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Electronic copy

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Dear Clare

RE: Consumer Focus consultation paper – measuring energy supplier performance

This is the British Gas response to the above consultation, dated 15 January.

We support the move to introduce new supplier performance information to aid comparison and choice for consumers. However, we recognise that it will require the inclusion of a wide range of carefully selected and weighted measures to enhance supplier information available to consumers. All metrics must measure supplier performance and avoid merely 'counting' cases not driven by supplier activity – for example advice only Consumer Direct contacts. This is essential to ensure the results are unbiased and meaningful.

Measures used within the model must also be comparable on a like for like basis. We currently have concerns that, until there is a common approach to registering and tracking complaint data, this will not be possible. Although work is currently underway to address this via the Ofgem Customer Journey Working Group, there may not be an immediate solution to this problem and further discussions will certainly be required.

We agree with the inclusion of both qualitative and positive measures into the model. Where a measure represents an important consideration for consumers, it should be factored into the overall supplier scoring mechanism. Wherever possible our preference is to incorporate these into the model dynamically to influence the scoring methodology (i.e. not stand alone links to supplementary information). Customer satisfaction also adds an invaluable dynamic, but this needs to focus on appropriate customer service drivers and be produced impartially. For this reason we support the use of Ofgem's annual customer satisfaction research.

Finally, it is important that suppliers are given appropriate timescales to implement this new reporting suite, particularly where measures are currently not sourced or will need to be sourced in a different way.

As requested, we have set out detailed answers to your four questions below, in Annex 1.

I trust you will find the attached self explanatory, but please feel free to contact me on 07979 566 997 if you require further clarification on any points raised.

Yours sincerely

Lex Keel
Regulatory Manager
British Gas

ANNEX 1

Detailed Response to consultation

Section 1 – Quantitative measures

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

Within the energy industry the drivers for customer complaints cover a significant range of issues. Whilst it is fair to assume that any complaint is an expression of dissatisfaction, it is not necessarily a measure of how a supplier is performing. For example, an accurate but unexpected bill may still generate a complaint to prompt an enquiry even though the supplier has not under performed. It is profoundly different where a supplier issues an inaccurate bill, where the actions of the supplier have caused customer inconvenience and confusion. For this reason the model must effectively measure customer dissatisfaction with supplier performance.

Building on this, there is currently no consistent industry application for recording customer complaints. Although the Energy Retail Association is facilitating a project to address this (via the Ofgem Customer Journey Working Group), without this clarity it is impossible for comparisons to be done on a like for like basis. Until there is a 'level playing field' for all suppliers we do not support the inclusion of all direct complaints within the supplier performance model, particularly complaints received which are resolved within D+1.

We also acknowledge that time taken to resolve a complaint and repeat complaints have a bearing on customer satisfaction. Supplier performance should be measured by reflecting complaints received which are still outstanding at >D+1 and repeat complaints received.

1.2 Cases received by Consumer Direct

Consumer Direct is an independent information service for consumers. Even with the exclusion of information requests and non-redress queries from this dataset, it is impossible to ring fence the contacts driven by customer dissatisfaction. It also excludes customers who choose to access Consumer Direct information via their website. For this reason, enquiries received by Consumer Direct should not be used as a measure of supplier performance.

Additionally, the probe has established new channels (e.g. the annual statement) for suppliers to promote Consumer Direct as an independent source of help and advice. It would be wrong to penalise suppliers for doing this effectively by introducing negative scoring based on contact volumes. To do so would also encourage suppliers to 'play down' the promotion of Consumer Direct on bills, letters and websites.

1.3 Company referrals from Consumer Direct

We are comfortable with the proposal to use company referrals from Consumer Direct as a supplier performance measure. Cases deemed serious enough to be referred to a supplier's escalated complaints team by Consumer Direct should be reflected within the model. The very act of referral means the case requires immediate attention by the supplier to address an issue and discounts any chance of 'information only' contacts being included.

That said it is important that both suppliers and Consumer Direct ensure that their cases are registered and closed consistently, particularly to avoid the logging of erroneous repeat contacts. To help with this, improvements could be made by enabling the retrospective correction of Consumer Direct data where it has been logged incorrectly, which is currently not possible.

1.4 Repeat company referrals from Consumer Direct

Building on our comments above, we are also comfortable in using repeat company referrals from Consumer Direct as a supplier performance measure.

A consumer should not have to contact Consumer Direct again about the same issue because the supplier has failed to resolve the problem first time round. Where this does happen, it clearly constitutes supplier under performance and should be reflected appropriately in the model.

Notwithstanding this our comments above on the importance of consistent data logging and retrospective correction apply equally here.

