



**THE ASSOCIATION OF ENERGY SUPPLIERS  
ENERGYSURE CODE OF PRACTICE FOR THE FACE  
TO FACE MARKETING OF ENERGY SUPPLY  
ANNUAL REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2007**

# **ENERGYSURE CODE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2007**

## **Table of Contents**

	<b>Page</b>
<b>Introduction – 5 Years of Successful Operation</b>	<b>3</b>
<b>An outline of the Code</b>	<b>4</b>
<b>Our People</b>	<b>5</b>
<b>Measuring our Success</b>	<b>6</b>
<b>Governance and Administration of the Code</b>	
• <b>The AES Board</b>	<b>7</b>
• <b>The Code Manager</b>	<b>7</b>
• <b>The Code Auditor</b>	<b>8</b>
• <b>The Code Panel</b>	<b>8</b>
<b>Delivering and Monitoring Compliance with the Code</b>	<b>9</b>
<b>Enforcing a successful Code of Conduct</b>	<b>9</b>
<b>Report from the Chairman</b>	<b>11</b>

## **Introduction**

Welcome to the Association of Energy Supplier's 2007 annual report of the Code of Practice for the Face to Face Marketing of Energy Supply ("the Code").

There is cause for celebration this year as the Code has completed its 5<sup>th</sup> year of operation. During this time customers have seen an enormous improvement in customer service and in the range of products and services available, Sales agent complaints have reduced to a tiny fraction of those experienced in 2002 and customers who have used the service have made significant savings by agreeing to switch supplier.

In a world where the internet is becoming a champion route to market for many consumers, the good old door to door salesman, professionally trained and presented, provides an invaluable service to those who don't have access to these new retail channels and who rely on a more personalised service. It works. The energy suppliers now receive less than 1 energywatch complaint about face-to-face marketing of energy supply for every 30,000 people who switch supplier.

The Code has continued to be strengthened. Proposals to enhance the Code with additional checks on prospective employees are being considered and the appointment of Deloitte & Touche as the independent Code Auditor has brought a fresh look at the Code and will ensure its continued fitness for the next 5 years.

Read on to find out more about the Code and the EnergySure registration scheme for all Energy Sales Agents.

## An outline of the Code

The code provides a set of requirements which its members must abide by. The requirements are divided into sections and cover the following areas.

**Recruitment:** Details the requirements on members to ensure that they engage only suitable individuals as sales agents and that they obtain and check references, properly assess their skills and knowledge, have due consideration that individuals will be the public face of the industry, and that appropriate security checks are carried out given the role places the Sales Adviser in direct contact with members of the Public.

**Training:** Details Sales Agent development of knowledge, their behaviour and appearance and their customer contact skills and that they meet the additional requirements laid out in the EnergySure scheme which includes a probationary period where Sales Agent performance on the doorstep can be assessed.

**Registration:** Details the requirements for EnergySure scheme registration where accredited agents have completed the EnergySure training scheme and have their details entered on a database. Accreditation may be withdrawn if an agent fails to meet standards, and this is also entered on the database.

**Consumer Contact:** Details calling times, agent identification, courtesy and avoiding misunderstanding. It also necessitates sales agents to voluntarily cease contact with a consumer who clearly indicates that contact is unwelcome.

**Providing Information:** The code provides for clear contract forms, explanation of essential provisions of a contract, explanation of cooling-off period and cancellation rights, contact details; suppliers will have procedures to verify and confirm to a consumer that they have entered a contract and are satisfied.

**Consumer Complaints:** Code members are required to establish complaint handling procedures and pay prompt attention to complaints. They record complaints and analyse causes to be used for managing agent performance and improving procedures.

**Compensation:** When occasionally it does go wrong, the code ensures the concern is answered promptly and compensation is paid where service has been below the Code's high standards, for example, where gross misconduct occurs involving proven forgery, a compensation payment of £250 will be made.

The Code is available in its entirety on-line at: <http://www.energy-retail.org.uk/>

## **Our People**

Another milestone this year has been the rapid expansion by EnergySure members of the sales workforce which reached 7,000 EnergySure accredited employees in late 2007.

Members go to substantial lengths to ensure they employ only appropriate people to undertake the role of an EnergySure sales agent. It is testament to these efforts that consumer satisfaction has been maintained while many new employees have entered the service of the energy suppliers.

