



Citizens Advice - Improving energy supplier performance information consultation

OVO Energy's response

9 September 2016

1. Introduction

- 1.1. OVO welcomes the opportunity to respond to Citizens Advice's consultation on improving energy supplier performance information, published in July 2016.
- 1.2. With the rapid increase in competition in the retail energy market, OVO fully recognises the need for energy consumers to have more visibility of supplier performance, so that they are able to make informed choices based not only on price but on quality of customer service.
- 1.3. Today's multiple sources of information about energy supplier performance, use a range of varying rankings and metrics, providing customers with an inconsistent and confusing view of supplier performance. A single end-to-end view of how suppliers perform, with the appropriate metrics, would remedy this inconsistency and confusion.
- 1.4. Therefore OVO strongly believes that customers need to have a **single source of truth** when it comes to assessing supplier performance - i.e., one central, trusted hub where information is **clear, relevant, consistent** and **comprehensive**. Without this centralised source addressing these four key factors, there is increasing risk of customer confusion and therefore disengagement, at a time when engagement is critical in order for the competitive market to operate effectively.
- 1.5. OVO's view is that Citizens Advice's proposal for an energy supplier comparison tool is a step in the right direction towards achieving this. However, OVO believes that there are issues with the proposed metrics in either the way they are measured or in relation to the topic they seek to cover. Also, OVO's view is that the weightings applied to the proposed metrics are not appropriate.
- 1.6. In order to give a comprehensive and balanced view of the market, OVO believes that the energy supplier comparison tool should apply to all suppliers in the domestic market. While the recent influx of new entrants has introduced much needed competition to the market, the lack of industry experience of some entrants combined with the rapid rate of their growth heightens the risk of customer harm - e.g., in the form of operational challenges such as billing. Furthermore, it will take

only a small level of poor performance and media attention to undermine the already precarious levels of trust energy consumers currently have in the energy market. Therefore new entrants need to be sufficiently incentivised to provide quality customer service, and OVO believes the best form of incentive is to give customers transparent visibility of all suppliers' performance.

- 1.7. Finally, any tool which is intended to become a single source of truth needs not just full support from but in-depth coordination with Ofgem and industry stakeholders such as Which?. Without this, the tool is unlikely to succeed in providing customers with clear and consistent information, and may even risk harming customers by adding yet more information to the market.
- 1.8. In the following sections of our response we will review in more detail the proposed energy supplier comparison tool and provide our recommendations in relation to the appropriate metrics and weightings to meet the objective of ensuring the tool is clear, relevant, consistent and comprehensive (section 2). This section will generally answer Citizens Advice's questions posed in the consultation, however in section 3 we will also provide specific answers to those questions.

2. Improving the proposed energy supplier comparison tool

- 2.1. All information available to consumers about energy suppliers should be **clear, relevant, consistent** and **comprehensive**. In OVO's view, this is an excellent opportunity to develop the form of the energy supplier comparison tool to achieve this. We set out below our recommendations on how this can be done.

Clear information

- 2.2. As stated, OVO fully supports the aim of creating a single source of supplier performance information, giving consumers a complete picture of the energy market and its players, and allowing them to make informed judgements and comparisons of suppliers.
- 2.3. However, in order to achieve clarity and effectiveness, all information about energy supplier performance needs to be clear, simple and accessible in one place. Information currently published by Citizens Advice is fragmented and consumers need to use a number of tools to see a complete picture - e.g., if a customer wants information on the number of supplier complaints referred to industry bodies, they need to go to the complaint handling league table, for information about a supplier's contactability the consumer needs to use the energy supplier customer service tool and in order to compare prices, a consumer needs to use the energy price comparison tool. OVO agrees with Citizens Advice that this could be improved.
- 2.4. Furthermore, the weighting of metrics needs to be appropriate to ensure that an overall score awarded to a supplier for performance is a fair and accurate representation of that supplier's performance, and is not skewed to place emphasis on areas which are not appropriate indicators of performance.
- 2.5. We recommend the following in order to improve the proposed weighting of metrics:
- (a) **Service metric** - OVO's view is the service metric should be weighted more heavily than the other metrics making up the energy supplier comparison tool.

OVO believes how well an energy supplier scores in relation to its customer service is the best indicator of a supplier's overall performance. This is because good service indicates success across a number of areas (eg complaints handling, billing, switching). It is also the best metric to judge whether a supplier treats its customers fairly. For example, energy suppliers received scores for customer service in the Which? 2015 customer satisfaction survey on the basis of how customers felt they were treated **overall** by their energy supplier.¹ This question required customers to consider all aspects of their supply experience - from switching and sign up, through billing and other in-life issues to complaints handling.

