



Action for Warm Homes

CONSULTATION RESPONSE

PUBLISHED: 31 MAY 2023

CONTACT: MATT.COPELAND@NEA.ORG.UK

National Energy Action (NEA) response to Ofgem's consultation on a framework for consumer standards and policy options to address priority customer service issues

About National Energy Action (NEA)

NEA¹ works across England, Wales, and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

Background to this response

During the energy crisis, and throughout the pandemic, vulnerable energy consumers have been exposed to some of the most negative impacts in the energy market. Whether it is prepayment customers finding it harder to top up during the pandemic (having to leave their house when the UK Government is advising all to stay at home), or financially vulnerable households falling into debt during the cost of living crisis, millions of people are being impacted.

With these difficulties has come a greater demand from households to contact their energy supplier, and a greater need from energy suppliers to respond to this increased demand. Our own experience throughout this period has been that when looked at in the round, customer service has fallen short of the standards that we, and our clients, believe is necessary for a product that is an essential service.

We are therefore pleased that Ofgem is looking at ways to improve standards of customer service in the sector, including improvements that can be made ahead of winter.

Summary of our response

NEA is pleased that Ofgem is asking for views on how to pragmatically improve levels of customer service in the energy supply sector. Our response is based around 3 main themes:

- Enhancing access to customer service
- Upgrading the quality of customer service
- The case for prescription over competition

Each of these issues is addressed in turn below.

Enhancing Access to Customer Service

Over the last three years, through the pandemic and the energy crisis, access to customer service in the energy market has increasingly become more of an issue for customers as well as charities who advocate for them in the market. Two issues have arisen in that time. Firstly, that suppliers do not necessarily offer free phone lines at the times that their most vulnerable customers need them, for example to get back on supply in the event that a prepayment meter runs out of credit. And secondly, the capacity to deliver appropriate levels of customer service has been lacking, resulting in significant call wait times to solve relatively simple issues.

The proposals in this consultation look to solve the issue that relate to opening ours of customer service lines through extending those hours. Solving this issue is necessary, but not sufficient. Longer opening hours will provide relief for customers who need to contact during times that are currently classed as 'out of hours', but it will not necessarily reduce call waiting times, which has significant cost consequences for charities that advocate for energy customers, as well as time consequences for customers themselves.

NEA believes that reducing call waiting times must be a key priority for this work stream. On average, the waiting time to get through to an energy supplier now stands at 340 seconds. This has increased significantly since last year (up from 246 seconds). Some individual suppliers face much higher call waiting times of around 15 minutes on average. These average figures do not tell the whole story. Our advisors have often had to wait over an hour to get through to a supplier on behalf of a client to solve what should be a simple problem.

This increased call waiting time comes at a cost for operations, as well as other similar charities. We estimate that the cumulative impact of these call waiting times results in each of our advisors being unable to help one extra person each day. We estimate that over the course of a year, there are up to 750 households that we have been unable to help, purely due to our advisors waiting to get through to an energy supplier. Our advice team is relatively small compared to some other larger agencies, such as Citizens Advice. While the energy crisis has meant that we have helped record numbers of vulnerable households, it is likely that thousands, if not tens of thousands of households are missing out on help from charities because of long call waiting times.

This detriment is not exclusive to charities. Individuals face a time penalty from such increases to call waiting times. Assuming that a customer calls their supplier 2 times per year, the additional cumulative amount of time that individuals face through an increased call

waiting time of 94 seconds, is 1.4 million hours. Using Government assumptions for the cost of an individual's time (£4.67/hour³ in 2011 prices, ~£7 today), this additional call waiting time is effectively costing energy consumers £10m/year in total.

With this in mind, NEA recommends that Ofgem implements proposed option 2 for improving ease of contact, with three amendments.

1. There should be a requirement to increase customer service capacity in peak times to reduce call waiting times back to acceptable levels.
2. There should be a bespoke priority phone line for charity advisors to use in order to reduce the costs charities face in order to help households.
3. In light of the other two amendments requiring additional costs to deliver, the additional hours of customer service articulated in option 2 should be targeted only to those services that need to be out of hours, for example support for prepayment customers that need to top up.

Improving the quality of customer service

In addition to frustrations relating to the ability to reach a supplier, our experience has been that once a supplier has been reached, there are too many occasions where customer service does not meet the quality that we would expect of a provider of an essential service. There are a few ways that this occurs:

Firstly, an issue that is consistently faced by our advisors is the lack of compassion and empathy that is shown towards our clients, who are often in the most vulnerable situations, when either we, or they, contact customer energy supplier customer service teams. The Standards of Conduct say that "Suppliers must identify and understand the characteristics, circumstances and needs of vulnerable customers and satisfy themselves that their actions are resulting in vulnerable consumers being treated fairly". NEA is not convinced that this is being met across the market.

