and ways of working within the energy sector; and

The revised organisational design has been applied during the final quarter of 2016 with the new External Ombudsman team effective from 1 November 2016 and the new Stakeholder Manager role from 1 January 2017.

The revised structure for the Business Intelligence and Insights team became effective on 1 December 2016 and recruitment for the remaining Insight Analyst roles will be completed by the end of the first quarter 2017.

5.8 Recommendation 8: *The OSE should factor into its planning its own ability to influence – through improvement to earlier stages of complaint handling in the firms – the number and type of cases it receives.*

Through more meaningful insight and closer working relationships with suppliers, Ombudsman Services will seek opportunities to identify potential improvements in the supplier complaint handling process, therefore reducing the number of cases received by OS: Energy. Early examples include:

- OS: Energy raised concerns with one supplier about the number of complaints we were upholding regarding termination charges on fixed term tariffs. The supplier was entitled to charge a termination fee but when customers complained it was unable to explain adequately why the charge applied to a simple change of tariff. The customer was not changing supplier. We worked with the supplier on communication with customers; the supplier changed its approach to improve handling of these type of complaints.
- OS: Energy identified that a significant proportion of complaints about one supplier related to payment plans. OS explained its concerns about the way the supplier was handling those types of complaints and set out a different approach. The supplier agreed and created a new team of experts to handle the complaints in a consistent and fair way.

The Joint Working Group will also recommend that the three organisations continue to review the strategy for increasing awareness of, and participation with, the ombudsman.

The planning function assisted a large supplier with its forecasting, and is now working with another supplier to start to provide forecasts a year earlier than required. Internally, Ombudsman Services is using knowledge of suppliers and the sector to review supplier forecasts, analysing trends and variances to improve the overall accuracy of the forecasting of case numbers.

5.9 Recommendation 9: *The OSE should ensure that its quality controls apply equally to monitoring the outcome of cases (joining up with the results of better data analysis) to track its own performance better.*

Ombudsman Services recognises that the outcome of cases is one of the key data elements from the complaint data that is gathered. Since the report was produced OS: Energy cases are all managed through a consistent process with clearer understanding in the operational areas of each type of outcome. Consideration has been given to how this data can be used to help improved complaint handling within the industry.

As such, it is a key element in a range of initiatives undertaken to improve quality, such as:

- A revised quality assessment framework is being embedded across the operational areas. The framework covers recording of the outcome of the case;
- An initiative to monitor, analyse and improve data accuracy; and
- A more responsive approach, for example it became apparent that the area of third party intermediaries may be an area that will be looked at within the energy sector and OS: Energy now tracks complaints that involve a third party intermediary.

5.10 Summary of effective from dates

Product	Effective from
Memorandum of Understanding between Ofgem and OS: Energy	Expected by end of March 2017
Energy annex to the OS Terms of Reference	No changes
Stakeholder and meeting matrix	Working document from 1 September 2016
Framework measuring the performance of OS: Energy (including operational KPIs)	1 January 2017
Revised complaint types	1 August 2016
Data publication framework	1 October 2016
OS organisational changes <ul style="list-style-type: none"> • External facing Ombudsman team • Business Intelligence and Data Insights team • Stakeholder Manager 	1 October 2016 1 December 2016 1 January 2017

6. Beyond the recommendations

As outlined above, the response from OS: Energy has gone beyond the recommendations made in the report, in terms of both scope of the activities undertaken and engagement with stakeholders, specifically Citizens Advice and government through the Joint Working Group.

Through engagement at the Joint Working Group, a monthly working group with Ofgem, OS: Energy and CA was established. That group is already meeting to use insights from each organisation to identify issues sooner and work with suppliers at an earlier stage to minimise the consumer detriment by identifying opportunities to improve supplier complaint handling and understanding of customer issues.

Also, as a result of the Joint Working Group, there is an agreement that Citizens Advice and Ombudsman Services will establish a Memorandum of Understanding and will aim to finalise that in line with the Memorandum of Understanding between Ofgem and Ombudsman Services.

OS: Energy is undertaking activities around high impact events including industry wide initiatives such as the Smart Meter rollout. OS: Energy has established a specific project for the Smart Meter rollout that will share insight with suppliers and stakeholders with the aim of minimising consumer detriment, as well as ensuring OS: Energy is sufficiently prepared for the impact of the rollout. This work is supported by improving the data insight capability within Ombudsman Services, and ensuring the key data is captured accurately, such as the categorisation of the complaint type.