In addition to ensuring the weighting of the metric is appropriate and reflective, the service metric also needs to measure the right behaviour. We discuss how we believe the **measurement** of the metric can be improved to achieve this below in section 2.8(b).

- (b) **Complaints metric** - OVO's view is that the complaints metric should have a lesser weighting than the service metric. Metrics assessing a supplier's handling of complaints only measure a supplier's performance in a narrow way - for example, focussing on how a supplier responds to complaints, not how a supplier limits issues leading to complaints in the first place. By placing greater emphasis on a supplier's service performance, this automatically shifts the focus to encouraging the correct behaviours - eg treating customers fairly and providing excellent service, to avoid customers needing to complain in the first place. OVO will also explain below in section 2.8(a) how it considers the complaints metric **measurement** needs to be revised.
- (c) **Switching metric** - OVO's view is a switching metric is not a useful metric for consumers to rely on when considering supplier performance. We set out further detail on why we do not believe switching is an appropriate metric in section 2.8(c). Because of the reasons set out in that section, we do not consider the proposed weighting of 10% to be appropriate. Our view is this should not

¹ Which?, Energy Companies Satisfaction Survey 2016, "Star Ratings Explained": <http://switch.which.co.uk/energy-suppliers/energy-companies-rated.html>

be included as a measurable metric at all, and if it is, the weighting should be nominal (eg maximum 5%).

- 2.6. On the basis of the above, our recommendation for revised weightings is as follows:

Metric	Weighting	Maximum weighted score out of 5
Customer service	50%	2.5
Complaints	25%	1.25
Billing	25%	1.25
Switching	0%	0

Relevant information

- 2.7. OVO's view is that, broadly, the proposed metrics in the tool cover the correct 'categories' in which suppliers should be assessed. However, OVO believes the way in which certain metrics are measured is not appropriate.

- 2.8. We recommend the following in order to improve the measurement of metrics:

- (a) **Complaints metric** - OVO's view is that the way complaint handling is currently assessed by Citizens Advice may lead to skewed outcomes in reporting supplier complaint handling proficiency. This is because it only considers the number of referrals to Consumer Service, the Extra Help Unit and the Ombudsman. OVO is concerned this approach may encourage suppliers to settle disputes to prevent them proceeding beyond deadlock, rather than allowing a customer's issue to be given a fair and independent hearing or review.

To overcome this, OVO recommends that the Citizens Advice complaints handling metric should be reviewed so that it doesn't focus only on the number of referrals to industry organisations, but also focusses on:

- the number of complaints a supplier receives per 100,000 customers; and

- the number of those complaints received that are resolved by the supplier within 8 weeks.

This would mean the metric appropriately measures a supplier's performance at all stages of the customer complaint journey. This journey is depicted in the Figure 1:

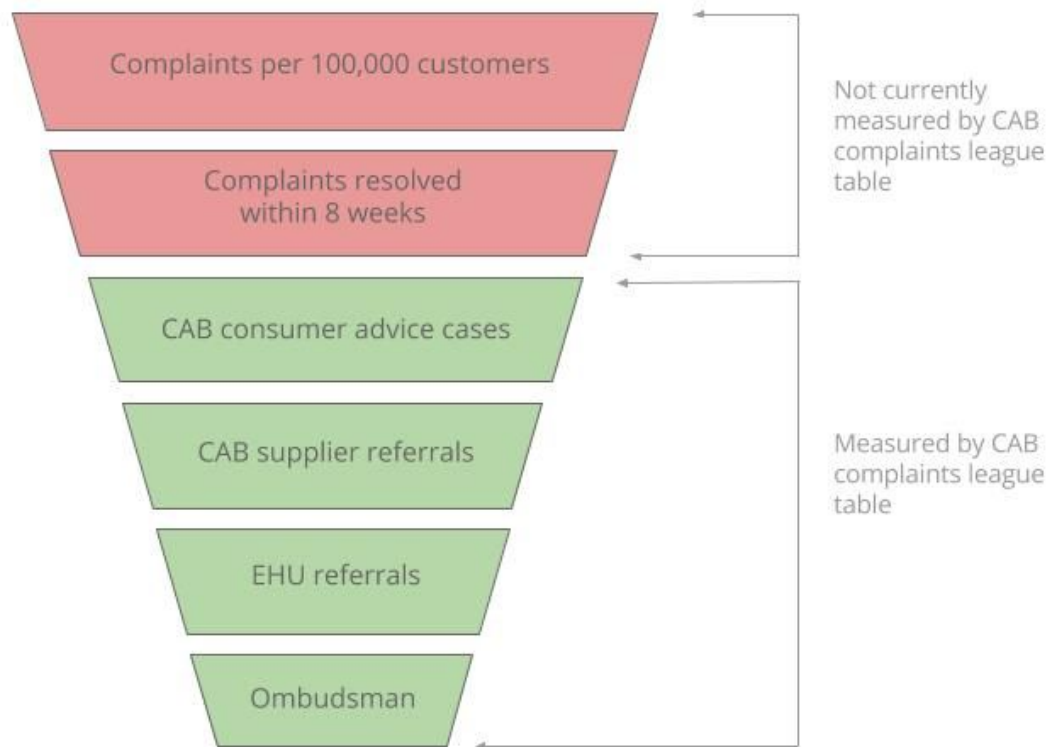


Figure 1 - Customer complaints journey

OVO recommends that the simplest way to achieve this is to incorporate the results of Ofgem's complaints reporting in the relevant areas into the complaints metric of the energy supplier comparison tool. This will also ensure there is consistency between the various published metrics which are available to consumers (see section 2.9-2.12 for further discussion of this need for consistency).

- (b) **Service metric** - OVO is concerned that it is not clear from the consultation exactly how the customer service metric for ease of contacting a supplier is proposed to be measured, because no specific information is available about

how GFK will conduct its survey to collate the representative data (e.g. the type of questions respondents will be asked to determine results). We also understand it is not possible to access this information publicly.

Having said that, OVO's view is that the proposed customer service metric appears to be too narrow, focussing only on how easy it is to contact the supplier (assuming the survey conducted by GFK focusses primarily on contactability metrics such as opening hours and contact channels). As explained in section 2.5(a) above, OVO believes the service metric is the best indicator of a supplier's overall performance. Therefore, it needs to cover all aspects of service provision (not just contactability).

In light of this, OVO strongly supports Citizens Advice's proposal to include an additional metric measuring overall satisfaction with the service of the supplier (page 13 of the consultation). However, again, OVO is concerned that it is not clear how this metric will be measured. OVO's view is that this metric should be measured on the basis of a customer's overall satisfaction with their supplier, rated on a scale, as well as how likely the customer is to recommend that supplier to others. This is a similar basis to how the Which? Customer satisfaction survey awards overall scores to suppliers.² OVO also recommends that Citizens Advice consider incorporating other well respected and well known standards into the service metric. For example, a supplier's score in the Which? Customer satisfaction survey could be directly incorporated as a component of the service metric calculations. This would also assist to ensure consistency between all industry metrics.

OVO does not agree with the proposal for this measurement to comprise only 50% of the service metric. OVO's view is the "satisfaction with service" measurement should make up the majority of the metric, and contactability should be a small component (eg a maximum of 20% of the overall metric).

OVO also supports Citizens Advice's proposal to include a measurement of the speed of telephone answering in the service metric. However, OVO

² Which?, Energy Companies Satisfaction Survey 2016, "Notes":
<http://switch.which.co.uk/energy-suppliers/energy-companies-rated.html>

recommends this metric only measure a supplier's phone answering speed during its opening hours. Otherwise, the results will be skewed for suppliers who operate longer phone contact hours.

- (c) **Billing metric** - OVO supports the inclusion of a metric to measure how easy a supplier's bills are to understand. OVO's view is that billing can be very confusing for customers, and OVO supports any initiative which aims to encourage suppliers to make bills as easy to interpret for customers as possible. On the information provided it is not clear exactly how this metric will be measured by GFK through its surveys. However, OVO's recommendation is that this metric is based on customers' responses to how easy it is for them to understand:

- their overall charges (eg the total amount due);
- how their charges are calculated; and
- their options if they have concerns about their charges, tariff or other questions.

The above measurements will become increasingly important as the RMR rules around bill content are progressively removed and/or changed, and suppliers have more and more flexibility about the content and format for customer bills.

- (d) **Switching metric** - OVO's view is that measuring a supplier's average switch time is not an appropriate metric to contribute to a supplier's overall performance score. This is because a supplier's average switching timeframe can be affected by factors outside the supplier's direct control - for example:

- poor industry data which can lead to erroneous transfers and a significant delay in completing a switch;
- a delay in receipt of information from brokers to allow a supplier to commence a switch;
- an objection from the previous supplier which blocks the switch; or
- a customer opting to cancel the switch during the cooling off period.