Secondly, an issue that we often see is a poor attitude to complaint resolution. The Standards of Conduct say that "Suppliers must make it easy for consumers to contact them, act promptly to put things right when they make a mistake, and ensure customer service arrangements are fit for purpose". Too often, our advisors and clients are unable to come to a reasonable resolution of complaint with suppliers, with many of the customer service providers (on the supplier side) being aware of crucial elements of the supplier licence conditions, leading to erroneous advice and/or actions. Compounding this, in our efforts to resolve complaints we often have to go to the energy ombudsman. We have found that suppliers will provide the ombudsman with a significant amount of paperwork, which is not always relevant to the case, with the outcome being to slow down the eventual resolution of complaint. We do not know whether this is malicious behaviour from suppliers or not, but the outcome is clearly undesirable for all concerned.

Thirdly, an increasing number of our clients are in debt to their energy supplier. There are very specific rules in the licence condition stating how energy suppliers should help their customers that are falling behind with their bills. SLC 27.8 outlines that a supplier must: have appropriate credit management policies and guidelines; make proactive contact with customers; understand individuals ability to pay; set repayment rates based on ability to pay;

ensure the customer understands the arrangement; monitors the arrangements after they have been set up; re-engages with the customer after an initial occurrence of a failed repayment arrangement. Time and again, debt repayment plans are set at levels that does not reflect our clients' ability to pay. This approach leads to significant energy rationing, and increased levels of self-disconnection.

To rectify this, NEA supports the proposals in this consultation to: a) have no minimum for a debt repayment rate across all suppliers; and b) to implement a reputational incentive based on the citizens advice customer service scoring. Additionally, NEA recommends that Ofgem ensures that scoring for customer service separates off a satisfaction score for customers who are vulnerable (e.g. by having a separate score for PSR customers). Ofgem should also look to evaluate the effectiveness of such a reputational incentive. If this approach is shown not to work, a more penal approach must be investigated.

The case for prescription over competition

Through this consultation, and in other areas of work that Ofgem has recently been undertaking, there is a common theme surrounding the tension between adding more prescription to the regulation of energy companies, or relying on competition to provide good outcomes for consumers. NEA firmly believes that additional prescription in some situations will result in better outcomes, particularly for households that live in situations that make them vulnerable to the impacts of fuel poverty. Prescription is most necessary when trying to drive particular outcomes for vulnerable customers. In short, good treatment of this group is not something that suppliers should compete on.

There is precedent for additional prescription in order to protect vulnerable energy customers across energy regulation. Most recently, the Code of Practice governing the forced installation of prepayment meters is more prescriptive than the previous guidance on the topic. This was deemed suitable because without the additional prescription, vulnerable customers would be left without protection. It is similarly true of customer service. Without prescription, competition will not deliver the outcomes that we would like to see (as proved by the current levels of customer service that have been driven by competition, yet do not meet an acceptable standard).

An area where Ofgem proposes more prescription is through the introduction of a reputational incentive which would require suppliers clearly display details of website hyperlinks to customer service data from a specified third party organisation such as Citizens Advice, prominently on their websites. NEA recommend that this should go further. Details should be embedded on supplier websites as well as in other communications (such as bills), to ensure that their customers see it. It is also important to track the effectiveness of such a reputational incentive, which has not often been used in energy supply. If it is deemed not to be effective, Ofgem should consider more penal options.

One argument against prescription is the additional costs that will need to be incurred in order to meet new minimum standards. Some will argue that the price cap needs to be increased as a result of these increased costs. We contend that this is not necessary. The minimum standards that Ofgem are seeking to introduce are implied within the licence as it currently stands. Suppliers should be meeting these standards as it is. If they haven't been meeting these standards, the price cap has been over inflated, covering the costs of

providing a reasonable level of customer service, when in reality this standard has not been met. NEA therefore recommends that Ofgem do not default to the idea that any minimum standards that are introduced should automatically result in additional costs within the price cap.

Answers to the Call for Input

Question 1: Do you agree with our assessment on what good looks like for the issues consumers are facing relating to the priority issues of contact ease and identification and support/advice for consumers struggling with their bills. Are there any issues missing?

Mostly. Our comments on each of the areas is shown in the table below

Area of Focus	Ofgem's perception of what good looks like	NEA Comments
Finding methods of contacting supplier	Customers are able to easily and clearly identify methods of contacting their supplier.	We agree that this represents good outcomes in this area at a high level.
Method of contact meeting different customer needs	Customers, in particular customers in vulnerable situations, are able to identify a method of contacting their energy supplier that meets their needs.	While we agree with the statement, more detail is needed. For example, there is a growing need to cater for digitally excluded households, which is a growing cohort. This should be explicitly mentioned.
Contacting suppliers and getting timely and appropriate response	Customers, in particular customers in vulnerable situations, are able to contact their supplier in a timely manner via their chosen contact method and get query resolution.	While we agree with the statement, more detail is needed. It should reference reasonable call waiting times as a clear outcome that supplier should work towards, as well as ease of access across more of the day, and reducing the cost of access.