In addition it is worth noting that Ombudsman Services is applying new ways of working and improvements in supplier engagement and supporting consumers across all sectors, not just energy. This approach broadens the benefits of the work resulting from the Lucerna report to more consumers across other sectors. For example the ability to track and prioritise vulnerable consumer complaints where ongoing detriment is identified will span all core sectors.

7. Next steps

7.1 Joint Working Group

Following formal approval from Ofgem and Ombudsman Services, a number of the key deliverables agreed by the Joint Working Group will become effective, specifically the Memorandum of Understanding and the framework for measuring the performance of OS: Energy.

The framework for measuring the performance of OS: Energy commences from January 2017.

7.2 Stakeholder engagement

OS: Energy is working with Ofgem to engage with suppliers and key stakeholder groups to take forward the outcomes of the Joint Working Group, specifically areas such as enhanced activities, using data more effectively, having a bigger influence helping vulnerable consumers and having a plan of action for high impact events.

7.3 OS: Energy initiatives

OS: Energy is progressing projects to complete work agreed with the Joint Working Group, for example to prioritise vulnerable customers experiencing ongoing detriment and to embed improved insight capability across the organisation.

Ofgem will continue to be updated on progress with these initiatives.

7.4 Tripartite working

The Joint Working Group is a springboard for the proposed Ofgem-Citizens Advice-OS: Energy tripartite group which aims to work in a streamlined and collaborative fashion, making the best use of our data, skills and powers to better protect the interests of energy consumers.

8. Conclusion

The Lucerna report highlighted three broad recommendations:

- The roles of the ombudsman and the expectation of OS: Energy for fulfilling these;
- Improved management and more effective use of data; and
- Ensuring the correct skills are available to deliver the full benefits for consumers.

OS: Energy responded to the review by establishing a Joint Working Group with Ofgem and agreeing shared objectives in response to the recommendations. The two organisations worked collaboratively with Citizens Advice and the Department for Business, Energy and Industrial Strategy to create a new way of working across the industry. Both this approach and the scope of the objectives go beyond the recommendations of the Lucerna report and create a platform for further collaborative working in the future.

The joint working has created significant benefit for the organisations involved, the industry more widely and potentially all energy consumers by establishing:

- A new way of working between Ofgem and OS: Energy;
- A broad framework for measuring the performance of OS: Energy;
- Agreements between Ofgem, Citizens Advice and OS: Energy on supporting vulnerable customers, sharing data and insight and publishing data in a more coherent and aligned manner; and
- An agreed approach to working with suppliers and the industry to manage high impact events.

In addition to this joint working, Ombudsman Services has completed, and is progressing, a number of internal improvements, notably:

- Embedding the wider ombudsman role at the heart of the corporate strategy to ensure the focus on fulfilment of the broader role continues beyond the immediate focus with Ofgem;
- Driving the operational areas to improve the accuracy and quality of data to provide confidence in reporting output, analysis and insight;
- Focusing on strengthening insight capability across the organisation to produce insightful analysis to support suppliers, the regulator and wider industry stakeholders.

Ofgem and OS: Energy have agreed the final activities to complete the work on the joint objectives. Ofgem, Citizens Advice and OS: Energy have agreed to continue to work collaboratively and will establish a Tripartite Working Group. Through the group and individually, OS: Energy will continue to strengthen relationships with suppliers with a view to supporting them to improve their own complaint handling and minimise consumer detriment across the energy sector.

