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Marcus Clements  
Head of Consumer Affairs  
Ofgem  
9 Millbank  
London  
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9 August 2007

Dear Marcus,

### **Complaint Handling Standards**

The ERA is pleased to respond to the open letter dated 3 July in respect of Complaint Handling Standards.

When setting down complaint handling standards, we would urge Ofgem to bear in mind that the competitive market delivers the best outcomes for customers. Any standards should not stifle innovation or prevent suppliers from differentiating their customer service levels.

### **Options for complaint handling**

Our assessment of the different approaches to complaint handling outlined in the letter are as follows.

#### **Option a) Prescribed procedures –**

We would welcome more definition on this option to enable suppliers to understand the level of detail of any prescribed procedures. Though this would be our preferred option, we strongly believe that any procedures should not be overly prescriptive, as this will restrict suppliers' ability to differentiate themselves within the competitive market. Therefore, more clarity and detail is required before we could fully support this option.

Suppliers already have procedures in place for the examples given, and this could form the basis for the Complaint Handling Standards. The significant exception however is a common definition of a 'complaint'. A definition would not assist in providing a conclusive way to assess how successful suppliers' complaint handling standards are and we believe that the best approach would be to measure consumer satisfaction. Measuring consumer satisfaction levels would promote competition by encouraging suppliers to differentiate themselves from their competitors, based on their products and services.

**Option b) Set conventional standards –**

This proposal is a similar model to the existing Guaranteed Standards of Performance. The ERA has requested a review of the GSOP and would not advocate its revival as a method of standardising complaints handling.

The GSOP model would require suppliers to focus on chasing volume and clearing targets rather than satisfactorily resolving customer complaints. In addition, it encourages consumers to adopt a compensation culture, which does not drive improvements in customer service. This option does not focus on customer satisfaction levels as being the driver for good customer service, which would certainly include their complaint handling processes.

In the context of the Consumer Estate Agents and Redress Act, this approach may not be the best solution for cross-industry needs because it is too specific to the energy sector. Suppliers provide a range of services to their customers and in future their range of offers may broaden further.

**Option c) Provision of meaningful information –**

There is merit in publishing performance data provided it relates to customer service.

The new NCC has a duty to publish information about suppliers' performance. The primary issue will be the source of the data. For example, an independent assessment by an organization such as Which?, data collected by Consumer Direct and surveys conducted by industry consultants will all help to create an accurate picture of the industry's performance. This would reflect customer satisfaction and perception, which is a more accurate and relevant assessment of consumers' experience, than crude complaint numbers.

Published data in the future must be shown to be independent, audited and validated, but without an overly high cost burden on suppliers as this would likely to be passed on to customers.

**Option d) – Recognised standard i.e. BSISO 10002:2004 –**

Suppliers have conducted their own comparison exercises to assess the merits of a BSI standard. A BSI standard does not offer additional benefit to consumers and is too rigid to respond to changes in the competitive marketplace.

In addition, some suppliers currently subscribe to similar principles of ISO10002, which benefit consumers without suppliers incurring the administrative costs of compliance.

**Option e) Code of Practice –**

The ERA believes that a code of practice would be a retrograde step in light of Ofgem's agenda of deregulation. As stated in the letter, it contradicts decisions made in the supply licence review to remove the obligations on suppliers to produce and have approved codes of practice for complaints handling.

**Scope**

The ERA does not represent energy network providers or non-domestic consumers and, therefore, cannot comment on extending the scope.

I trust this has given you a brief overview of our members' views. Members will be responding on an individual basis, and we will be happy to provide more details upon receipt of the forthcoming official Ofgem Consultation.

Yours sincerely,

Frances Williamson  
Industry Relations Manager