Additionally, we propose that addressing the quality of service should be an explicit area of focus for this package of work. Our experience has been that once a supplier has been reached, there are too many occasions where customer service does not meet the quality that we would expect of a provider of an essential service. There are a few ways that this occurs:

Firstly, an issue that is consistently faced by our advisors is the lack of compassion and empathy that is shown towards our clients, who are often in the most vulnerable situations, when either we, or they, contact customer energy supplier customer service teams. The

Standards of Conduct say that “Suppliers must identify and understand the characteristics, circumstances and needs of vulnerable customers and satisfy themselves that their actions are resulting in vulnerable consumers being treated fairly”. NEA is not convinced that this is being met across the market.

Secondly, an issue that we often see is a poor attitude to complaint resolution. The Standards of Conduct say that “Suppliers must make it easy for consumers to contact them, act promptly to put things right when they make a mistake, and ensure customer service arrangements are fit for purpose”. Too often, our advisors and clients are unable to come to a reasonable resolution of complaint with suppliers, with many of the customer service providers (on the supplier side) being aware of crucial elements of the supplier licence conditions, leading to erroneous advice and/or actions. Compounding this, in our efforts to resolve complaints we often have to go to the energy ombudsman. We have found that suppliers will provide the ombudsman with a significant amount of paperwork, which is not always relevant to the case, with the outcome being to slow down the eventual resolution of complaint. We do not know whether this is malicious behaviour from suppliers or not, but the outcome is clearly undesirable for all concerned.

Thirdly, an increasing number of our clients are in debt to their energy supplier. There are very specific rules in the licence condition stating how energy suppliers should help their customers that are falling behind with their bills. SLC 27.8 outlines that a supplier must: have appropriate credit management policies and guidelines; make proactive contact with customers; understand individuals ability to pay; set repayment rates based on ability to pay; ensure the customer understands the arrangement; monitors the arrangements after they have been set up; re-engages with the customer after an initial occurrence of a failed repayment arrangement. Time and again, debt repayment plans are set at levels that does not reflect our clients’ ability to pay. This approach leads to significant energy rationing, and increased levels of self-disconnection.

To rectify this, NEA supports the proposals in this consultation to: a) have no minimum for a debt repayment rate across all suppliers; and b) to implement a reputational incentive based on the citizens advice customer service scoring. Additionally, NEA recommends that Ofgem ensures that scoring for customer service separates off a satisfaction score for customers who are vulnerable (e.g. by having a separate score for PSR customers).

Ofgem should also look to evaluate the effectiveness of such a reputational incentive. If this approach is shown not to work, a more penal approach must be investigated.

Question 2: Do you have any views on potential options to address priority issues and do you agree with the extra requirements we are proposing? Please supply evidence to support your response?

NEA agrees with the proposals to increase the times within which suppliers can be contacted. Additionally, NEA believes that reducing call waiting times must be a key priority for this work stream. On average, the waiting time to get through to an energy supplier now stands at 340 seconds. This has increased significantly since last year (up from 246 seconds). Some individual suppliers face much higher call waiting times of around 15 minutes on average. These average figures do not tell the whole story. Our advisors have

often had to wait over an hour to get through to a supplier on behalf of a client to solve what should be a simple problem.

This increased call waiting time comes at a cost for operations, as well as other similar charities. We estimate that the cumulative impact of these call waiting times results in each of our advisors being unable to help one extra person each day. We estimate that over the course of a year, there are up to 750 households that we have been unable to help, purely due to our advisors waiting to get through to an energy supplier. Our advice team is relatively small compared to some other larger agencies, such as Citizens Advice. While the energy crisis has meant that we have helped record numbers of vulnerable households, it is likely that thousands, if not tens of thousands of households are missing out on help from charities because of long call waiting times.

This detriment is not exclusive to charities. Individuals face a time penalty from such increases to call waiting times. Assuming that a customer calls their supplier 2 times per year, the additional cumulative amount of time that individuals face through an increased call waiting time of 94 seconds, is 1.4 million hours. Using Government assumptions for the cost of an individual's time (£4.67/hour⁴ in 2011 prices, ~£7 today), this additional call waiting time is effectively costing energy consumers £10m/year in total.

With this in mind, NEA recommends that Ofgem implements proposed option 2 for improving ease of contact, with three amendments. Firstly, there should be a requirement to increase customer service capacity in peak times to reduce call waiting times back to acceptable levels. Secondly, there should be a bespoke priority phone line for charity advisors to use in order to reduce the costs charities face in order to help households. Thirdly, in light of the other two amendments requiring additional costs to deliver, the additional hours of customer service articulated in option 2 should be targeted only to those services that need to be out of hours, for example support for prepayment customers that need to top up.

