

Citizens Advice's consultation on improving energy supplier performance information – energy supplier comparison tool project

Energy UK strawman response

9th September 2016

Introduction

Energy UK is the main trade association for the energy industry, with over 90 members; representing energy generators and suppliers of all sizes. Our members supply gas and electricity and provide network services to both the domestic and non-domestic market. Energy UK members own over 90% of energy generation capacity in the UK market and supply 26 million homes and 5 million businesses, contributing over £25 billion to the UK economy each year. The industry employs 619,000 people across the length and breadth of the UK, not just in the South East, contributing £83bn to the economy and paying over £6bn annually in tax.

Energy UK's retail members are: British Gas, Bristol Energy, Co-Operative Energy, DONG Energy, Ecotricity, EDF Energy, Engie, E.ON, Flow Energy, First Utility, GB Energy Supply, Good Energy, Haven Power, npower, Opus Energy, Scottish Power, Smartest Energy, Spark Energy, SSE, Utilita and Utility Warehouse.

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 improving energy supplier performance information. This is a high-level industry view; 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 or any other interested party if this is considered to be beneficial.

Executive summary

Energy UK members are committed to rebuilding trust and consumer confidence in the energy sector, and encouraging consumers to engage. We believe supplier performance and reporting will become even more important as we move to more principles based and outcomes-led regulation.

Energy UK, however, notes that the current reporting arrangements of the three statutory bodies (Ofgem, the Ombudsman and Citizens Advice), combined with various survey results from other sources (for example Which?, uSwitch) leads to a relentless stream of performance information. As a result, it is very difficult for consumers to understand what the true picture of performance is, or to ascertain what the 'official' results are, and who is providing them. Energy UK, in principle, supports Citizens Advice's efforts to develop a single indicator of supplier performance, to address the confusion for consumers, and to create the right incentives for suppliers to compete on service and performance.

It is vital that any performance information being published and promoted by Citizens Advice, including the proposed energy supplier comparison tool, is relevant, comparable and consistent. It should also fulfil the dual purpose of informing consumers and creating a meaningful competitive differentiator for suppliers.

To this end, Energy UK believes it is vital that Citizens Advice conducts detailed customer research to inform the development and design of the proposed tool and its metrics of performance. Such research is key to ensuring that the final tool can and will help customers make informed decisions and will not have unintended impacts on consumer engagement or competition. Further waves of regular customer research with users of the tool should also be conducted once the tool is live to ensure that it is meeting Citizens Advice's intended objectives.

Furthermore, while we support the intent behind the initiative, Energy UK is concerned by Citizens Advice's proposed timetable for launching the tool. Energy UK notes that a November 2016 launch leaves little time and opportunity to fully test the tool and refine the methodology as required. Energy UK would, therefore, argue that before the comparison tool goes 'live' and promotion of the tool begins, Citizens Advice should conduct a "dummy run" of the data (i.e. testing of the tool) with suppliers and other key stakeholders. Furthermore, suppliers should have the opportunity to validate the accuracy of any data included and to review the format/presentation of the scoring before it is published by Citizens Advice.

Our responses to the detailed questions proposed by Citizens Advice in the consultation document are set out below.

Consultation questions

Q1. Do you agree that the combination of the 5 metrics proposed for the first release will provide consumers with an overall view of suppliers' customer service performance? Please provide any supporting evidence for your answer.

Energy UK anticipates that members will respond individually on the five proposed metrics. Energy UK would, however, like to take to the opportunity to raise two more general points in relation to the proposed metrics:

1. Ultimately it will be for consumers to determine whether the tool and its proposed metrics will provide an overall view of suppliers' customer service performance. It is, therefore vital Citizens Advice conduct detailed customer research to support the suggested metrics, to ensure that they can and will help customers make informed decisions and will not have unintended impacts on consumer engagement or competition. Further waves of regular customer research with users of the tool should also be conducted once the tool is live to ensure that it is continuing to meeting Citizens Advices' intended objectives.
2. It is vital that Citizens Advice ensure that any data presented is complete, accurate and not misleading. To this end, Energy UK notes that suppliers' have previously sought clarity as to the robustness and consistency on the GFK data sets which will inform a number of the proposed metrics. Energy UK would encourage a wholesale review of the of the GFK data sets by Citizens Advice prior to launching the tool. However, as a minimum it is welcome that Citizens Advice has shared GFK's research methodology with suppliers. Suppliers are currently reviewing the methodology and in order to ascertain whether they believe the resulting data sets are complete, accurate and fair. To assist suppliers in reviewing the data it would be helpful if Citizens Advice could also share a copy of the actual GFK questionnaire.

Q2. Do you agree that the indicative weightings are an accurate representation of the importance of each metric? If you suggest any changes, please provide an explanation and any supporting evidence.

Energy UK would support Citizens Advice carrying out detailed consumer research to help inform and ensure any weightings are an accurate representation of the importance of each metric before the tool goes live. In the absence of detailed consumer research, we would encourage Citizens Advice to display

suppliers' performance against each of the proposed metrics separately as well as the overall ranking so customers can drill down into the detail if they wish.

Energy UK also notes that suppliers are currently in the process of reviewing GFK's research methodology it is, therefore, difficult to comment on the specific of some of the weightings at this time.

