

Supplier guaranteed and overall standards of performance reforms

Department for Business, Energy and Industrial Strategy - Ofgem

RPC rating: validated

Description of proposal

The Guaranteed Standards (GS) and Overall Standards of Performance (OS) required energy suppliers to meet specified standards when they had certain interactions with customers. The proposal replaces this with a single revised GS regime providing performance standards on: making and keeping appointments (in relation to domestic and microbusiness customers); fixing faulty meters and faulty prepayment meters (in relation to domestic customers); reconnection after disconnection for unpaid charges (in relation to domestic customers). It also increases compensation payments from £22 to £30 for each failure to comply with the GS and requires suppliers to publicise on their website how they perform against the GS.

Impacts of proposal

The proposal affects all (48) domestic suppliers and (16) suppliers to microbusiness customers.

Costs. Using wage data from the ONS (with adjustments for non-wage labour costs) and data on average reading speeds, the assessment monetises familiarisation costs of £676. More significantly, the reporting requirement is estimated to cost £58,800 each year. This is based upon this taking two person days each quarter across the total number of suppliers (minus the 'big six' that are already required to do this).

Benefits. GS and OS being replaced by a single revised GS is expected to result in savings to the 'big six' energy suppliers in reporting costs. Based upon an assumed halving of the time taken, the savings are estimated at £6,000 each year.

Overall, the regulator, therefore, reports an EANDCB of £0.05 million.

Quality of submission

The regulator has provided sufficient information for the RPC to be able to validate a (rounded) EANDCB of £0.1 million. The assessment could be improved in a number of areas, outlined below, but the RPC accepts that these are unlikely to affect the validated EANDCB figure. (The presently monetised net cost would need to triple to round to a higher EANDCB).

The assessment acknowledges that suppliers may have to hire more engineers to meet requirements of having to visit consumers to restore supply, or take other action that will allow them to restore supply, within 3 hours on a working day (and 4 hours on a non-working day). However, it states that suppliers have not provided any information that would enable Ofgem to estimate this. Nevertheless, the assessment would benefit from some further discussion of the likelihood of suppliers needing to do this and the likely overall scale of cost.

The aggregate impact of the increase in compensation payments is not assessed. Although this cost is arguably borne by non-compliant businesses, the assessment would benefit from some analysis of this impact.

The assessment would benefit generally from setting out the evidence base for its assumptions, such as the basis for the estimate of how long it currently takes the 'big six' to comply with reporting requirements.

Departmental assessment

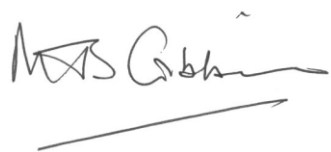
Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.05 million
Business net present value	-£0.27 million

RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated ¹	£0.1 million
Business Impact Target (BIT) Score ¹	- £0.5 million

¹ For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.

Opinion: EANDCB validation
Origin: domestic
RPC reference number:RPC-3787(1)-DECC-Ofgem
Date of implementation: 1 January 2016



Michael Gibbons CBE, Chairman