Sales Agents who provide service by visiting householders are by their very nature one of the few concrete 'public face' of the energy supply companies. As such their behaviour and appearance is required to be second to none, and increasingly staff are called upon to be good Citizens. Doorstep crime, particularly rogue traders and distraction burglars commit crime on those members of society more vulnerable than most. We ask our sales agents to be vigilant for these kind of individuals and if these see anything suspicious to report it to their supervisors or to the police. Fortunately crimes of this kind are rare and new legislation will further curtail the actions of rogue traders and burglars.

Overall, our Sales Agents are trained to recognise those members of society who are vulnerable and to treat them with respect and care. The vulnerable and the elderly deserve to feel safe in their own home and not to be excluded from normal society and the energy suppliers fundamentally agree with these needs.

## Measuring our Success

Recently energywatch changed the reporting structure on complaints to encompass a new category of referrals; however both categories show a sustained reduction in customer concerns with energy sales.

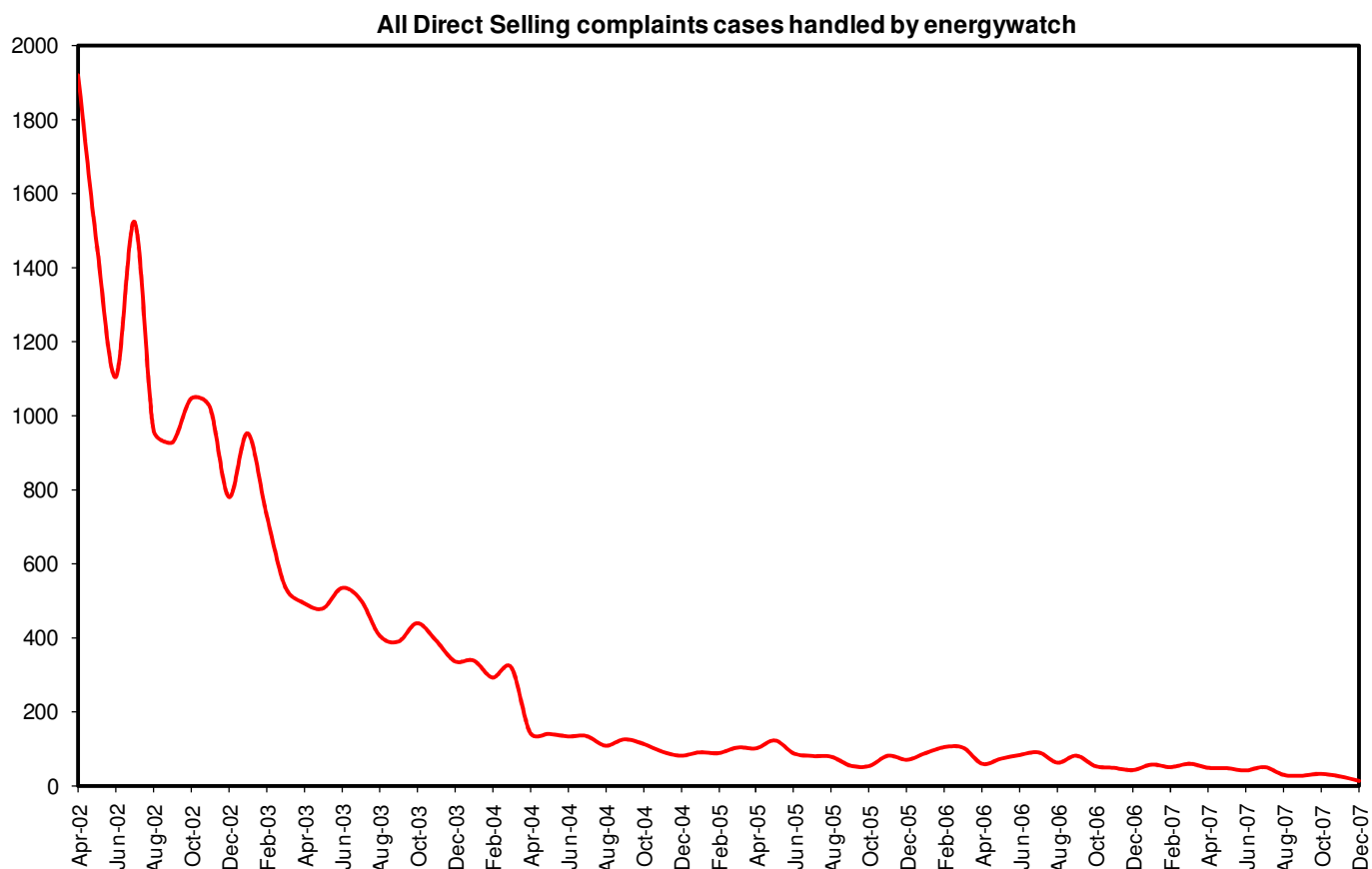
Over the last 5 years, energy suppliers have noted the levels of direct selling complaints (measured independently by Energywatch) and have worked to improve consumer satisfaction. Since the launch of the EnergySure Code, the level of direct selling complaints has fallen dramatically, from around 1 complaint for every 1000 transfers, to less than 1 complaint for every 30,000 transfers. That represents a reduction of 98% and the relatively small number of customer contacts received by energywatch in 2007 has continued to fall over the course of the year.