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December 2016

Annex A

Joint Working Group objectives, aims and achievements

1. To define the role of the independent redress provider – Ombudsman Services: Energy (OS: Energy) and its interaction with the independent regulator – Ofgem		
Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> • A clear understanding and recognition that the way the two parties engage with suppliers and distributors will be different; • OS: Energy is able to have an independent but collaborative relationship with energy suppliers; • OS: Energy understands it has a responsibility to report potential regulatory issues and certain trend analysis to Ofgem; • Ofgem understand it has a responsibility to report issues of consumer detriment to OS: Energy; • Recognition that there is a responsibility on both the regulator and the ombudsman to improve the energy sector for consumers; • Both organisations are able to work together with shared objectives where appropriate; and • An acceptance that, for example, there may be occasions when one organisation has information and data that feeds a policy stance or informs recommendations that raise issues for the other organisation. 	<ul style="list-style-type: none"> • A revised Ofgem and OS: Energy Memorandum of Understanding (to be formally signed early in 2017); • Working group established with Citizens Advice and Ofgem to continue progress; • Agreed a 360° feedback framework to measure satisfaction of participating companies; • Realigned stakeholder relationships between Ofgem and OS: Energy to ensure the appropriate engagement and escalation; • Discussions with officials at BEIS around the need for the statutory independent redress provider being referenced in the Utilities Act 2000 or relevant legislative tool with regard to data sharing section 105. No convenient legislative vehicle available at the moment but the request has been flagged; and • OS remains a member of the Ombudsman Association – meeting the key criteria of independence. 	<ul style="list-style-type: none"> • Formal approval of the revised Ofgem and OS: Energy Memorandum of Understanding. • Further engagement with Energy UK, Cornwall Energy and Energy Networks Association to review opportunities to work more closely together on specific themes such as data sharing, high impact events, vulnerable consumers and enhanced activities. • Continued discussions with BEIS around legislative reference to the independent redress provider. • OS: Energy to continue discussions with Citizens Advice regarding a potential Memorandum of Understanding between the two organisations; and • Formally establish the Tripartite Working Group (Ofgem, CA, OS: Energy).

2. Define how Ofgem and OS: Energy can most effectively work together to reduce customer detriment and raise industry standards – Ofgem

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> • Ofgem and OS: Energy are able to best use knowledge and insight to support appropriate initiatives respectively; • Effective and relevant day to day contact points between the two organisations by ensuring that the appropriate people in the two organisations are aligned; • Appropriate meetings with defined regularity and objectives. For example, refocus the Ofgem and OS: Energy quarterly strategy meetings to ensure the meeting is effective in providing a structured forum for senior stakeholders from both organisations to provide a high level strategic view and direction; • A shared high level risk register between the two organisations has been established and is regularly reviewed; • OS: Energy understands the current and future intent of Ofgem regulation and enforcement; • OS: Energy and Ofgem work together on what enforcement decisions relating to consumer protection and redress might be and to work through the implications of those decisions; and • Where an enforcement decision includes a condition around consumer protection and redress then for OS: Energy to be clear about how it will work with the energy provider and Ofgem to help facilitate meeting the condition. 	<ul style="list-style-type: none"> • Realigned stakeholder relationships between Ofgem and OS: Energy to ensure the appropriate engagement and escalation; • Realigned stakeholder engagement and meetings between Ofgem and OS: Energy to ensure the appropriate engagement; • Created a working group with Citizens Advice and Ofgem to continue progress; • Implemented a high level risk register to be reviewed at the quarterly Ofgem and OS strategic meetings; • OS: Energy now feeding into major policy development flowing from Ofgem and the sector more generally, for example, Future Retail Regulation; and • OS have begun to use case studies generally around the work being done with energy providers and will continue to do so. 	<ul style="list-style-type: none"> • Ofgem to propose options for OS: Energy to better support enforcement decisions; • Complete a stakeholder matrix for OS: Energy engagement with stakeholders across the sector; and OS: Energy to develop and present case studies to Energy UK and Cornwall energy to highlight where OS: Energy can provide valuable input to participating companies and the sector.

3. Review any appropriate enhanced activities that may be required for OS: Energy to effectively fulfil the three ombudsman roles identified in the Lucerna review

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> Potential activities that could be of value are identified and agreed; Agreement of the relevant governance and procedural arrangements that need to be undertaken to enable any enhanced activities; A check on whether there are impediments to OS: Energy performing effectively because of a power gap; A review of a proposal to reduce the 8 week period suppliers have to resolve complaint prior to it becoming eligible for independent redress; and Engagement with energy companies around the tool kit of options OS: Energy could provide to improve complaints handling within energy companies. 	<ul style="list-style-type: none"> Ofgem and OS: Energy agreed a framework for OS: Energy to review and pilot potential ways we could work with suppliers to reduce consumer detriment and improve their complaints handling; and Initial engagement with Energy UK and Cornwall energy on the framework at supplier Roundtables and Sector Liaison Panel. 	<ul style="list-style-type: none"> Review the impact of working with energy providers in more customised ways; Continue to review the policy landscape in the sector to make the most effective use of enhanced activities; and <p>Discuss with Energy UK and Cornwall Energy the proposed framework around enhanced activities and what a customised approach for working with each energy provider might look like.</p>

