



**Consumer
Focus**
Campaigning for a fair deal

Measuring energy supplier performance – for consultation

January 2010

About Consumer Focus

Consumer Focus is the statutory organisation that champions the interests of consumers across England, Wales and Scotland and, for post, Northern Ireland. We started work on 1 October 2008.

Consumer Focus was formed through the merger of three organisations – energywatch, Postwatch and the National Consumer Council (including the Scottish and Welsh Consumer Councils). We are an organisation that works in a devolved setting, with work priorities varying across different parts of the country, but all working to common strategic goals.

Through campaigning, advocacy and research, we champion consumers' interests in private and public sectors by working to secure fairer markets, greater value for money, and improved customer service. We have a particular focus on the interests of consumers in markets that are 'designated' by Government as requiring additional consumer advocacy. Currently these include energy and postal service consumers.

We also have a commitment to work on behalf of vulnerable consumers, and a duty to work on issues of sustainable development.

www.consumerfocus.org.uk

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Introduction

One of the core functions of Consumer Focus under Section 10 of the Consumers, Estate Agents and Redress (CEAR) Act 2007¹ is the dissemination of advice and information to consumers. Energywatch, one of Consumer Focus' predecessor bodies, published a monthly ranking of energy supplier performance to give consumers access to accurate and impartial information. This not only empowered consumers to make informed choices about their energy supplier, but gave companies incentives to continually improve their performance.

The introduction of the new arrangements for redress and complaint handling in the energy sector from October 2008 means that a fresh approach to evaluating company performance is required to enable Consumer Focus to develop meaningful and appropriate performance information to aid comparison and choice for consumers.

Consumer Focus believes it is essential that all elements of the new complaint handling regime are reflected in the new performance information for consumers. We are keen to use a range of measures across the customer journey, from supplier direct complaints to cases received by Consumer Direct, Consumer Focus and the Energy Ombudsman. We believe that using a basket of measures, including those from independent bodies, will produce the most accurate picture of performance and will guard against any unintended consequences.

As well as evaluating company performance against the complaint handling standards Consumer Focus believes it is important to incorporate an element of customer satisfaction data to support the quantitative measures. This should ensure consumers have an holistic picture of service and are able to make choices based on a range of indicators.

Consumer Focus aims to create a model that will accurately illustrate company performance to give consumers access to the information they need to make informed switching decisions. The publication of unbiased and transparent information on performance across the energy industry will also provide companies with an incentive to drive improvements and truly compete on service to consumers.

We also believe it is critical that the information is presented in an accessible format and is easily available to all consumers. It will be published on our website with details of the full methodology. We will carry out research on the most user friendly way to present the information to consumers and the best way to make this information available e.g. via media and partner organisations.

¹http://www.opsi.gov.uk/acts/acts2007/ukpga_20070017_en_1

Section 1 – Quantitative measures

Consumer Focus seeks views on what quantitative measures should be used to provide consumers with an accurate picture of company performance. We believe that the model should include data from all stages of the customer journey – from direct complaints to the supplier to cases received by the Energy Ombudsman. This will ensure company performance in all aspects of the redress arrangements will be included in an overall relative score. The use of a range of measures, particularly those from independent bodies, will provide consumers with the most accurate picture of company performance possible and will encourage companies to drive improvements in all aspects of their complaint handling procedures.

Q1: Please state which types and combination of the following quantitative measures you think best reflect industry performance and your reasons for this.

1.1 Direct complaints

Across the industry an average of 400,000 consumers contact their supplier every month to raise a complaint. Of these, around 13 per cent are not resolved by the end of the next working day.

1.2 Cases received by Consumer Direct

Consumer Direct receives an average of 14,000 contacts per month from energy consumers seeking advice. We believe this is an important indicator to differentiate between suppliers performance as it involves the greatest volume of energy cases from an independent body. This ensures a consistent approach from a single organisation which helps tackle the impact of inconsistent practices across suppliers in logging direct complaints. Furthermore contact details for Consumer Direct are included on the back of all domestic energy consumers' bills, therefore all suppliers' customers have the same awareness of, and access to, the Consumer Direct service.

There are a number of categories it would be necessary to exclude from this dataset, such as information requests and non redress queries. The specific codes that would be excluded from any performance metrics are detailed below:

Category	Code	Description
Information	AD1	Priority Services Register
Information	AD2	Energy efficiency advice
Information	AD3	Pricing information
Information	AD4	Supply point number information
Information	AD5	Company contact details (non complaint purposes)
Information	AD6	How to change supplier
Information	AD7	Maximum resale price

Information	AD8	Non domestic contract issues
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Cases that are designated 'Out of Scope' and those that are referred to another Consumer Direct office will also be excluded from any published information. As these statistics are based on domestic energy consumers, all cases from micro-business consumers and their agents will also be excluded.

