

# Energy Sector Report





## Welcome

2018 has been a year of significant transformation for Ombudsman Services with the transition to a new case management system, the launch of a new website and brand and Matthew Vickers appointed as Chief Ombudsman and Chief Executive. These developments mean that we can offer an enhanced service to consumers and participating companies, adding value to our customers and ensuring that our operation remains responsive and fit for the future. As a business, we've faced financial challenges, largely as a result of eight energy companies entering administration in 2018 and increasing our exposure to bad debt. To accommodate a changing market, we've made a number of operational and structural changes to create a lower-cost, lower-overhead business.

In 2019, there are a number of broad challenges and opportunities facing Ombudsman Services. While providing alternative dispute resolution (ADR) is central to our role, achieving our mission to end consumer detriment requires a more strategic approach. As we look to the future, our priorities will centre around: quality, with a 'Back to Basics' approach; modifications and enhancements to our case management system; an increased focus on relationships with our business partners and within the wider industry; structure and engagement, with further organisational changes to reflect transformational plans; and reporting, with data at the heart of our strategy to provide actionable insights to our business partners and other industry stakeholders.

## Consumer Action Monitor

Our annual Consumer Action Monitor was published in March 2018. Findings show that consumers are increasingly frustrated with poor service and unmet expectations and that this is leading to disengaged customers. Trust in businesses has fallen with customer service being a major cause.

2018 marks the publication of our fifth annual Consumer Action Monitor. Over these five years, we've identified emerging trends that have afforded us the opportunity to learn today to empower tomorrow. We strongly believe that asking the right questions and challenging assumptions is what enables us to provide meaningful insight which can help businesses build stronger consumer relationships.

To read the  
2018 Consumer Action Monitor,  
[click here](#)



To read the  
Annual report 2018,  
which provides  
a fuller overview  
of 2018 and  
our financial  
statements,  
[click here](#)



## Working groups and industry consultations

This year, we've built on relationships with Citizens Advice and Ofgem within the Tripartite Group, including work with the Extra Help Unit.

Part of this work has involved using aggregated data to horizon scan with the aim of preventing or reducing consumer detriment.

On the smart meter rollout, Ombudsman Services has continued to be part of the Department for Business, Energy and Industrial Strategy (BEIS) Consumer Reference Group (smart meter rollout) and the Smart Meter Implementation Code of Practice Board.

We took part in workshops led by Energy UK around the customer journey within the wider energy sector. The workshops included representatives from energy providers, Citizens Advice, Ofgem and BEIS. The aim of the workshops was to collaborate on a customer-first approach to modernising the customer experience.

We also responded to a range of consultations in 2018, ranging from the BEIS Consumer Green Paper, Ofgem's consultations around the Supplier of Last Resort process, guaranteed standards around switching and consumer communications, and the Citizens Advice Loyalty Penalty super complaint.

## Supplier of Last Resort

Throughout 2018, a number of suppliers went into administration. On each occasion, we've worked closely with the suppliers taking over cases from collapsed companies to advise on best practice. Our aim is to minimise disruption for consumers as far as possible.

## Implementation of remedies

In January 2018, we revised our Implementation of Remedies Policy. The policy has been updated, based on feedback from consumers and following industry consultation, to ensure we have a fairer, more effective policy which acts as a deterrent for poor performing suppliers.

## Addressing complaint trends

in **2018** over **60%** of complaints were about **billing**

The main complaint topic throughout 2018 was billing (over 60% of complaints), with some suppliers still having problems with getting the basics right in supplying a consumer with a timely, accurate bill. We continue to work closely with companies this applies to, sharing insight and experience to help tackle this.



We've assisted a number of suppliers and provided guidance and support around the new back billing rules which were introduced during 2018 to ensure consumers receive appropriate redress in relevant cases.

We continue to receive complaints as the smart meter rollout continues, with most issues relating to estimated billing and loss of smart meter communications. These two matters are linked to issues around SMETS1 meters.

In addition to being part of the BEIS Consumer Reference Group (smart meter rollout) and the Smart Meter Implementation Code of Practice Board, we've been working with suppliers to assist in a smooth rollout of the new technology. One example is our work with a company where we noticed alarming content and tone of customer letters relating to the smart meter rollout. We worked with the company who agreed to review and then change the wording of the letters so as to provide consumers with clearer information about possible smart meter installation.

We've also continued to see issues around suppliers applying incorrect calorific values to consumers' gas accounts. We've reminded a number of new suppliers of their obligations in regards to this.

## Proactive complaint identification

We seek to assist suppliers where they know they've made a customer service mistake and wish to make amends before we receive complaints. In 2018, we assisted a company which found it had charged some of its prepayment meter customers by applying incorrect tariffs. We provided guidance on a proactive approach to resolve the issue. As a result, reasonable outcomes were achieved and we didn't receive any complaints about this issue from consumers.

## Customer satisfaction

In 2018, overall customer satisfaction with the service provided by Ombudsman Services in the energy sector was 77% - up from 73% in 2017 and 63% in 2016. This marks an encouraging upward trend which demonstrates the positive improvements we've implemented in recent months.



As an ombudsman, we strive to lead the way in terms of good quality customer service and complaint handling which is fair and balanced. In March 2018, we launched a new case management system (CMS) which has enabled a better user experience and helps facilitate early resolution of complaints.