Citizens Advice has suggested in its RFI request dated 16 August 2016 that the time taken for a customer to switch should be measured starting from the date

defined as the “Relevant Date” under standard licence condition 14A.³ Measuring from this date will only address the issue of customers cancelling their switch during the cooling off period, but will not address the other issues identified above. OVO instead recommends that the switching metric:

- is measured from the **day** the customer data for commencing the switch is **received** by the supplier; and
- **excludes** any switches which are objected to by the previous supplier or which are cancelled by customers during the cooling off period.

To facilitate this, OVO recommends the switching metric be measured through self reporting by suppliers (in the same way Ofgem complaints reporting is based on self reporting by suppliers and auditing by Ofgem).

- (e) **Customer commitments metric** - OVO does not support the inclusion of this metric. OVO’s view is this metric does not assist in providing consumers with an insight into a supplier’s performance, as it only takes into account whether the supplier has signed up to the code, and not whether the supplier has actually complied with its requirements.

OVO’s view is that a supplier’s performance in the relevant areas covered by these codes will be captured by other proposed metrics. For example, a supplier’s score in the billing metric will provide a more accurate view of how clear a supplier’s billing processes are. Likewise, a supplier’s score in the service metric will indicate how well a supplier performs end-to-end service provision. If consumers consistently experience prolonged switches due to the fault of the supplier, this is likely to contribute to that supplier scoring poorly in the overall “satisfaction with service” measurement.

- (f) **Smart meters** - OVO believes an additional metric could be included to measure a supplier’s smart meter readiness. This metric would recognise suppliers, like OVO, who are making progress in meeting government smart

³ The Relevant Date is defined in SLC 14A as either (1) the day on which a customer enters a contract with the supplier, or (2) if there is a cooling off period during which a customer can cancel the contract, (a) the earlier of the end of the cooling off period, (b) the day when the customer and the supplier agree the switch can proceed, and (c) 14 days after the customer entered the contract.

metering rollout targets to encourage and support customer awareness and engagement with smart metering. The easiest way to measure this is to look at the number of customers a supplier has with a smart meter. This is an easy indicator of a supplier's readiness to reach the 2020 smart meter rollout obligations.

Consistent information

2.9. The most prominent publicly available metrics that cover a range of suppliers (not just the Big Six), in addition to Citizens Advice's energy supplier complaint referrals metric include:

- (a) The annual Which? energy companies satisfaction survey which is a very comprehensive and respected measure of overall supplier satisfaction and one of the biggest publicly available customer surveys of its kind;⁴ and
- (b) Ofgem's quarterly data on supplier complaints, covering a range of suppliers and providing detail on complaints received and complaint handling;⁵

2.10. When presented together, these metrics already paint an inconsistent and confusing picture of supplier performance making it incredibly difficult for consumers to make informed choices. As an example, SSE is ranked number one according to Citizens Advice's latest complaints data (covering January to March 2016), 18 out of 22 according to Which?'s 2016 satisfaction survey and mid ranking according to Ofgem's quarterly complaints data (up to Q1 2016). This is confusing for consumers, as they may not understand that each of these sources measure complaints "success" in different ways.

2.11. In light of this, it is essential that Citizens Advice's energy supplier comparison tool does not act to create further confusion or inconsistency with other industry information available. Hence our strong recommendation that the measurement of metrics in the proposed energy supplier comparison tool draws on existing industry metrics where appropriate and possible. See sections 2.7(a) and (b) above for a detailed discussion of how this may be done.

⁴ Which?, [Energy companies satisfaction survey 2016](#)

⁵ Ofgem, [Supplier performance on consumer complaints](#)

Comprehensive information

- 2.12. Citizens Advice has proposed that the initial rollout of the energy supplier comparison tool will only cover 17 of the current energy suppliers in the market. OVO does not support this proposal. Given the increasing number of new suppliers entering the market in recent years, the energy supplier comparison tool will only cover a third of all suppliers. This means the tool will present an incomplete picture, prohibiting consumers from having access to complete, comprehensive information about the market.
- 2.13. OVO believes consumers should have access to performance information about all suppliers, particularly new, relatively unknown or inexperienced suppliers. OVO's view is that this is a segment of the market that most needs to be tracked. This is because new market entrants lack industry experience which can heighten the risk of customer harm due to underdeveloped operational processes (e.g. billing). This could result in poor performance and media attention which may ultimately undermine consumer trust in the energy market. To minimise this risk, new entrants need to be sufficiently incentivised to provide quality customer service. OVO's view is that the best way to encourage this behaviour is to give customers transparent visibility of all suppliers' performance. Including smaller or new suppliers in the measurement will encourage these suppliers to ensure their operational processes are ready and robust so that they can provide good customer service from their inception and can score well in tools such as this.
- 2.14. Furthermore, by not covering all suppliers but including certain details of suppliers outside the top 17 will cause confusion for consumers. For example, Citizens Advice has proposed including details of suppliers' complaints ranking or code commitments within the tool, even if they have not received an overall performance score. Consumers may have trouble understanding why those suppliers have only received part scores.
- 2.15. In light of this, OVO recommends that Citizens Advice take an "all or nothing" approach for the energy supplier comparison tool - e.g. the launch of the tool is delayed until such time as Citizens Advice has enough data on the full market to launch the tool covering **all** suppliers across all metrics.