4. Review and revise the reporting each organisation provides to the other to increase its effectiveness and ensure it is timely, targeted, accurate, relevant, and kept under review

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> The reporting that Ofgem and OS: Energy require from each other is understood and both organisations provide the appropriate regular or ad hoc reports; To have an agreed understanding of what reporting looks like for ombudsman roles 2 and 3 – working with individual companies and with the sector more widely; An agreement as to what will not be reported by each organisation to the other because of the different roles each organisation plays, for example, OS: Energy does not have a regulatory role with energy companies; A mechanism for an on-going review of what both organisations can provide each other and the value it delivers; and Ofgem understand it has a responsibility to provide trend analysis to OS: Energy. 	<ul style="list-style-type: none"> Clear understanding of the insight requirements of Ofgem, Citizens Advice and OS: Energy; and Reporting provided by Ofgem and OS: Energy to each other detailed on the stakeholder matrix. 	<ul style="list-style-type: none"> OS: Energy to further engage with energy providers and key stakeholders to understand requirements for insights and improve reporting and insights provided.

5. Understand how OS: Energy is performing favourably on key metrics compared with ombudsman services in other sectors and in the energy sector across Europe

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> Data, information and analysis that provides a baseline of how OS: Energy compares on key metrics with comparable ombudsman schemes. 	<ul style="list-style-type: none"> A report from OS: Energy to Ofgem that benchmarks OS: Energy. 	<ul style="list-style-type: none"> None

6. Establish an enduring mechanism to baseline and review the comparators on an annual basis to ensure that OS: Energy continues to perform favourably on key metrics

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> An agreed set of measures/metrics that will be used and developed to form the basis of the annual report from OS: Energy to Ofgem. Working with other ombudsman services and Ombudsman Association to develop 'best practice' comparator measures. An annual report to share with Ofgem. 	<ul style="list-style-type: none"> As part of a wider framework, Ofgem and OS: Energy have agreed the key metrics for future benchmarking and that an annual report will detail performance for the previous year and plans to be actioned during the following year; OS: Energy has engaged with a number of other ombudsman services during work on benchmarking, gaining insights, lessons learnt and opportunities for future engagement; and The Ombudsman Association is working with the British Standards Institution on consistent measures against which ombudsman schemes can be reviewed. OS is part of that Group and Ofgem has been invited to participate. 	<ul style="list-style-type: none"> Ofgem and OS: Energy to agree when the annual report will be produced and issued to Ofgem.

7. Review and agree operational performance KPIs to monitor the efficiency and effectiveness of OS: Energy in providing redress to consumers

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> A clear set of performance indicators to monitor performance in key areas such as speed and quality of decision, accessibility of the ombudsman and use by vulnerable groups. 	<ul style="list-style-type: none"> A revised set of OS: Energy operational key performance indicators (KPIs) have been reviewed with Ofgem; rationale for the changes is: <ul style="list-style-type: none"> The existing KPI's do not encourage the right behaviours from the Ombudsman, eg they only encourage speed to the point of decision making, not the speed to resolution for a consumer. The existing KPI's have no tolerance i.e. one case under a KPI is "green" and one case over a KPI is "red". The existing KPI's drove our behaviour and created a culture of "KPI mania" and move to an environment that encourages the Ombudsman to focus on being an effectively functioning Ombudsman for consumers, businesses and regulators. 	<ul style="list-style-type: none"> OS: Energy to issue the final version of the KPIs for formal approval by Ofgem; and OS: Energy to implement and report upon the new key performance indicators from February 2017 (reporting January performance).