The feedback we receive from our customers inputs into our plans to continuously improve the customer experience. Colleagues undergo regular refresher training and our operational teams pride themselves on excellent service delivery.



## Case study: Requirement for clarity in tariff calculations

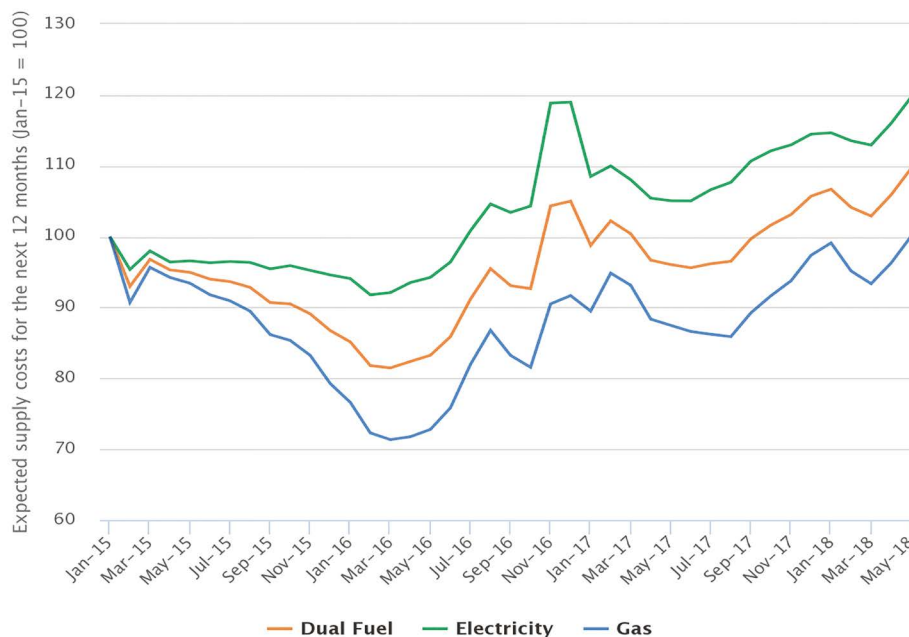
A microbusiness owner was persuaded by a sales broker to agree to a market tracker tariff. The broker explained that the tariff price would be 'adjusted twice a year as the wholesale prices and other charges change accordingly'. They became suspicious when prices only every increased; when wholesale prices fell, their tariff didn't reduce but when they rose, their tariff increased.

A complaint was raised and escalated to Ombudsman Services. The energy supplier told Ombudsman Services that it tracked against Ofgem's Supplier Cost Index. When we investigated, we determined that the prices applied to the account were not unreasonable. We also accepted that Ofgem's Supplier Cost Index was a legitimate way to track the market.

However, the metric against which the market would be tracked was not made clear during the initial sale or in the supplier's terms and conditions. Furthermore, the price increase letters set out that the supplier was tracking the market against wholesale prices, transportation costs, and renewables levies – not specifying Ofgem's Supplier Cost Index. We could see why the consumer perceived that the market was not being tracked correctly.

Industry rules require that suppliers bring the principal terms of a contract to the attention of a microbusiness. We determined that the vague information provided during the sale and in the terms and conditions meant the supplier had not made a principal term sufficiently clear. Accordingly, we determined that the supplier should release the microbusiness from the contract.

### Supplier Cost Index by fuel type (GB)



Graph retrieved from [ofgem website](https://www.ofgem.gov.uk) 4 September 2019



## Case study: Systemic billing issue addressed

A microbusiness owner contacted their energy supplier as their bills contained conflicting information. The customer received a credit note for £400 and then a bill a day later requiring payment for over £2,000. They contacted the supplier and were assured that a mistake had occurred and were told to ignore the large bill, yet they continued to receive payment reminders.

After failing to receive a clear explanation from the supplier, the microbusiness owner escalated the complaint to Ombudsman Services. After reviewing the complaint, we found that the balance of over £2,000 was in fact correct but we could see how the customer was unsure of payments required given the conflicting advice provided. We requested the supplier provide an apology and goodwill payment in recognition of the inconvenience and confusion caused.

In addition to our findings in relation to this particular case, we found omissions relating to end dates of contracts and notice of contract termination within template documents. As a result, we recommended the company review its billing system and ensured the required information was included for all its customers.



# Energy at a glance - 2018



## Total initial contacts

# 108,349

## How these contacts got in touch

**46%** Telephone

**54%** Written

## of those written contacts

**36%**  
web forms

**15%**  
emails

**3%**  
letters

## Complaints resolved

# 45,667

**50%** of contacts were inside our terms of reference (ITOR)

**50%** of contacts were outside our terms of reference (OTOR)

## Key performance indicators (KPIs)

**100%** of correspondence actioned within 10 days

**83%** resolved in under 4 weeks

**98%** resolved in under 6 weeks

**99%** resolved in under 8 weeks

## Top complaint types

**59%**  
Billing

**9%**  
Service quality

**9%**  
Contract issues

## Awards and remedies

**0%**  
Financial

**12%**  
Non-financial

**88%**  
Both

## of the complaints resolved

**64% Upheld**

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

**6% 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.

**11% Settled**

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

**19% 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.



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