3. OVO's answers to the consultation questions

Question 1: 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.

3.1. OVO's view is that the three fundamental metrics which should be measured to give an appropriate overview of supplier performance are supplier service, billing and complaints handling. Our view is that metrics measuring speed of a supplier's switching and a supplier's code commitments are not appropriate metrics for measuring overall supplier performance. Our reasons and supporting evidence for this are set out in section 2.6-2.7 above.

Question 2: 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.

3.2. Our view on the proposed indicative weightings and our recommendations for improving this proposal are set out in section 2.5 above.

Question 3: 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?

3.3. No, OVO does not support this decision. Our reasoning is set out in section 2.12-2.14 above.

Question 4: 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.

- 3.4. As explained in section 2.8(b) above, OVO supports Citizens Advice's proposal to include a measurement of the speed of telephone answering as part of the service metric. However, OVO recommends this metric only measure a supplier's speed during its opening hours. Otherwise, the results will be skewed for suppliers who operate longer phone contact hours. Additionally, OVO's view is that this measurement should also only form a small percentage of the overall service metric weighting.

Question 5: 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.

- 3.5. OVO does not agree that a performance metric measuring the accuracy of switching would be appropriate for the energy supplier comparison tool. This is because factors outside a supplier's control can negatively affect the ability for that supplier to complete accurate switches - for example, poor industry data. We discuss this issue in more detail at section 2.7(d) above.

Question 6: 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?

- 3.6. OVO recommends Citizens Advice consider including a metric which measures how many customers of a supplier have a smart meter, for the reasons set out in section 2.7(f).

Question 7: Do you agree that the scoring definitions and scoring criteria proposed are appropriate to use for the comparison tool? Please provide any supporting evidence with your response.

- 3.7. OVO supports the proposal to have a single overall score awarded to a supplier based on its performance across all metrics. This will ensure consumers can easily and quickly understand where a supplier sits in the performance range across the industry.

Question 8: Do you agree that rounding supplier scores to the nearest quarter score will show sufficient granularity, while remaining clear enough for consumers to understand?

- 3.8. Yes - OVO agrees with the proposal to round scores to the nearest quarter score. This will ensure consumers can easily and clearly understand how and why a supplier has received a particular overall score, whilst still ensuring there is a clear enough distinction between supplier performance levels.

Question 9: Do you prefer the alternative scoring criteria over the initial scoring criteria set out in Section 4.1? If so, why?

- 3.9. OVO does not prefer the alternative scoring criteria proposed by Citizens Advice. OVO's view is that this alternative scoring criteria will be confusing to consumers. This is because the scale will be too large if all suppliers are included in the metric (as OVO believes they should be). For example, if 44 suppliers are included in the measurement, the top performing supplier would get "44". Without understanding in detail the measurement scale, it would be difficult for a consumer to know what a "44" means. Additionally, if there are new entrants into the market, the scale will continue to change each year - for example, the scale this year may be up to 47, and then next year it may go up to 53. Consumers may be less trusting of the metric if it appears to consistently change each year.
- 3.10. Using such a large scale will also make it difficult for consumers to compare a supplier's score in this metric against other established metrics - for example, the Which? supplier star ratings which provide a rating out of 5.

Question 10: Do you agree that the proposed tool will make improvements to the experience consumers currently have when accessing Citizens Advice performance information?

- 3.11. Yes - OVO fully supports the introduction of a tool which can be the single source of truth for consumers to evaluate suppliers. As mentioned, OVO agrees that the information provided by Citizens Advice at the moment is quite fragmented, and it is difficult for consumers to get a clear picture of supplier performance using this

information. Consolidating and improving the information Citizens Advice provides will assist to overcome this.

- 3.12. We also support Citizens Advice's proposal to share the data collated by it in the energy supplier comparison tool with third party stakeholders to use independently (eg price comparison sites). OVO believes supplier performance information should be as accessible for consumers as information about supplier pricing.