The energy suppliers are pleased with this performance but realise any complaint reflects dissatisfaction with this doorstep service and the Suppliers continue their efforts to ensure that the overall experience at the doorstep improves.

We were pleased to see Ofgem provide further acknowledgement of the success of Members efforts to deliver high standards of doorstep service to customers in their open letter on consultation on specific energy supply licence conditions stating:

“Direct selling complaints to energywatch concerning marketing have continued to fall. Doorstep selling continues to be an effective marketing channel for suppliers, with some suppliers indicating that around 60% of sales are made through face-to-face marketing. Between July and September 2007, complaints to energywatch on direct sales totalled 103. In that same period 2.1m gas and electricity domestic customers switched supplier.” Philip Davies, Ofgem, Dec 2007.

The reduction in complaints since the introduction of the EnergySure Code of Practice can be seen below.



## **Governance and Administration**

The Code is sponsored by the Association of Energy Suppliers (AES) and is committed to the promotion of best practice in energy selling. Since September 2003, the AES became part of the Energy Retail Association (ERA). The ERA represents suppliers in the competitive UK energy market and all the main energy suppliers operating in the domestic market in Great Britain are members of the ERA – British Gas, EDF Energy, npower, E.ON, Scottish Power, and Scottish and Southern Energy.

Governance of the Code is being undertaken through the AES. The rules of the AES require Code Members to comply with the Code and to be subject to the disciplinary procedures set out in the Code. Whilst membership of the AES is voluntary, compliance with the EnergySure Code is mandatory.

The Association has appointed a Code Manager to carry out the supervision, administration and day-to-day operation of the Code. The Code Manager acts independently of all Members, putting into place monitoring procedures regarding Member performance, ensuring corrective action where agreed performance standards are not met and setting sanctions for any breach of the Code.

In addition, an annual audit of individual Member's compliance with the Code is carried out by the Code Auditor, an independent body appointed by AES who is a major firm of registered auditors.

### **The AES Board**

The operations of Association and the Code are directed through the AES Board of Directors. There are seven members of the Board, six of which are nominated by the ERA Member companies and the Chairman who also holds the post of Chief Executive of the ERA. The current AES Board Members are:

- Duncan Sedgwick (Chairman and Chief Executive of the ERA)
- Adrian Morris (Centrica)
- Mark Garnett (EDF Energy)
- Alan Hannaway (npower)
- Lee Holland (E.ON)
- Keith Jones (Scottish Power)
- Mark Alden (Scottish & Southern Energy)

The AES Board met on a regular basis during 2007.

The ERA works closely with the AES who are continuously working to improve sales practices across the energy supply industry.

### **The Code Manager**

David Laird was appointed in 2006 as Code Manager. The role of the Code Manager is to carry out the supervision, administration and day-to-day operation of the Code. The Code Manager reports directly to the Chairman of the Association and acts independently of all Members in operating the Code, putting into place monitoring procedures regarding Member performance, ensuring corrective action where agreed performance standards are not met and setting sanctions consistent with the Code.

To facilitate effective working relationships between the Code Manager and Member Companies the AES Board established a Code Operations Group, comprising operational management from each Member Company. The Code Operations group, chaired by the Code Manager, met on a regular basis during 2007.