1.3 Company referrals from Consumer Direct

An average of five per cent of cases are referred directly to suppliers by Consumer Direct where the advisor has deemed the case would be best handled by the supplier's escalated complaints team.

1.4 Repeat company referrals from Consumer Direct

Around two per cent of company referrals are referred to the supplier more than once. These cases arise where the company has failed to resolve the consumer's problem at the initial referral and the consumer has contacted Consumer Direct again about the same issue.

1.5 Complaints handled by the Consumer Focus Extra Help Unit

Around three per cent of cases received by Consumer Direct are referred to the Consumer Focus Extra Help Unit. These are cases where the consumer:

- is vulnerable
- has been disconnected or is at risk of disconnection
- needs support due to the complexity of the case

Cases where the consumer has not previously complained to the supplier are categorised as enquiries, and will not be included in the reporting of performance measures.

1.6 Cases received by the Energy Ombudsman

Consumer Focus acknowledges the Energy Ombudsman's concerns over the use of its case data as a part of an energy supplier performance model and that there is a potential risk of driving defensive behaviour from companies which would be detrimental to the service. We encourage views on what elements of this data could be used in order to ensure that consumers are able to access performance information which includes this important element of the complaints process. For example should cases that have reached deadlock and other cases within the terms of reference be weighted differently? Should cases be weighted according to the outcome of the case? We are keen to explore options that would allow some components of the data to be used as part of an overall company performance metric.

1.7 Other quantitative complaint data

Consumer Focus seeks views on whether there are further quantitative measures that should be included. For example, telephone contacts where the consumer has had to make a call to their energy company due to a service failure on the part of the company, rather than to provide or seek information from the supplier.

It should be noted that we are conscious that data used in the model should reflect the measures already collected as far as possible to avoid an unnecessary burden on suppliers, given they have already changed systems to meet the requirements of the Complaint Handling Standards in October 2008.

Section 2 – Weighting of quantitative measures

Consumer Focus believes that the weighting of each quantitative measure should reflect the seriousness of the complaint and the time and effort spent by the consumer to get their problem resolved. Therefore we believe cases received by the Energy Ombudsman and complaints received by the Extra Help Unit should have a greater weighting than cases that are resolved at an earlier stage of the customer journey.

We also feel that the weighting of the model should place greater emphasis on situations where the consumer has had to repeatedly contact their supplier or another agency because the company has failed to deal with their problem. These types of cases include:

- Repeat direct complaints to suppliers
- Repeat cases to Consumer Direct
- Repeat referrals from Consumer Direct to suppliers
- Cases that have gone to the Energy Ombudsman at eight+ weeks rather than deadlock

Q2. Please state whether you think the following measures should have a greater or lesser weighting and your reasons for this.

Source	Measure
Direct Complaints to Suppliers	Direct complaint resolved after one day
	Direct complaint not resolved after one day
	Repeat direct complaint
Consumer Direct Cases	Advice only case
	Company referral
	Repeat company referral
Consumer Focus Extra Help Unit Cases	Complaint received
Energy Ombudsman Cases	Case received inside terms of reference
	Case received at eight+ weeks (not deadlock)

2.1 Worked example

Please note that the weightings are for illustrative purposes only

Supplier X	No. of cases	Weight (example)	Total (No. x weight)
<i>Direct complaints resolved after 1 day</i>	30000	2	60000
<i>Direct complaints not resolved after 1 day</i>	10000	5	50000
<i>Repeat direct complaints</i>	1500	5	7500
<i>Advice only cases to CD</i>	1200	10	12000
<i>Company referrals from CD</i>	300	20	6000
<i>Repeat company referrals from CD</i>	45	20	900
<i>EHU complaints</i>	80	50	4000
<i>Energy Ombudsman cases > 8+ weeks</i>	40	50	2000
<i>Total</i>			142400

Total cases $\times 100,000 = \underline{\underline{\text{Ratio of cases per 100,000 customers}}}$

No. of customers

$\frac{142,400}{8,000,000} \times 100,000 = \underline{\underline{1780}}$

Section 3 – Qualitative measures

3.1 Customer satisfaction

Consumer Focus believes the new performance information should encompass qualitative indicators including customer satisfaction measures, as is the case in other sectors such as water. Incorporating an element of customer satisfaction data to support the quantitative measures will ensure that consumers have a fuller picture of company customer service and are able to make choices based on a range of indicators rather than simply complaints handling performance.

We have identified a number of options to incorporate a customer satisfaction measure into the model as follows:

- Use existing customer satisfaction survey data from organisations such as Which? or uswitch
- Use Ofgem's annual customer satisfaction research
- Create an independent survey, funded by industry, on a quarterly or annual basis

Q3a. Consumer Focus seeks views on which option would provide the most accurate picture, how you think it should be funded and how the customer satisfaction measure should be incorporated into the model; for example, as a standalone measure or as a positive metric (see section 4) as part of the overall ranking calculation.

