

## **Response by the Energy Retail Association to Consultation on the energywatch Work Plan 2005/6**

The Energy Retail Association welcomes an opportunity to comment on the energywatch Work Plan 2005/6.

In the past year fuel poverty has fallen, disconnections figures have dropped dramatically and less customers are using pre-payment meters on top of which complaints figures in selling, billing and transfers have consistently improved. We therefore hope to see more support for the ERA's social initiatives reflected in energywatch's revised work plan. In order to build the trust of consumers and the credibility of the industry, energywatch's future activity must take a more positive approach of engagement and consultation. We are pleased to offer the following general comments and to give a view on the specific themes for the coming year.

In comparison with last year's work plan there are no specific key performance indicators. In light of increased budgets last year and a number of missed targets, particularly in relation to services to consumers, we would expect energywatch to make itself accountable through specific, quantifiable objectives. As set out in our comments below the new Quality Service and Company Performance teams must have clear key performance indicators in the first year to evaluate the success of these initiatives.

We also continue to share the concerns of suppliers that there is a lack of consistency across energywatch regional offices. Often the policy position adopted by the head office is contradicted by messages emanating from regional offices. We hope that these anomalies can be addressed in the forward work plan.

The work plan alludes to more polices based on naming and shaming. We have serious concerns about recent negative campaigns against the industry. Energywatch claims to act in the best interest of consumers, yet such tactics are unhelpful to consumers because they undermine consumer confidence. Ultimately suppliers will be judged by their customers on the quality of service. The nature of the competitive market allows consumers to switch supplier if they are unhappy with any product or service. Energywatch should put its effort into promoting the benefits of competition and encouraging consumers to exercise choice. Constant negative publicity creates a fear factor that is disproportionate to the risk to consumers. This makes consumers unnecessarily sceptical of campaigns, such as promoting energy efficiency schemes or helping fuel poor households, which are in support of government policy.

### **1. Delivering effective consumer services**

- Tackling the source of complaints:

The ERA welcomes research to identify trends and growing problems in the market. However, past experience suggests that energywatch must ensure that its findings are

accurate and do not convey misleading messages to the public. Consumer interest must take precedence over media exposure.

Any data collected on individual companies must be consistent and comparable to ensure that the returns are accurate. Diversity in the market means that it is often difficult to make like for like comparisons, which can skew the results of surveys. Consumers may find it useful to understand how the energy sector performs against other industries, such as telecoms, transport and financial services.

- Handling complaints:

The ERA welcomes the establishment of a Service Quality team to ensure consistency and quality of service. We would hope that the key performance indicators of this team will test clear improvements in the effectiveness in which policy is communicated to regional offices.

We have concerns that too much emphasis is placed on the amount of compensation achieved for customers. This is a measure that is ultimately within the gift of suppliers not energywatch. Customer satisfaction is subjective according to the individual customer. Levels of compensation do not translate directly into customer satisfaction.

We would also expect clear targets to be set in order to evaluate improvements in customer contact and speed of response.

- Providing services to business customers:

Suppliers have a greater wealth of experience in developing standards of service with business customers. Energywatch should ensure that it draws upon this experience when setting its own standards of service.

## **2. Confident and assertive consumers**

This theme draws directly on the ERA business strategy and as such we welcome recognition and support for our campaign messages. However, looking back at energywatch's key performance indicators under this theme last year, it only achieved 2% of a 10% target to increase spontaneous awareness of energywatch. This demonstrates the need to work with industry and other stakeholders in a less solitary manner.

Also under this theme there appears to be duplication of effort with Ofgem and the Energy Saving Trust. It may be more useful for energywatch to conduct detailed research into the type of customers that use its services, so that it can identify where categories of customers are under-represented.

- Information and advice to those consumers who need it most:

Much of the ERA campaigning has been aimed at conveying messages about the difficulty of defining and communicating with "hard to reach" or vulnerable customers. We therefore welcome energywatch's support for our policy to target these households through government agencies, social enterprises and community welfare programmes.

In light of this energywatch may wish to support the industry's work on establishing a national helpline that refers hard to reach customers to suppliers' social welfare programmes. In particular energywatch could be instrumental in generating positive publicity to all customers, with the aim of encouraging consumer confidence.

More generally energywatch should promote suppliers schemes by positive media messages and by helping industry build dialogue with consumers. In our view customers benefit more from naming and acclaiming the merits of the industry than the blunt instrument of name and shame. Such negativity permeates through the market and becomes self-fulfilling.

