

Consultation Response

Consumer standards statutory consultation

Office of Gas and Electricity Markets (Ofgem).

August 2023.

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About this consultation

Ofgem launched this statutory consultation on consumer standards as a follow up to their earlier proposals in May. The regulator is gathering stakeholder views on renewed plans to embed improved standards into supplier licence conditions and the associated guidance documents. This consultation covers a range of supplier customer service issues, including proposals to address barriers to contacting customer service teams and enhancing supplier obligations regarding proactive identification and support for customers struggling with their energy bills.

Key points and recommendations

- Age UK welcomes Ofgem’s attempts to improve customer service standards and formalise its proposals by bringing them into supplier licence conditions.
- We commend the regulator’s efforts to make these changes in time for winter 2023/24 but we recommend a more ambitious November implementation date.
- Key components of Ofgem’s guidance documents should be brought into licence conditions to improve compliance and facilitate decisive enforcement of the rules.
- These plans risk being undermined by a lack of appetite for proactive oversight and enforcement alongside Ofgem’s heavy reliance on principles-based regulation.
- We support Ofgem’s commitment to further investigate the needs of digitally excluded customers – we invite Ofgem to work directly with us on this topic.
- However, we are concerned that suppliers will not be required to offer a freephone telephone number for those customers who remain offline.
- We would welcome the opportunity for further consultation on Ofgem’s longer-term plans for a wider consumer standards framework.

About Age UK

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances. In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

Introduction

We welcome the opportunity to respond to this consultation¹. Age UK supports Ofgem's proposals to improve consumer standards and warmly welcomes the regulator's commitment to put immediate changes in place for the winter. However, the concerns raised in our previous response² to Ofgem's original proposals on this matter³ remain broadly the same – Ofgem must ensure that the standards are sufficiently prescriptive to facilitate effective compliance and enforcement action should suppliers fall below expectations. We are also concerned that a December implementation date will leave many customers still struggling to get in touch with their supplier over the colder months. Ofgem should instead aim for successful implementation of these changes by November 2023 at the very latest.

It is important to remember the background to these proposals. In February 2023 the regulator's customer service Market Compliance Review (MCR)⁴ found all 17 of the major energy suppliers fell short on at least one metric, with poor training and management being flagged as major issues. Telephone access was of particular concern with up to 50% of customers reportedly hanging up when trying to get through to their supplier over the phone. Several occasions were identified where customers were also left waiting for hours to get through to an advisor⁵.

Ultimately this impacts customer satisfaction and the ability for suppliers to support consumers. From Q4 2018 to Q4 2022 satisfaction with supplier customer services decreased from 74% to 66% and the proportion of people reporting that it was difficult to contact their supplier doubled, rising from 13% to 26%⁶.

Sadly, none of Ofgem's conclusions were a surprise to us. Age UK has been fielding an increasing number of calls since 2021 from older people who are struggling to get through to their supplier. More often than not these people are in vulnerable circumstances, seeking help from their supplier to keep on top of unmanageable bills and debt, looking to sign up to the Priority Services Register (PSR), or trying to get help with a meter read or interpreting a bill. They are increasingly finding that they simply cannot get through to seek support and even when they do this help is not forthcoming.

Ofgem must address systematic supplier malpractice and we support their efforts to do so. We welcome this new set of proposals for improving customer service standards and making these reforms a formalised component of supplier guidance and licence conditions. Age UK will monitor implementation and, where appropriate, report malpractice to Ofgem. Our below response represents our views on where Ofgem has made progress on its proposals and where improvements are still needed.

Response

Ofgem has committed to include a range of welcome measures to improve ease of contact with suppliers. These proposals include being available via various contact methods which reflect consumer needs, opening times which better account for customer requirements, free contact centre access for consumers in vulnerable circumstances, and priority access for vulnerable customers or their advocates when they are in immediate need of assistance. Suppliers will also be subject to guidance requiring them to justify call wait times of over 5 minutes. Age UK supports these proposals and welcomes Ofgem bringing them into licence conditions and supplier guidance.