Q3b. Consumer Focus seeks views on whether any additional qualitative indicators should be included in order to provide the best possible information on customer service for consumers.

Section 4 – Positive indicators

During the pre consultation stakeholder workshop it was suggested that positive indicators highlighting best practice in customer service, such as resolving complaints quickly and corporate social responsibility offerings, should be reflected in the new relative performance information.

Q4. Consumer Focus seeks views on what types of positive indicators would best reflect supplier performance and be useful to consumers. Additionally do you think these indicators should be combined with the complaint data or provided as a stand alone measure of performance?

Section 5 – Coverage

5.1 Domestic suppliers

The big six energy suppliers currently represent more than 99 per cent of the market, therefore the vast majority of consumers will want to access information about these companies. However, Consumer Focus is keen to provide an holistic picture for consumers and seeks views on what performance information should be provided in terms of the smaller suppliers' performance.

All quantitative performance information will be calculated according to market share so there is a risk of creating confusion for consumers if both groups of suppliers are combined in the same relative performance model.

Q5a. What performance information do you think should be published on the nine smaller suppliers? Should this information be combined with that of the big six or shown as a standalone measure separately?

5.2 Non domestic suppliers

While this document deals with the production of performance information for domestic consumers, Consumer Focus intends to develop a suite of information for micro-businesses² to ensure they have access to the information that is of most relevance to them. We therefore seek views on what performance metrics should be used, and how this could be provided to non-domestic consumers.

Q5b. What performance information on business suppliers do you think Consumer Focus should provide for micro-business consumers? In what ways do you think it should differ from the provision for domestic consumers?

Section 6 – Presentation

Consumers need information that is easy to find and understand to allow them to make informed decisions. Therefore it is essential that any performance metrics developed by Consumer Focus are consumer-friendly.

Consumer Focus seeks views on how the information should be presented to consumers to ensure it is both clear and meaningful. For example, performance information indicating how the companies rank against each other would provide differentiation between suppliers, a graphical or pictorial representation of performance would provide a visual comparison and a star rating system may be easier for consumers to interpret due to its wide use across sectors.

We will also be carrying out research with consumers on the most user friendly way to present the information to inform the development of this performance information.

Q6. In what format do you think the performance information should be displayed to ensure it is easily understood and useful to consumers?

Section 7 – Publication

Consumer Focus wants to provide accessible performance information to empower consumers to make informed choices about their energy supplier and seeks views on the frequency and method of publication. As well as publishing this information on our website we will provide hard copies when requested by consumers.

Q7a. How often do you think the performance information should be updated?

² A 'micro businesses' is a small business that has: an annual consumption of electricity of not more than 55,000kWh; or an annual consumption of gas of not more than 200,000kWh; or fewer than the equivalent of ten full time employees and an annual turnover or annual balance sheet total not exceeding two million Euros.

Q7b. Excluding the Consumer Focus website, where do you think links to the information should be displayed to ensure as many consumers as possible can access to the information?

Section 8 – Benchmarking with other sectors

We have researched best practice in other industries, in particular the water and financial services sectors, which both publish company specific data on complaints and consumer experience to give consumers information on customer service performance. Extra information on our findings is attached in Annex A.

Q8. Please provide any further examples of best practice you think should be adopted from other sectors.

Section 9 – Other issues

Q9. While Consumer Focus hopes to have covered the current and relevant issues within this document, please let us know if you have any additional comments or issues you would like to raise.

Consultation process

Consumer Focus welcomes responses from suppliers, key stakeholders and any other interested parties on the issues raised in this document.

Consumer Focus asks for responses to this consultation to be submitted in writing before the deadline of **01 March 2010**

The preferred method of response is by email, to:

clare.lucas@consumerfocus.org.uk

Responses may also be faxed to 020 7799 7901 or sent by post to:

Clare Lucas
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London SW1P 1RT

Consumer Focus will acknowledge all consultation responses received. Please remember to state your contact details in your response.

Consumer Focus will publish responses to this consultation on its website and may refer to their contents in subsequent publications. If you wish all or part of your response to remain confidential, or if you would like it to be published anonymously, please indicate this in the response. Similarly, if you would prefer your response to be published only once the consultation has ended, please let us know.

If your response is to remain confidential and you would prefer Consumer Focus not to reference its contents in a non-specific manner that does not breach this confidentiality such as a general summary of responses, please indicate this in your response.

Please note that information held by Consumer Focus, including the content of Consultation responses, is subject to the Freedom of Information Act (2000). For more details, please visit **www.consumerfocus.org.uk**.

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