## **The Code Auditor**

Deloitte & Touché were appointed as Code Auditor in August 2007. The Code Auditor carries out an annual audit of individual Member's compliance with the Code. This audit involves visiting each Member's operations and carrying out sample testing of the systems and controls that a Member has in place to enable compliance with the Code. Through the audit process, opportunities for improvements in the way in which Members ensure compliance with the Code are identified.

To ensure openness within the Code's governance framework, the Code Auditor has produced an in-depth report on the results of the Code audits that has been closely reviewed by all of the Members. Additionally, each Member receives their own in-depth report on the audit findings relating to that Member.

The Code Manager and the Code Operations group also consider detail issues arising from the Code Audit to assist in improving day to day operational compliance performance.

## **The Code Panel**

Supporting the Code's governance framework is the Code Panel, whose members are independent and come from a variety of backgrounds, including consumer representation and the wider business field. The Panel is the means whereby appeals from Code Members against decisions of the Code Manager will be heard, and it will also take an overview of the operation of the Code and put forward recommendations.

The Members of the Code Panel during 2007 were as follows:

- Lord Dubs of Battersea (Former Chairman of the Broadcasting Standards Council)
- Caroline Banks (Retired Director of Consumer Regulation Enforcement Division, OFT)
- Tina Tietjen (Chairman: Air Transport User's Council)
- Bryn Aldridge (Former Chairman: The Trading Standards Institute)
- Stuart Sweetman (Retired MD Post Office Counters Limited)

The Code Panel met each quarter during 2007. The Panel were not called upon to hear any appeals from Members.

## **Delivering and Monitoring compliance with the Code**

AES and its Members have allocated significant time and resources to ensuring that Members are complying with the Code and that the Code has an impact on improving the face to face marketing of energy supply. Within each Member organisation there is a dedicated EnergySure Compliance Manager whose responsibility is to ensure that the organisation is complying with all the requirements of the Code.

Members are required to submit monthly returns to the Code Manager to demonstrate their levels of compliance with the Code. Where the returns indicate there may have been difficulties with compliance, the Code Manager will discuss a rectification plan with the Member.

A very important part of the audit process is the identification of opportunities for Members to improve processes and procedures. Detailed reports are provided by the Code Auditor to each of the participating member companies after the annual code audit.

The results of the 2006 Code Audit were reviewed by the Code Manager. The issues arising from the audit which resulted in action plans were also reviewed with members on their completion. As in 2006, the results of the 2007 compliance audit will be carefully considered by all of the Members and the Code Manager.

### **Code Audit Findings - Summary**

In 2007, the Code Auditor reported a small number of areas where members were non-compliant with the Code over the 12 month period since the last audit.

Given the change in the firm of Auditors between 2006 and 2007, a comparison with last year's results has been made by the Code Manager. This shows a small improvement in the level of non-compliance compared to 2006.

Such non-compliances are typically of a temporary nature in the year and are rectified by members in the course of normal operations. In the large majority of cases, non-compliances were single failure of compliance (for example, not completing the annual reassessments paperwork properly) or procedural (failures which were identified and corrected before the Code Audit took place).

Bar one area of significant non-compliance, detailed in the next section, appropriate corrective action plans from the 2007 Code Audit have been provided by members and reviewed by the Code Manager and have been considered adequate to allow a return to full compliance within the period.

### **Enforcing a successful Code of Conduct**

To ensure full disclosure and openness concerning the pro-active role that the Code Manager has taken with in respect to alleged breaches of the Code and subsequent investigations of such alleged breaches, the Code Manager presents reports to the AES Board and to the Code Panel containing details of Code investigations and emphasising any areas in which Members non-compliance has led to a breach of the Code.

There were 4 instances this year where Code Members were investigated for breaches of the Code.

The compliance regime was modified in January 2007 to include a small number of additional requirements which were previously guidelines with no formal standing. In April, Member B acknowledged that due to an administrative error a small number of registration forms were sent to the registration scheme administrator beyond 10 days limit. The breach was reported

immediately by the member and corrective action was completed on the day that the oversight was found. Bar specific undertakings and future checks as part of the annual Code Audit, no further action was considered necessary.