The regulator also proposes enhancing licence conditions so that providers must proactively engage customers at the earliest opportunity to better understand their ability to pay and offer them a debt repayment plan. Suppliers will also have to consider payment holidays when customers fall behind on their bills. Both proposals are also very welcome.

Ofgem's evidence suggests the cost to suppliers of improving ease of contact and ensuring more proactive support for customers in financial difficulty would collectively cost around £7 to £9 per customer per year⁷. While this seems a reasonable price to pay for improved consumer standards, especially if it means the most vulnerable customers can get urgent help when needed, this estimate is based largely on supplier evidence. We encourage Ofgem to independently verify the cost. We are also concerned that suppliers should already be doing much of this customer care work under existing commitments. As a result, we question whether the full additional cost needs to be levied onto bills and recommend Ofgem investigates the options for absorbing the costs within existing supplier allowances.

Age UK is disappointed that Ofgem backtracked on its proposal to mandate freephone telephone numbers across suppliers. In cases where customers spend lengthy periods on the phone to their provider it could prove cost prohibitive, particularly for those older people who are digitally excluded and disproportionately use the telephone to speak with customer services. While Ofgem has rightly proposed that financially vulnerable customers will be able to ring for free we strongly recommend Ofgem reevaluate its choice not to extend this to digitally excluded customers. We would welcome the opportunity to discuss this and wider issues of digital exclusion with Ofgem in greater detail.

We warmly welcomed⁸ Ofgem's proposal to create a market incentive for improved customer service standards. However, we continue to be clear that to maximise effectiveness the customer service metric, alongside customer service response times, need to be advertised on key market touchpoints, such as switching sites and customer bills⁹. Ofgem should work to ensure this is the case.

More broadly, while we welcome Ofgem's commitment to improving standards we remain concerned¹⁰ that the regulator's proposals are not prescriptive enough. While Ofgem has previously committed to balancing a principles-based approach with a rules-based one¹¹ we continue to recommend the focus shifts towards the latter. Recent Market Compliance Reviews (MCRs) have demonstrated that Ofgem's post-2015 move to principles-based regulation¹² has afforded suppliers too much leeway. Combined with a lack of appetite for oversight and proactive enforcement,¹³ this approach has let down consumers. Age UK is keen to see Ofgem be more prescriptive in its implementation of its proposals for improved customer service standards. This must entail ensuring supplier guidance is delineated as mandatory, rather than being seen as recommended best practice.

A key component of these reforms must be ensuring the effectiveness of the proposed Contact Ease Guidance Document (CEGD)¹⁴. This document provides guidance to suppliers on making it easy to find contact information, ensuring timely and appropriate responses to customer enquiries, and facilitating multiple methods of contact. All these proposals are welcome, and we commend Ofgem's efforts to go beyond focusing solely on contact ease by including recommendations for timely and appropriate correspondence as well. However, these proposals are a good illustration of our broader concern that the regulator's principles and best practice guidance may not be consistently reflected in supplier implementation.

For example, we firmly support Ofgem's recommendation that suppliers provide multiple means of contact for consumers – to include at least one non-digital method of contact, at least one digital method, and methods of contact which are appropriate for customers with specific communication needs¹⁵. However, this recommendation sits within the CEGD which advises suppliers on how to meet their obligations under their supply licence and explicitly allows them to deviate from this offering if they feel they can meet their obligations through alternatives. Licence condition 31G.3A is the condition which governs this practice and it is far more ambiguous, stating “the licensees' enquiry service must (a) Offer a range of contact methods that meet the needs of the licensee's Domestic Customers, including those of its Domestic Customers in Vulnerable Situations”¹⁶.

Our concern is that in some cases the guidance will not be followed and that suppliers will simply defer to vaguer licence obligations. Whereas, if 31G.3A made it explicit that all suppliers must have a well promoted, sufficiently staffed, free-phone telephone number, alongside an online portal, then there would be no ambiguity. So, while we welcome Ofgem's proposals we recommend the regulator make them more prescriptive and explicitly add key components to licence conditions alongside the associated guidance documents.

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