

Citizens Advice consultation on proposed changes to the energy supplier rating

Energy UK response

September 2017

Introduction

Energy UK is the trade association for the GB energy industry with a membership of over 90 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership encompasses the truly diverse nature of the UK's energy industry from established FTSE 100 companies' right through to new, growing suppliers and generators, which now make up over half of our membership.

Energy UK strongly believes in promoting competitive energy markets that produce good outcomes for consumers. In this context, we are committed to working with Government, regulators, consumer groups and our members to develop reforms which enhance consumer trust and effective engagement. At the same time, Energy UK believes in a stable and predictable regulatory regime that fosters innovation, market entry and growth, bringing benefits to consumers and helping provide the certainty that is needed to encourage investment and enhance the competitiveness of the UK economy.

These high-level principles underpin Energy UK's response to Citizens Advice's consultation on proposed changes to the energy supplier rating. This is a high-level industry view and Energy UK's members may hold different views on particular issues. We would be happy to discuss any of the points made in further detail with Citizens Advice if this is considered to be beneficial.

Executive summary

- Energy UK members are committed to rebuilding trust and consumer confidence in the sector, and are supportive of the direction of travel which will see the energy supplier rating extended to an increased number of suppliers.
- It is vital that information published on supplier outcomes is comparable, consistent and reliable. We are concerned that the proposed metric for telephone waiting times would not meet these criteria and could negatively impact the customer experience.
- Energy UK agrees that an adjustment to the complaints metric could enable the tool to better reflect customer outcomes, but notes that there are significant practical concerns that need to first be addressed in order to ensure that the new metric is a reliable and accurate representation of supplier performance.
- We would be interested to work with Citizens Advice to look at how existing voluntary Energy UK initiatives such as the Safety Net and PPM Principles could be used in the tool to highlight a supplier's commitment to supporting vulnerable customers.

Start date

Energy UK members are concerned that there is a very short turnaround time in the current proposal between when a decision on the changes will be made (September 2017) and when implementation will be required (October 2017). This would make it challenging for suppliers to make the changes required in order to record the new metrics. Our view is that the earliest feasible implementation date would be January 2018, with the first release using the new metrics in March 2018. If, however, Ofgem's proposed extension of the price cap for vulnerable customers comes into place in January 2018, then we would ask that Citizens Advice review the start date given the significant resourcing requirements that will be placed on suppliers' regulatory teams at that time.

Market coverage

It is to the benefit of suppliers and consumers for there to be a level playing field and a comprehensive comparison of supplier performance across the market. Energy UK believes that an increase in the scope of the tool to allow suppliers with a customer base of 50,000 or above to join is a positive step in this direction. With regard to whether this should be mandatory (as proposed) or voluntary, there are a

range of views across our membership, given that the requirements of the tool do entail an increased reporting burden for suppliers.

With the growth of the tool to a significant number of new suppliers who will be reporting data for the first time, the metrics need to be simple to report against and contain robust mechanisms to ensure that there is no risk of inconsistency of reporting across suppliers.

Energy UK supports the voluntary inclusion in the rating for suppliers with fewer than 50,000 customers, and agrees with the proposed requirements for suppliers wishing to join. With regard to how information could be improved about suppliers with fewer than 50,000 customers who do not voluntarily join, a useful addition would be to highlight whether these suppliers have a particular geographical or meter-type specialism.

Metrics – billing

Energy UK members appreciate that the provision of accurate bills is an important aspect of customer service that supports customer engagement. An essential principle to guide the development of a metric around bill accuracy is that it should not result in a reduced degree of customer choice. It is also important that the metric reflects current licence conditions. Options 1 and 3 meet both these criteria. Option 2 does not and Energy UK would, therefore, strongly oppose it. The requirement for a meter reading every 6 months would not account for the interests of those customers who would prefer an annual meter reading. It would be a significant step beyond the current licence condition that stipulates the need to take all reasonable steps to take a meter reading at least once per year, which would be likely to increase costs. There are also concerns about the degree to which this metric would be an accurate measure of supplier performance. Meter readings are reliant upon customer engagement, which means that the score may be a reflection of a supplier's customer base rather than a supplier itself. A useful alternative indicator that could be explored would be the range of channels offered by a supplier for a customer to provide meter readings.

Energy UK members agree that, in principle, the timeliness of bills is a useful metric for inclusion in the tool. The way in which timeliness is defined will be key to the effectiveness of this metric. It is important that the method of data collection for this metric (the proportion of bills sent out within 15 days of the agreed billing schedule) accounts for the fact that customers are billed with varying frequencies.