8. OS: Energy to work with Ofgem to define the desired customer journey from first contact with OS: Energy through to case closure including a detailed focus on vulnerable consumers and identifying trends

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> Measures to show the effectiveness of OS: Energy in helping to meet the desired consumer outcomes through consistent and quality decisions; Define vulnerable and develop mechanisms to allow OS: Energy to identify vulnerable consumers or circumstances; Ability to track key objectives such as protecting vulnerable customers and the percentage of consumers who participate with the ombudsman; Agree with Ofgem referral paths to the organisation most appropriate to deal with the consumer complaint; Recommendations and considerations for the potential tripartite activity to define the desired wider customer journey; and A high level process map of the customer journey within OS: Energy which includes the key stages at which any consumer vulnerability is tracked and reported to the relevant stakeholders. 	<ul style="list-style-type: none"> Ofgem and OS: Energy have agreed a feedback framework to measure satisfaction of consumers as part of a wider framework for measuring the performance of OS: Energy; The Ombudsman Services definitions of Vulnerable and Ongoing Detriment have been shared with Ofgem and Citizens Advice; OS: Energy has shared with Ofgem and Citizens Advice the proposed approach for prioritising vulnerable customers experiencing ongoing detriment; OS: Energy has engaged with Western Power Distribution to understand how they deal with vulnerable consumers; A similar exercise has been arranged with SSE; Referral paths agreed by Ofgem - Citizens Advice – OS: Energy tripartite working group; and The OS: Energy customer journey process map was shared with Ofgem and Citizens Advice. 	<ul style="list-style-type: none"> The Joint Working Group will recommend that the the Ofgem - Citizens Advice – OS: Energy tripartite working group continues to review the customer journey with a view to documenting the journey prior to the ombudsman and seeking opportunities to track and improve. OS: Energy to implement the Customer satisfaction framework from January 2017 (reporting at the end of the first quarter); OS: Energy to implement the process to fast track vulnerable consumers with ongoing detriment. OS: Energy to work with the Tripartite Working Group and suppliers to review the potential for a trial of automatic referral of vulnerable customers to OS: Energy.

9. To agree a strategy for continued improvement in the percentage of eligible consumers participating with the ombudsman

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> A clear understanding of why 95% of eligible consumers who could participate with the ombudsman do not do so; and Agree a strategy to encourage participation by those consumers/consumer groups experiencing detriment who are eligible to participate with the ombudsman. 	<ul style="list-style-type: none"> OS: Energy produced an indicative paper outlining the proportion of eligible complaints to the ombudsman; Ofgem and OS: Energy recognised this presents an opportunity to ensure that the right people participate with the ombudsman at the right time and that the intention is to increase the proportion, rather than the absolute number of complaints; There remains a lack of understanding on why consumers do not participate with the ombudsman, and as such it was recommended that further research was conducted to provide the clarity needed to define a strategy. 	<ul style="list-style-type: none"> OS: Energy to review recent research to gain insight and understand if this provides sufficient clarity to define a strategy; Where appropriate OS: Energy will engage with Ofgem and CA to review the benefit of further research; and OS: Energy will consider a strategy and review with a broad range of stakeholders

10. Establish and embed 360° feedback to review and track the perception of OS: Energy from key stakeholders on an annual basis		
Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> On-going independent data that shows the whether or not OS: Energy is perceived as effective around its role within the sector by key stakeholders, including consumers. 	<ul style="list-style-type: none"> OS: Energy is establishing a 360° feedback framework to measure satisfaction of consumers on a quarterly basis, participating companies every six months and stakeholders annually; The proposal was reviewed at an energy Sector Liaison Panel and feedback from suppliers incorporated; and The 360° feedback framework is included in a wider framework for measuring the broader performance of OS: Energy. 	<ul style="list-style-type: none"> The feedback surveys will commence from January 2017; The reporting will be incorporated as part of the regular reporting to Ofgem; and OS: Energy to engage with participating companies to conduct 6 monthly satisfaction surveys OS: Energy to engage with to conduct stakeholders to conduct annual satisfaction surveys.
11. Agree the expectations of Ofgem, OS and Citizens Advice with regards to the insight they would expect each other to share		
Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> Understanding of data that Ofgem, OS: Energy and Citizens Advice currently does not capture or share that the other organisations consider valuable. 	<ul style="list-style-type: none"> The three organisations have shared their insight requirements as a basis for related objectives (Objective 12). 	<ul style="list-style-type: none"> None
12. OS: Energy to work with Ofgem to identify how data and information can most effectively be used across the sector to raise standards and improve the customer journey		
Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> A shared understanding of how data can be used most effectively and consistently; and Recommendations and considerations for the potential tripartite activity on how data can be used most effectively to improve the wider customer journey. 	<ul style="list-style-type: none"> A strategy has been agreed between Ofgem, Citizens Advice and OS: Energy on the data indicators that should be shared to improve the consumer journey. The categories are: <ul style="list-style-type: none"> Trend monitoring Issue spotting Supplier complaint/process handling performance Customer awareness of the complaint journey 	<ul style="list-style-type: none"> Each organisation to review a plan for the collection and sharing of the data with the other organisations, this is dependent on Objective 13 which considers what each organisation is legally permitted to share; and Ofgem, CA and OS: Energy aim to work collectively to review insights at the Tripartite Working Group to identify early warning signs based on the broader insight generated from a combined view of the data enabling issues to be resolved earlier and detriment to be reduced or prevented. OS: Energy will use data captured during our complaint handling to identify early warning signs that will be shared with the supplier to prevent detriment.

