



Via email

29th May 2014

Re: Response to open letter consultation on potential changes to severe weather related Guaranteed Standards of Performance (GSOP) following the December 2013 storms

We welcome your recent open letter consultation on changes to severe weather payments.

We welcome the changes in RII0 – ED1 that have already been made making payments automatic for those on Priority Services Register, recognising that they may be less likely to claim. We also welcome the reduction in the number of hours customers are off supply before they are entitled to payments under RII0- ED1 we note however that this does seem to apply to severe weather payments, the purpose of this consultation. This may have been an unintended drafting issue with this consultation but we would support a concomitant reduction in time before severe weather payments are due.

We agree that the payments made are to reflect inconvenience rather than being real compensation. As discussed below however we have doubts as to whether the proposed level of payment reflects consumer perceptions. We think there are wider issues relating to PSR must be considered – it must be ensured that any shift in resources to allow automatic payments to all customers does not reduce the level so support available to vulnerable customers on PSR.

More broadly we think that the focus must remain on ensuring that supply is connected as quickly as possible and that any compensation reflects the failure to do so. In particular we are keen to see that perverse incentives do not exist whereby a difficult to restore customers are left off supply longer than needed as resources are diverted to works elsewhere to prevent payments arising there. We believe that payments under this regime must be in line with wider RII0-ED1 regime. We also believe that where resources need to be prioritised that they are prioritised towards addressing needs of consumers on PSR.

Automatic payments

We welcome the proposal for payments to be automatic. Citizens Advice Consumer Service cases in relation to disruption caused by the winter storms suggest that a significant proportion of consumers are unaware of the GSOP or to the levels of payment they are entitled to. We will be raising our concerns over level of awareness of (and publicity about) Guaranteed Standards in our response to the forthcoming consultation on supplier GOSP, and our view that it is the overall consumer experience of all Guaranteed Standards (supplier and DNO) that is important.

Lack of awareness is clearly a barrier to consumers making claims (especially those who are less engaged with the market or potentially vulnerable) so automatic payments are welcome. We note however the discussion at the evidence session of

ECCC with secretary of State on 8th April as to what is meant by automatic. We support the view of some of the Members that automatic should mean that payments are made without the need to claim – either by passing the payment to the consumer's supplier for them to credit the consumer's account or for some other method of direct payment to the consumer.

We would also like the automatic process to include direct contact with customers affected (by a message contained within bill or specific communication) not only setting out the basis of the automatic payment (which would allow customers to dispute it in case of error) but also containing a prompt for customers who are eligible to be on PSR to register.

For those who are already on the PSR we think a system where automatic means the automatic receipt without the need to claim is essential. By their nature consumers on PSR may be less able or inclined to claim. We believe that the greater data held (recognising this is an area undergoing improvement) should make such direct payments easier. As well as the payment, consumers should receive communication explaining why they are receiving the payment and by what method. This should be in a medium appropriate to the consumer. This communication also has the opportunity to provide a data cleansing role by ensuring that the consumer still needs to be on the register.

The level of payments

With regard to the level of compensation, and recognising that it is to recognise inconvenience rather than make up loss, we believe that the greater inconvenience of extended periods without supply also need to be reflected and welcome that you intend to double the additional payments triggered by longer supply interruptions.

As a way of providing financial incentives and increasing monitoring of support to vulnerable customers we think consideration should be given to making a slightly increased payment to those on PSR and an additional automatic payment where appropriate support has not been given to customers on PSR. This of course is linked with our interest in monitoring of PSR which we will include in our response to the forthcoming consultation.

Whilst we welcome the proposed increase we are aware that this is slightly less than some DNOs were offering as a goodwill gesture. We feel strongly that any payment regime acts as a sufficient incentive to ensure restoration is as swift as possible and is seen as a sanction for failure. We also think that payments must be seen as flowing from failures to adhere to the Guaranteed Standards and not as a matter of goodwill. In the past suppliers and DNOs have led customers to believe that Guaranteed Standards payments are matters of goodwill, not a standards regime – it is for this reason we believe the standards need greater public awareness.

We are not convinced that the rationale for the level of increase is sufficiently robust. This must be considered alongside the broader RII0-ED1 regime of incentives and sanctions. Any level of payments due under Guaranteed Standards must reflect the balancing incentives for improvement and good performance. There is also insufficient information about consumers' view of a fair payment – or indeed what consumers feel the payment is for. CACS cases suggest consumers feel they may be entitled to compensation for a range of things – not receiving a service,

inconvenience as result of having no power and consequential loss as well. This is in part due to lack of awareness of the standards. The proposed sum may be an under value in most consumers view, but may also be an over value. Similarly consumers will be aware that in its enforcement activity elsewhere Ofgem has imposed low levels of actual fine with an agreement that suppliers set aside funds otherwise used to pay fines to be allocated to support vulnerable customers. We have no further evidence ourselves but feel that a more robust basis for level of payments is needed including whether a greater share of payments should go to potentially vulnerable consumers.

Monitoring

We believe that any automatic payment process will only be effective if there is robust recording and reporting by DNOs potentially including auditing of processes / sample cases as is undertaken for other reporting templates and trade codes (such as Energy UK Safety Net). Robust reporting by DNOs and monitoring by Ofgem will be particularly important in the case of automatic payments. Reporting against number and level of incidents and payments is important but also a regime which captures the consumer experience, and ideally the total number of consumers affected including geographically makes the GOSP system more tangible for consumers. Monitoring also needs to be tied into the broader RIIO-ED1 regime.

We would also repeat our comments regarding monitoring made to the call for evidence on GOSP and recently to ECCC that a more effective system of monitoring payments is introduced as we have concerns that some automatic payments may not being made (due to process issues rather than default). We raised this in relation to the proposed template for DNOs reporting on GSOP and will also include this in our response on supplier GOSP.

We also think that the monitoring in the case of those on PSR should also include evaluation of support actually given to vulnerable customers during the period of interruption. This is something we will be including in our response to forthcoming PSR consultation. As we said above we believe failure should attract an enhanced payment.

In all this publication is important. In terms of publishing this information, our preference would be to move to Ofgem publishing a more comprehensive report about DNO/DN performance as opposed to publishing the GOSP, QOS, etc separately. We think this would be a more useful document for stakeholders and consumers. This would ideally consist of

- GOSP data, including (timely) details on the exemptions granted by Ofgem for severe weather events
- QOS data
- Results of DNO/DN customer service satisfaction results
- Other relevant data such as details about major outages and how the industry responded as well as any learning / best practice for future

and would be linked to the new requirements on DNOs under RIIO-ED1 requiring them to publish annual reports detailing their stakeholder performance. This would

provide a more holistic picture of the performance of individual companies and the industry as a whole. As said above data quality is key – to prevent consumers receiving inaccurate analysis and to avoid unfairness to the companies who are providing more accurate figures.

For any queries regarding this response please contact:-

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