Q3. Do you agree with the decision to limit the metrics and overall rating in the first release of the tool to the 17 largest suppliers from which we are able to collect representative data?

No. For the tool to truly represent a comparable overview of supplier performance, all suppliers should be included.

Should Citizens Advice decide to proceed with data from 17 suppliers, Citizens Advice must ensure it is clear to consumers that the tool does not capture all suppliers and the reasons for this.

Q4. Do you agree that a future release of the tool would benefit from the inclusion of a performance metric about the average speed to answer telephone calls? Do you agree that the suggested scope of calls between '9am – 5pm, Monday – Sunday' is the appropriate timescale to capture this information? Please provide any supporting evidence for your answer.

Energy UK expects members to respond to this question individually.

We would, however, note that an average speed to answer telephone calls metric does have potential for unintended consequences. For example, publication could drive a levelling effect in supplier behaviour, reveal commercially sensitive data, and/or create incentives for suppliers to "game" the indicator. The development of any new metric, therefore, needs to be carefully considered and subject to further consultation with industry. Citizens Advice need to ensure that any information it plans on including in the tool is comparable across suppliers, and be clear about how it will ensure information is representative and not misleading.

Q5. Do you agree that a future release of the tool would benefit from the inclusion of a performance metric about the accuracy of switching, based on the number of erroneous transfers? Please provide any supporting evidence for your answer.

Energy UK does not believe that a metric based on the number of erroneous transfers (ET) is an appropriate measure of a specific supplier's switching performance given the difficulty in assigning fault for an ET to a particular party. It is important that Citizens Advice remain conscious that ETs can be the result of factors and actors, including the Old Supplier, the New Supplier, a PCW, industry systems and/or the customer themselves.

Energy UK would, therefore, also question what value consumers would gain from the inclusion of an ET metric as part of any switching decision. Energy UK notes that a proportion of the total number of switches the number of ETs is very low (0.5%).¹ The inclusion of a ETs metric could, therefore, risk creating undue customer confusion and/or concern. Energy UK notes that this would likely be counterproductive to the objectives of encouraging engagement and publishing information in a clear and consistent manner. As above, Energy UK would, therefore, support Citizens Advice carrying out detailed consumer research to help inform the development and selection of all metrics.

Q6. Are there any additional qualitative indicators we should be considering for future development of the tool, in order to provide the best possible information for consumers?

As outlined above, to ensure the tool provides the best possible information for consumers, Energy UK would support Citizens Advice carrying out detailed consumer research on what additional qualitative indicators consumers would find useful to help inform the future development of the tool. We note that individual suppliers may respond with suggestions for metrics which could be tested as part of any consumer research.

¹ https://www.ofgem.gov.uk/system/files/docs/2016/08/erroneous_transfers-policy_issue_paper.pdf

Q7. Do you agree that the scoring definitions and scoring definitions and scoring criteria proposed are appropriate to use for the comparison tool? Please provide any supporting evidence with your response.

Energy UK expects members to respond to this question individually.

Some suppliers have, however, raised concerns around the level of granularity, along the bandings and weightings for a number of metrics (e.g. a supplier with a score of 23 for third party complaints would achieve a weighted score of 1.25, the same as a supplier with a score of 48).

Energy UK also notes that in relation to the proposed billing metric, much of the content included on bills is specified by Ofgem via licence conditions. Energy suppliers are, therefore, constrained as to what their bills can do and must look like. While in light of the CMA final recommendations and Ofgem's ongoing Future of Retail Market Regulation programme this may be subject to change in the future, it does raise questions as to how customers' reaction to the bill should currently be scored and presented within the tool. For example, given the regulatory requirements is it today actually possible to get the highest score against this metric?

Q8. Do you agree that rounding supplier scores to the nearest quarter score will show sufficient granularity, while remaining clear enough for consumers to understand?

Energy UK expects members to respond to this question individually.

Q9. Do you prefer the alternative scoring criteria over the initial scoring criteria set out in Section 4.1? If so, why?

In principle, no. The alternative methodology appears more consistent with the production of a league table, than a performance comparison tool. Ultimately, this is however, a matter for consumers and which would best inform their switching decision. We would encourage Citizens Advice to mock up how the tool would look and work using both methodologies to allow both suppliers and consumers to assess and comment in more detail.

Q10. Do you agree that the proposed tool will make improvements to the experience consumers currently have when assessing Citizens Advice performance information?

This is a question which needs to be asked of consumers directly. Energy UK would, therefore, encourage Citizens Advice to conduct customer research to ensure that the proposed tool will make improvements to the experience consumers currently have when assessing Citizens Advice performance information.

Energy UK, however, notes that it is essential that the proposed comparison tool is managed well and coordinated with other organisations (i.e. Ofgem, the Ombudsman) which publish supplier performance data. There is a real danger consumers are currently being overwhelmed with data about energy company performance from different sources, meaning that they are more likely to disengage. The arrangements for publishing performance information by the three statutory organisations can already make it difficult for consumers to make an assessment of relative performance.

It is also important that Citizens Advice carefully consider how the proposed tool will be used by energy price comparison sites.

If you have any questions or would like to discuss further please contact Natalie Scarimbolo on 0207 747 2967 or at Natalie.Scarimbolo@energy-uk.org.uk.