1.5 Complaints handled by the Consumer Focus Extra Help Unit

Where complaints handled by the Consumer Focus Extra Help Unit are the result of supplier under performance they should be reflected in the model. Suppliers' actions should never be the cause of unnecessary customer distress and inconvenience, particularly where the customer is vulnerable. However, a 'one size fits all' approach to categorising Consumer Focus Extra Help Unit cases is certainly not appropriate. Each case is extremely unique, usually with a long and complex history.

Suppliers should not be penalised solely on the basis of case volumes. Often suppliers commit a significant amount of effort and time over a number of years to contact the customer to discuss options. Where a customer is not interested in communicating or deliberately avoids contact it is not unusual that the first opportunity we have to speak to the customer is through Consumer Focus following an Extra Help Unit referral. Where this has occurred the supplier has not under performed such cases should be excluded from the model. A process should be considered to allow suppliers to challenge the inclusion of cases where a supplier performance issue has been the driver for the Extra Help Unit referral.

1.6 Cases received by the Energy Ombudsman

Caution should be applied in using cases received by the Energy Ombudsman. Monthly volumes can fluctuate significantly and do not necessarily measure supplier performance.

Only those cases accepted by the Energy Ombudsman due to supplier under performance should be included in the model. Therefore, deadlocked cases and cases ruled in favour of suppliers should be excluded.

We agree with the Energy Ombudsman's concerns that the use of its case data could drive defensive behaviour from suppliers, particularly if the cases received are not driven by poor supplier service.

1.7 Other quantitative complaint data

We do not think that any further quantitative measures should be included at this stage. Initial efforts should focus on establishing the basic principles using appropriate and comparable measures of supplier performance. In our view these include only the cases driven by supplier under performance from the following categories:

- Direct complaints which are still outstanding at >D+1 and repeat complaints (following agreement of common recording and monitoring parameters)
- Company referrals from Consumer Direct
- Repeat company referrals from Consumer Direct
- Complaints handled by the Consumer Focus Extra Help Unit
- Cases accepted by the Energy Ombudsman (excluding 'deadlocks' and final decisions in the supplier's favour)

To include additional elements such as telephone contacts at this stage would introduce unnecessary complexity.

Section 2 – Weighting of quantitative measures

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

We agree with Consumer Focus' view 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.

Based on this principle we have prioritised the quantitative measures that we feel should be included by taking account of the different stages of escalation the customer has gone through, including repeat contact and the time taken to reach resolution:

Priority	Supplier X	Weighting
1	Energy Ombudsman Cases – Case accepted at eight+ weeks (exclude deadlock and final decisions in Supplier favour)	24%
2	Consumer Focus Extra Help Unit Cases – Complaint received	20%
3	Consumer Direct Cases – Repeat company referral	18%
4	Consumer Direct Cases – Company referral	16%
5	Direct Complaints to Suppliers – Repeat direct complaint	14%
6	Direct Complaints to Suppliers – Direct complaint not resolved after one day (>D+1)	8%

For the reasons outlined above, we do not believe 'Consumer Direct Cases – Advice only' cases should be included in the model.

In terms of the weighting methodology, we have put forward a suggested weighting methodology based on three principles:

- Prioritised by customer detriment (see 'Priority' column)
- Reflective of levels of customer detriment – for example if an Energy Ombudsman Case is perceived to be 3 times worse than a Direct Complaint to Suppliers then the weighting should be 3 times more (see 'Weighting' column)
- Account for case volumes as a percentage of market share – we are comfortable with Consumer Focus' suggestion to use a ratio of cases per 100,000 customers

To ensure that the large volumes of lower priority cases (e.g. Direct Complaints to Suppliers) do not overshadow the much smaller volumes of higher priority cases (e.g. Energy Ombudsman Cases), we suggest they are indexed (against the industry total for the category in question) before the weightings are applied.

For example, for 'Repeat direct complaints' Supplier X has 1,500 cases.

If the industry total for the same period was 12,500 cases this would be:

- $1,500 \text{ (Supplier X volumes for 'Repeat direct complaints')} / 12,500 \text{ (industry volumes for 'Repeat direct complaints')} = 0.12$
- $0.12 \text{ (index)} \times 10,000 \text{ (constant)} = 1,200$
- $1,200 \text{ (adjusted index)} \times 10\% \text{ (weighting)} = 120 \text{ (score)}$
- The score is then market share adjusted, as per the Consumer Focus proposal

Section 3 – Qualitative measures

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.