Metrics – customer service

Energy UK believes that the proposed metric of average wait time for customer contacts, excluding any time that a customer spends being routed through IVR, carries significant risk and has the potential for unintended consequences. There are a large number of variables in how average wait time could be calculated that make this a complex measure. It would be extremely difficult to get to a point where it could be confidently stated that this measure was a legitimate and reliable comparison of suppliers. Furthermore, this metric could create incentives for suppliers to “game” the indicator and make increased use of IVR, which may not be in the best interest of customers. There is also a risk that publication of this data could drive a levelling effect in supplier behaviour.

Metrics – complaints

Energy UK agrees that an adjustment to the weighting of OSE cases could enable the tool to better reflect consumer outcomes. Energy UK members have differing views regarding the appropriate balance of the weighting, which will be shared in their individual responses.

There are, however, some shared practical concerns regarding the implementation of this metric. It is vital that data published on supplier outcomes is reliable. It has previously been acknowledged by the OSE that there have been some errors in its categorisation of cases, and indeed this data has not been published on the OSE website. Energy UK believes that, prior to this metric being introduced, there needs to be a robust process to consult with industry and the OSE in order to provide assurance that the data is reliable and accurate. This change would also necessitate the introduction of clearer governance and service level arrangements for response times from the OSE to supplier contact regarding clarifications or challenges to the initial OSE classification.

Energy UK understands that the OSE is currently reviewing its procedures with regard to decisions with nominal changes. In these cases, the OSE verdict can be identical to the supplier response with as little as £10 difference in the level of financial award. Such a case would be categorised as Upheld and skew a supplier's performance downwards under the new tool metrics. This would not be helpful for a consumer seeking to obtain a clear picture of supplier performance. In order for the energy supplier

rating to provide an accurate and comparable view of supplier outcomes, the change in the metrics for complaints should be aligned with the review of OSE procedures around decisions with nominal changes.

Energy UK notes that the proposed new methodology would shift the point at which complaints are recorded from when they are received to when they are concluded. This creates a risk that a complaint recorded against a supplier at the point of receipt under the current tool could be recorded again at the point of resolution under the revised tool. Energy UK would welcome further detail being provided on how it will be ensured that no complaints are counted twice.

Energy UK members believe that the smooth implementation of this metric would be supported by providing suppliers with a retrospective view of how they would have performed during the past 12 months under the new metrics. This will support suppliers to understand how their performance will be affected by the new methodology. It will also ensure that any concerns around data accuracy can be resolved before the changes come into force.

Switching

The adjustment of the switching metric to go further than the licence requirements is likely to result in a fall in the proportion of switches that meet Citizens Advice's criteria. It would be imperative for it to be clearly explained to users of the tool that this shift is the result of a change in process rather than a decline in supplier performance. If this is not clear to customers, then it is likely to have a negative impact on customers' confidence in the switching process. Energy UK's view is that it must also be clear that this metric is not a measure of compliance and that, regardless of performance against this metric, suppliers can be fully meeting the licence requirements for electricity suppliers. In light of the above, Energy UK would like to see a more detailed description of how this data would be reported and presented under the new tool.

New Categories

The consultation document specifies vulnerability as a possible new category in future. Energy UK has done a lot of work to improve standards in the energy industry including the development of the Safety Net for Vulnerable Consumers (Safety Net) and the Energy UK 10 PPM Principles. We believe that taken together signing up to the Safety Net and PPM Principles reflect a solid commitment to safeguarding the interests of vulnerable consumers and would therefore be useful in highlighting a suppliers' focus on vulnerability. We believe that in the interests of incentivising more suppliers to join Energy UK initiatives, these should be flagged in the supplier comparison tool as far as possible. Energy UK would welcome a conversation on how exactly these initiatives could be reflected in the comparison tool alongside other forms of accreditation that suppliers may have obtained.

In addition to vulnerability, the Code of Practice of Accurate Bills (The Billing Code) provides consumers with a clear and accurate picture of supplier performance in this area. This could be a useful addition to the tool in future. Energy UK appreciates that joining initiatives such as this can currently be harder for some of the smaller, less-established suppliers and we are actively exploring steps to address this including offering reduced initial audit costs and a period of time without publication of results. This would reflect the flexibility that the larger six suppliers enjoyed at the beginning of the initiatives such as the Billing Code and the Safety Net. This flexibility allowed signatories of the various initiatives to address internal issues before audit results (for the Safety Net and the Billing Code) were widely publicised.

Energy UK also believes that the tool should include an indicator as to whether a supplier offers Warm Home Discount Core and Broader Group rebates. We believe that this information is important for a customer to know and understand when they are making a decision about their supplier as this could have a significant impact on their final energy bill.

If you would like to discuss the above or any other related matters, please contact me directly on 020 7747 2967 or at Colin.Brooks@energy-uk.org.uk