Two further instances, with members C and D related to the increased supervision by members on ensuring that satisfactory references are gained before being allowed to operate in the field. In total the errors accounted for 4 individuals and these individuals operated in the field for less than 24 hours before the error was detected. Bar specific monitoring and additional reporting in the period up to the assessment by the Code Auditor no further action was considered necessary.

In the quarter July to September 2007, there was one instance of a Member notifying the Code Manager of an alleged breach of the Code by another member (Member A). The allegation was the subject of a substantial investigation and review of that member's working practices and focused on the interpretation, scope, and working within the spirit of, the Code around the requirements to acquire a signature when a contract is agreed at the doorstep.

As a result of a review by the Code Auditor and the Code Manager which was fully supported by Member A, Member A was found to be in breach of 9.5.1 and 9.2 of the Code. Further allegations were found to be unproven.

In February 2008, under Code Governance, a formal written admonishment was issued to Member A, and actions required of the member to ensure a return to a fully compliant position. Timescales were attached to the required actions.

## **Appeals**

There were no appeals made to the AES Board or Code Panel in 2007.

The Code Manager works closely with all Members and strives to assist Members to comply with the Code without the need to apply formal sanctions.

## Report from the Chairman

Five years ago when we embarked on the ambitious programme to provide a robust code of practice for the marketing of energy supply, I could not have anticipated the substantial improvement in consumer satisfaction which would result.

The improvement has been hard won and the energy suppliers who have been responsible for this have not shouted this success from the rooftops – until now. In a time when the energy suppliers are under increasing public scrutiny, we have succeeded in maintaining a restored reputation for providing professional services at the doorstep in an environment which is particularly hostile.

Whilst there are always instances where poor sales practices arise, our key success is in finding it quickly and ensuring the necessary steps are taken on the individuals and the member company concerned.

In 2007 we saw a further substantial reduction in consumer concerns reported to energywatch. In December there were only 12 complaints across all 6 members which a remarkable achievement given that the EnergySure sales agents present energy products face to face to over a quarter of a million people every month.

I was delighted to see the positive comments from Ofgem on our success in December 2007 and it is this kind of external recognition which the EnergySure scheme now needs if it is to develop and continue to provide consumers with the confidence in energy sales at the doorstep.

In 2007, KPMG completed their term in office as Code Auditor. Their approach and determination over the three years of their appointment ensured we had a rigorous and detailed examination of members' compliance in the Code each year. I thank them for their substantial effort and support. I welcome Deloitte and Touche as the Code Auditor in 2008 and look forward to working with them to continue to develop the Code and Compliance framework.

2008 brings new challenges. We welcome the introduction of new legislation by the Government under the Unfair Trading Regulations 2008 which now outlaws mis-selling practices. The EnergySure Code of Practice had for the last 5 years prohibited such practice and we are pleased to see legislation which will now apply the same rigour to all doorstep sellers.

No Cold Calling Zones have been developed in a number of regions in the UK and not in others. Their development is not supported by legislation and concerns have been raised by organisations such as the Direct Selling Association and Charities as well as this Association on the effectiveness of Zones in tackling doorstep crime.

Doorstep crime is rare, but the fear of crime is far more widespread and promulgated by such poorly targeted initiatives. Proportionality is the key. It is time for local authorities to apply the guidance provided to them by Legal Counsel through the Office of Fair Trading earlier this year and use Zones as a measured response to incidents of crime and not on a whim.

The UK has a tradition of doorstep contact with consumers going back many centuries. There are hundreds of thousands of individuals who rely on doorstep selling for an income and the effect on No Cold Calling on them will be enormous. We think that the new legislation makes Zones partly irrelevant. We are convinced that the right way to remove the fear of doorstep crime is by convicting those who perpetrate it, not punish the legitimate trader.



We support all initiatives which properly protect vulnerable members of society and are pleased to be active now on a number of partnerships with local authorities, trading standards and law enforcement agencies.

2008 will also see further active steps to promote the success of the Code and advance its reputation with stakeholders. Additional information and publicity is planned, attendance at key events to promote our Code and becoming more involved in supporting local initiatives to ensure increasing public confidence in our scheme is our key goal for 2008.

We are keen to ensure there is a growing acknowledgement of our efforts by both consumer representative and governmental bodies and I look forward to 2008 with confidence.

Duncan Sedgwick  
Chairman  
Association of Energy Suppliers