We look forward to more joined-up consumer education campaigns that empower consumers and highlight the improvements from which they can benefit.

- Promoting self help:

We have reservations about energywatch's ability to engage with vulnerable customers. For example, the primary message of the Energy Smart campaign aimed at these customers advises them to switch suppliers. This was not only a simplistic message but our own experience suggests that the campaign will not reach the target audience.

We support a strengthened code of practice for online switching sites. Energywatch should ensure that it is clear to customers which sites assess all suppliers' schemes and which are subsidised by industry. We would welcome assurances that energywatch does not accredit certain websites that provide price comparisons, which are not truly independent. It is essential to ensure that customers are able to exercise choice across the full range of schemes. Energywatch must take care not to undermine its impartiality.

In order to comment on the proposal for a self help pack we need to understand what this will incorporate and how it will benefit consumers.

- Provide enhanced web services:

The ERA would welcome clarification on the purpose of this web service. In particular where will the expertise come from to advise on complex markets. We suggest that this service is already provided by Ofgem and that energywatch should signpost customers rather than duplicate Ofgem's activity.

We also require clarification on better links for consumers looking for information on energy efficiency. We are concerned that anything over and above directing customers to the Energy Saving Trust website may bring energywatch into conflict with suppliers marketing campaigns to generate leads for energy efficiency measures. With the challenging targets set under the Energy Efficiency Commitment, competition for offering services to private households will be fierce.

As stated above any online evaluation tool for business customers must be non-partisan and inclusive of all suppliers.

### **3. Championing the interests of priority consumers**

We are concerned that objectives that appear under this theme are based on inaccurate information. The DTI has estimated that 200,000 people will fall into fuel poverty this year; not one million as quoted by energywatch. There is also no substantive evidence to suggest that disconnections will increase as a result of fuel price rises.

Suppliers' voluntary commitment not to disconnect vulnerable customers is in line with energywatch's new policy for an end to disconnection of vulnerable customers. The challenge will be communicating this to regional offices, so that they do not continue to press for an outright ban on disconnections against head office policy.

We advise energywatch to liaise to with Help the Aged to ensure that its proposal for a Priority Consumers Team is not superceded by a cross-sector group established at the Minister's request after last year's energy summit.

- Preventing disconnections:

The ERA supports the thrust of this objective. However, we require evidence that the industry disconnection policy is failing. All magistrate courts are run in conjunction with their local Magistrates Court Committee, which dictates the time and place as well as an accepted number of applications that will be heard in court at one sitting. Suppliers do not have the power to decide how many warrants are considered in any one sitting. Furthermore, the professional relationship between magistrates and suppliers does not allow for poor quality information or inadequate verification processes. Magistrates have to satisfy themselves that the criteria requested in the application is met. They could be in breach of the Human Rights Act if a warrant is signed without the requisite information. Suppliers must attend at the time of the application to answer any questions and if there is doubt or reason for not signing a warrant or warrants these will be refused. This is a legal obligation and has been proved to be robust.

Suppliers have already invited Ofgem to review the success of the safety net procedures set out in the ERA report, Protecting Vulnerable Customers from Disconnection, after twelve months.

- Improve debt management:

Suppliers regularly review their debt management procedures. Customers are presented with a range of money management options. Energywatch could support these efforts by encouraging customers to take advantage of the debt management schemes available.

Any measure of improvement in company performance at managing customer debt needs to be set against a bench mark that recognises the recent fuel price increases.

The ERA supports an extension of Fuel Direct. Customers should be entitled to Fuel Direct for a period after the debt has been recovered to allow them to get beyond a deficit and prevent them falling straight back into debt when Fuel Direct payments are withdrawn.

Suppliers have a licence obligation to allow an existing debt of £100 or less to be carried over to a new supplier. Ofgem has existing powers to impose penalties for debt blocking.

- Responsible markets:

The ERA believes that the Priority Service Register has serious shortcomings. It has not been reviewed since its inception. We would, therefore, welcome a consultation with energywatch and Ofgem to identify the reasons that eligible customers are not taking advantage of the range of benefits available and explore solutions.

This year has seen further innovation in the price offers to low income customers. These include working with social enterprises to introduce trust funds and equalising tariffs. The price differentials between suppliers' tariffs remain a competitive issue and suppliers cannot commit to a universal lower tariff.