We agree with Consumer Focus' view that the new performance information should encompass qualitative indicators including customer satisfaction measures. Incorporating the right customer satisfaction elements in the right way will give consumers a more balanced view of supplier performance. This is essential for consumers to make informed decisions based on a range of indicators rather than simply complaints handling performance.

The survey must be independent and well balanced to provide an accurate view of actual customer perception. Additionally, the indicators must be carefully selected to provide a good benchmark for like for like supplier comparisons.

For these reasons our preference is to use Ofgem's annual customer satisfaction research. It comprehensively covers the range of appropriate indicators and would avoid the need to create a similar independent survey, with associated industry costs, on a quarterly or annual basis.

We do not support the use existing customer satisfaction survey data from organisations such as Which? or uswitch (the latter being a commercial entity, would be wholly inappropriate). These surveys do not provide an appropriate benchmark and they will be published anyway for consumers to access should they wish.

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.

We do not have any further recommendations at this time.

Section 4 – Positive indicators

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?

We support the inclusion of positive metrics in the supplier performance model. It is important that the model accurately assesses how suppliers are performing generally including areas of positive supplier performance. To assess suppliers based purely on negative attributes does not provide the full picture to customers. It also places disproportional incentives on suppliers to focus on the negatives rather than enhancing the positives.

Longer term more positive metrics could be developed to include a wider spread of positive performance measures (e.g. energy efficiency advice). However, ahead of this we recognise that the framework would need to be such that all metrics are measurable and directly comparable so as to ensure results that will be meaningful to the customers.

Section 5 – Coverage

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?

We agree with Consumer Focus' desire to provide a holistic picture for consumers. For this reason we believe that all suppliers of domestic customers in the UK should be measured in the same way as the big six energy suppliers. To exclude them would mean that customers would not have access to important information that may influence their switching decisions.

The report should provide consumers with a single view of performance of all domestic suppliers operating within the market. Therefore, it is important that the same measures and reporting methodology should be applied to all suppliers irrespective of market share.

This also illustrates the importance of ensuring that scores are indexed using market share information and the methodology is clear and transparent to 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?

Generally suppliers do not manage 'micro business' and domestic customers differently. In addition, as many customers are both domestic and non-domestic (e.g. many 'micro business' customers are sole traders) their complaints and service expectations are very similar. We do not feel it would be beneficial to split reporting for domestic and 'micro business' complaints at every level.

Section 6 – Presentation

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

It is imperative that the information is clear and easy to understand to maximise its value to consumers. Performance metrics must be instantly meaningful so that consumers can understand how suppliers are measured and ranked. Consumers can then use this information most effectively when making informed switching decisions.

For this reason, we support the use of graphical or pictorial representation of performance. However, it is important that these are accompanied by clear verbatim comments for customer who may struggle to interpret graphs and charts easily.

We support Consumer Focus' intention to carry out research with consumers on the most user friendly way to present the information to inform the development of this performance information. This way the views of consumers can be used directly to shape the final performance model.

Section 7 – Publication

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

We believe that publishing the report every six months strikes an appropriate balance between resources required to produce it and the availability of relevant information.

Anything less than this will be onerous for suppliers and won't provide sufficient time to account for any fundamental changes in supplier performance (e.g. investment in process improvement). However, to extend the report frequency beyond this (e.g. annually) would mean that any changes in ranking would not be updated regularly enough, which would have a detrimental impact to the accuracy of the data.

The information should be published on the Consumer Focus website and available to consumers on request.

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?

Given the purpose of the information is to empower consumers to make informed choices about their energy supplier we believe the information should be available through organisations who help consumers in this process.

We suggest making it available on the Citizens Advice Bureau and Consumer Direct websites. Suppliers could also raise the profile of the availability of this information via the Annual Complaints Report.

Section 8 – Benchmarking with other sectors

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

It is important that any measures used are relevant to the energy industry and add value from a customer perspective.

There is certainly merit in researching different approaches to supplier performance within other sectors. Indeed we support the inclusion of both company specific data on complaints and consumer experience as with the water and financial services sectors, as discussed above.

There is, of course, the need to ensure that any metrics used in this way are easily retrievable and can be compared consistently across suppliers.

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.

Although the immediate focus should be on ensuring the basics are in place to facilitate meaningful and like for like supplier comparisons, it is also important to ‘future proof’ the report.

It is not sufficient to agree principles if changing market dynamics (e.g. smart metering) and development of industry processes (e.g. commonality of complaints logging) cannot be incorporated into the model.

Additionally, to create an accurate and meaningful model will take time and should be reviewed regularly to ensure it is still fit for purpose. Such reviews will also allow us to improve the model over time, particularly in getting the right balance between positive and negative measures.