13. Agree and deliver principles for the level and type of data to be shared with and by Ofgem and OS: Energy to achieve an improvement in the consumer outcomes and raise industry standards

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> • Clarification on data that can and cannot be shared by Ofgem or OS: Energy; • Recommendation for the potential tripartite to clarify what data it can and cannot share; and • A shared understanding on the level and precision of data for trend analysis compared to other activities such as enforcement. 	<ul style="list-style-type: none"> • Progress on achieving the outcome has been constrained due to a lack of clarity on what each organisation is legally able to share, in particular Ofgem sharing data provided by suppliers for the data indicators (Objective 12). 	<ul style="list-style-type: none"> • Ofgem and OS: Energy to share recommendations on options to facilitate data sharing, this includes the potential for suppliers to agree to share some or all of the data relating to the data indicators (Objective 12); and • Finalise options and plan for data sharing and review recommendations to the Tripartite working group.

14. Identify opportunities and appropriate mechanisms for Ofgem and OS to publish data in a coherent and aligned manner that builds a fuller picture and is consistent for consumers

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> • An agreed approach to publishing data that supports the objectives of both organisations; and • Establish an interim working group with OS: Energy, Ofgem and Citizens Advice to identify opportunities for collaboration. A recommendation to the tripartite group on potential opportunities for new ways of working with regards to data publication. 	<ul style="list-style-type: none"> • Agreement between Ofgem, Citizens Advice and OS: Energy on the principles and timing for the quarterly publication of data; • The approach was shared with suppliers as part of the Quarter 2 publishing; and • Approach effective from Quarter 3 2016 data publication. 	<ul style="list-style-type: none"> • Ofgem, CA and OS agree operational mechanisms to meet agreed approach; and • A review will be completed following the 2016 Quarter 4 data publication cycle to review the effectiveness of the approach and agree any revisions for 2017.

15. Reach agreement as to how Ofgem and OS: Energy will work with the sector to plan effectively and create appropriate frameworks for potential high impact events

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> • Identification of the types of high impact events that may occur based on trend analysis, past events and insight on current initiatives. • An agreed approach for identifying and responding high impact events and reporting of lessons learnt to refine the future approach. • Recommendations to the tripartite group to embed the principles to support the customer journey. 	<ul style="list-style-type: none"> • High level process for dealing with High Impact Events has been documented; • The process has been reviewed against recent events and the metric / imperial meter issue and Smart Meter rollout; and • OS: Energy has worked stakeholders and suppliers to understand their process and review the proposed process. 	<ul style="list-style-type: none"> • OS: Energy to host a workshop to engage with Energy UK, Cornwall Energy, Energy Networks Association and suppliers to review and enhance the approach and process; • Ofgem and OS: Energy Complete the High Impact Events handbook to be shared with stakeholders across the industry; and • OS: Energy to define operational procedures to support and embed the process.

16. To communicate the new ways of working and improve understanding of the distinct roles of the energy ombudsman and Ofgem to policy makers and the consumers

Aims	Achievements	Planned and potential next steps
<p>The plan seeks to communicate that:</p> <ul style="list-style-type: none"> • A strong energy ombudsman is important to restore trust in the energy market. • To understand the new and important role that OS: Energy has in the energy market; that not only do we investigate individual complaints but that we are able to apply the insight gained from those individual complaints to make recommendations to companies to improve their complaint handling and to identify systemic issues. • As the energy ombudsman, we have insights into the interactions between consumers and businesses that may assist with improving customer service. • An increased awareness of the energy ombudsman amongst consumers. • An improved understanding among stakeholders of the different remits Ofgem and the Ombudsman have. 	<ul style="list-style-type: none"> • Ofgem have launched a video to explain the complaints process, including the role of the ombudsman; • Ofgem and OS: Energy jointly hosted an event at the House of Commons event including Citizens Advice, suppliers and stakeholders to communicate the new ways of working; and • OS: Energy has produced constituency level data which is being used for ministerial meetings. 	<ul style="list-style-type: none"> • None