Question 3: Do you have any evidence that suggests that we should be considering additional and/or different rules beyond what we have proposed? Please supply evidence to support your response?

Our Fuel Poverty Monitor 2021-22⁵ (which compiled evidence based on a Call for Evidence (CfE), which received responses from 119 respondents covering the breadth of the UK, one-on-one expert interviews and the direct experience of people who are living through the crisis) set out a number of different activities that supplier should be doing to improve their customer service:

- Ensure call centres are adequately resourced and call centre staff are suitably skilled to engage with vulnerable energy customers
- Enhance visibility and accessibility of current assistance provided by the UK Government, obligated schemes and/or any current or voluntary agreement with Ofgem or via Energy UK's vulnerability commitment.
- Improve identification of financial vulnerability, review self-disconnection identification process and ensure that vulnerable customers are aware of any additional support

- Ensure that ability to pay processes are fully embed across all relevant teams and promote a range of debt repayment options and taking more active steps to identify and reduce problem debt for customers. This includes being proactive in reviewing existing debt repayment plans for customers who are falling further into debt or taking early action to contact customers who have fallen into arrears for the first time and notifying them of any additional support that is available.
- Ensure that customers' debts to a failed supplier are transferred to the SOLR so that this debt is regulated through the standard gas and electricity supplier licence conditions.
- Prioritise the rollout of smart meters for legacy PPM customers and ensure that any vulnerabilities are identified prior to switching any smart meter customers accounts from credit to pre-pay.
- Develop an effective 'alternative help' signposting pathway for vulnerable customers who were previously able to access the Warm Home Discount Broader Group but are no longer eligible due to the UK Government's new higher energy cost targeting.

Question 4: Do you agree with our proposed approach of introducing reputational incentives in our priority areas? Please supply evidence to support your response.

Yes, however, NEA recommend that this should go further. Details should be embedded on supplier websites as well as in other communications (such as bills), to ensure that their customers see it. It is also important to track the effectiveness of such a reputational incentive, which has not often been used in energy supply. If it is deemed not to be effective, Ofgem should consider more penal options, such as replicating the Guaranteed Standards of Performance that DNOs and GDNs must adhere to.

Question 5: Do you agree with what we have set out in the assessment chapter? Please provide supporting evidence with your views. For evidence regarding additional costs, please provide quantitative data.

Mostly. One area that where we believe there is contention is the assertion that this will add costs for consumers. We contend that this is not necessary. The minimum standards that Ofgem are seeking to introduce are implied within the licence as it currently stands. Suppliers should be meeting these standards as it is. If they haven't been meeting these standards, the price cap has been over inflated, covering the costs of providing a reasonable level of customer service, when in reality this standard has not been met. NEA therefore recommends that Ofgem do not default to the idea that any minimum standards that are introduced should automatically result in additional costs within the price cap.

Question 6: Using the list of prospective data items we present in the monitoring chapter as a guide, what other additional data items could we aim to collect and from what data sources? Do you consider there are any challenges you may face when collecting/providing these? If so, please provide any supporting evidence you have.

We are not aware of any additional data items that Ofgem could aim to collect.

Question 7: Do you have any comments on the factors that should be considered in determining whether to use principle-based or rule-based approach to setting standards?

Through this consultation, and in other areas of work that Ofgem has recently been undertaking, there is a common theme surrounding the tension between adding more prescription to the regulation of energy companies, or relying on competition to provide good outcomes for consumers. NEA firmly believes that additional prescription in some situations will result in better outcomes, particularly for households that live in situations that make them vulnerable to the impacts of fuel poverty. Prescription is most necessary when trying to drive particular outcomes for vulnerable customers. In short, good treatment of this group is not something that suppliers should compete on.

There is precedent for additional prescription in order to protect vulnerable energy customers across energy regulation. Most recently, the Code of Practice governing the forced installation of prepayment meters is more prescriptive than the previous guidance on the topic. This was deemed suitable because without the additional prescription, vulnerable customers would be left without protection. It is similarly true of customer service. Without prescription, competition will not deliver the outcomes that we would like to see (as proved by the current levels of customer service that have been driven by competition, yet do not meet an acceptable standard).

Question 8: Do you agree with our early view of reputational based incentive options for winter 2023 and the potential incentive options for development over the longer-term? Please provide explanations to support your responses.

See our answer to question 4 for our view on the reputational incentive.

References and Notes

¹ For more information visit: www.nea.org.uk.

² NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

³ TAG Data as used by smart meter CBA

⁴ TAG Data as used by smart meter CBA

⁵ <https://www.nea.org.uk/publications/uk-fuel-poverty-monitor-2021-22/>