The evidence suggests that consumers eligible for the Priority Service Register do not read literature produced by suppliers or energywatch. We therefore need to explore more innovative ways to promote the benefits of PSR by identifying which marketing tools appeal most to this customer group.

- Working with agencies:

The ERA welcomes this initiative. Suppliers look forward to full engagement in this work.

#### **4. Promoting an effective market**

- Impact of energy price increases:

The ERA welcomes a review into the gas market. Any work plan activity should complement the findings of the Trade and Industry Select Committee inquiry into fuel prices.

- Better billing:

The ERA has identified billing as a priority in its business plan. We look forward to energywatch working with us and our members to develop effective measures to improve the billing process.

We would welcome sight of substantiated figures showing that 10% of customers are in debt because of billing errors that are fault of supplier.

Suppliers have begun a proactive campaign to improve billing and we welcome a positive campaign that promotes consumer confidence in suppliers' processes. This must ensure that the scale of the problem is kept in context. For example, energywatch has conceded that it receives 40,000 complaints on billing (1m across the sector) of which e/watch accounts for 0.02%.

The ERA does not support billing a standard as proposed. We have concerns that this would take too long to develop, would be too costly to administer and has no quantifiable benefit to consumers. Our preference is for self regulation and we shall consult energywatch and other stakeholders as appropriate.

We welcome efforts to encourage consumers to read their meters in order to improve billing accuracy. We would be pleased if energywatch joins the industry's campaign to educate consumers and draw up minimum standards.

- Holding companies to account:

Suppliers currently provide data on performance to Ofgem. We would welcome more detail about the operating procedures of the Company Performance Team to ensure unnecessary duplication and extra bureaucracy being imposed on suppliers. We also require clarification in the work plan as to what funding stream will be used to finance this initiative.

The work plan does not indicate the key performance indicators of the Company Performance Team. However, we support more consistent evidence-based engagement with companies.

As competition has increased there is a clear case for a review of the relevance of Guaranteed and Overall Standards of Practice. As one of its earliest tasks the Company Performance Team could undertake an assessment of the purpose and justification of the standards.

The ERA supports the proposal to scrap the lead office arrangement because it does not reflect the fragmentation and diversity of the energy supply sector.

- Effective retail markets:

Competition and energy market policy is the responsibility of Ofgem. We have concerns that energywatch is operating outside of its legislative remit. Suppliers are answerable in the first instance to the regulator and energywatch should ensure it does not compromise this situation.

The ERA requests evidence to suggest that SMEs and telesales create enough complaints to justify extension of the AES Code to telesales before this issue is pursued.

Energywatch continues to play an active role in the Customer Transfer Programme. Therefore it will understand the reasons why some suppliers will be able to implement CTP recommendations earlier than others. Demanding early implementation may conflict with on-going corporate activity and prevent proper integrity tests being made on the new processes before they are fully implemented.

## **5. Compliance and enforcement**

- Provide evidence of unacceptable behaviour:

The ERA welcomes rational, quantifiable and proportionate intervention that leads to improvements in the industry with clear benefits for consumers. This should be

supported by clear and realistic objectives for energywatch frontline staff and “case builders”.

- Critical engagement in self-regulation:

The Customer Transfer Programme team under the auspices of the ERA is developing effective evaluation tools. In assessing the Customer Transfer Programme energywatch must ensure close consultation with the industry to allow problems to be rectified through existing processes in the first instance.

The ERA welcomes energywatch’s intention to engage with industry’s processes to improve billing. This accords with the suppliers’ views that solutions to billing can be developed by the industry through self regulation.

- Explore other compliance avenues:

Suppliers support engagement with other regulatory bodies. For example the ERA is in discussion with the Office of Fair Trading to achieve accreditation for the AES Code through the new Code Approval Scheme.

## **6. Energy networks**

The ERA supports any efforts to minimise the impact of supply interruptions. We therefore welcome energywatch’s recent involvement in the on-going work of the Gas and Electric Industry Emergency Committee task force to develop a communication strategy for customers. Energywatch should ensure that any further work complements this government driven activity.

## **7. Consumers and sustainability**

- Promoting sustainable consumption:

The ERA welcomes efforts to encourage consumers to take up energy efficiency measures. We support efforts to help suppliers achieve their Energy Efficiency Commitment targets and encourage energywatch to co-ordinate with the Energy Saving Trust and suppliers marketing campaigns for insulation products.

We do however, harbour reservations that last year energywatch failed to meet its target of 15,000 referrals with a shortfall of 3,000.