17. Establish and embed a mechanism for Ofgem and Ombudsman Services to understand the objectives and narrative of each other's communications on key issues to ensure awareness of the messages and to avoid surprises

Aims	Achievements	Planned and potential next steps
<ul style="list-style-type: none"> • An agreed approach for identifying and sharing high impact communication issues (excluding enforcement notices). 	<ul style="list-style-type: none"> • Ofgem and OS: Energy have agreed an approach for high impact communications (excluding Ofgem enforcement communications). 	<ul style="list-style-type: none"> • None

Annex B

Alignment of Joint Working Group objectives to the recommendations in the Lucerna report

Recommendation		Ways of working				Sectoral comparators		KPI				Data				High Impact Events	Comms	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Ombudsman role	1. Clarify ombudsman roles																	
	2. OSE more active roles 2 and 3																	
Data Strategy	3. Collection and reporting of basic data																	
	4. Data strategy																	
	5. Effective use of data																	
	6. Transparency of data																	
Capability and skills	7. Policy and data analysis skills																	
	8. Plan for changes to cases received																	
	9. Quality controls																	

Annex C

OS: Energy performance reporting calendar

As outlined earlier in the paper, a framework has been agreed with Ofgem to measure the performance of OS: Energy, combining monthly operational performance indicators, quarterly customer satisfaction, six-monthly supplier satisfaction, annual stakeholder satisfaction, and an annual benchmarking exercise against other ombudsman organisations. The calendar for the reporting is outlined below:

Quarter 1			Quarter 2			Quarter 3			Quarter 4		
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Enforcement Meeting	Strategy Meeting		Enforcement Meeting	Strategy Meeting		Enforcement Meeting	Strategy Meeting		Enforcement Meeting	Strategy Meeting	
Insights	Insights	Insights	Insights	Insights	Insights	Insights	Insights	Insights	Insights	Insights	Insights
KPI	KPI	KPI	KPI	KPI	KPI	KPI	KPI	KPI	KPI	KPI	KPI
		Customer satisfaction			Customer satisfaction			Customer satisfaction			Customer satisfaction
				Business satisfaction							Business satisfaction
											Sectoral comparators

Annex D

OS: Energy operational key performance indicators

As outlined in Annex C, the operational key performance indicators (KPI) will be reported monthly. Enquiries operational key performance indicators:

KPI	Measure	Notes
1. Speed to answer customer phone calls	1a. Percentage of calls to the Energy Ombudsman within normal business hours answered within 2 minutes of the final option being selected from the IVR menu.	Excludes calls that are abandoned by the customer before they are answered
	1b. Percentage of calls to the Energy Ombudsman within normal business hours answered within 5 minutes of the final option being selected from the IVR menu.	
2. Speed to respond to customer correspondence	2a. Percentage of correspondence to the Energy Ombudsman responded to within 1 week (5 working days) of receipt.	

Investigations operational key performance indicators:

KPI	Measure	Notes
3. The time taken to investigate a complaint	3a. The percentage of cases where an initial decision was reached within 6 weeks (30 working days) from receipt of the case file.	The case may be paused at the request of the customer (for example if they are on holiday), this time is excluded for that case
	3b. The percentage of cases where an initial decision was reached within 8 weeks (40 working days) from receipt of the case file.	Receipt of the case file is reported on the basis of 10 working days following the request of the case file
4. The time taken to complete an investigation	4a. The percentage of cases completed within 6 weeks (30 working days) of the initial decision being reached.	<p>A case is completed when the Energy Ombudsman provides notification to the participating company of the following:</p> <ul style="list-style-type: none"> The customer accepts the decision therefore the participating company has 28 calendar days to implement the remedy; or No remedy is required; or The decision is not binding. <p>No time is excluded from this as the case is not paused between the initial decision being reached and the case being completed.</p>
	4b. The percentage of cases completed within 8 weeks (40 working days) of the initial decision being reached.	
	4c. The average number of calendar weeks to complete a case ⁴ from the date the case was determined to be within terms of reference by the Energy Ombudsman, excluding cases completed by Early Resolution.	