

**EREG CONSULTATION ON DRAFT ADVICE ON CUSTOMER COMPLAINT
HANDLING, REPORTING AND CLASSIFICATION**

**Response on behalf of Eurogas's
Supply & Market Development Committee**

Introduction

In response to the consultation by ERGEG on its draft advice on customer complaint handling, reporting and classification, Eurogas is pleased to contribute the following views on behalf of the Supply & Markets Development Committee of Eurogas. The subject of the consultation is an area where there are many differences between Member States, partly reflecting different stages of development of the competitive market, but one where there is scope for sharing and adoption of good practice, to assist customers to benefit from the competitive market.

This response begins by summarising Eurogas's responses to each of the recommendations (section A). It then considers each of the individual recommendations in detail, explaining our thinking on specific points (sections B and C).

In section D, we consider the proposed complaints classification system.

In responding to this consultation, Eurogas comments are focused on the household sector. We recognise however that certain of the recommendations are equally relevant to customers in other parts of the market, in particular small & medium size enterprises.

The style of the advice is to refer to service provider, in order to cover both suppliers and DSOs (where appropriate). While Eurogas understands this approach, the comments in this response reflect primarily the views of gas suppliers, who in most national markets and customer interactions have primary responsibility for the relationship with the end user.

A. Summary of Eurogas response

Eurogas generally agrees with Recommendations 1, 2, 3, 8, 9, 10 and 11 as they are currently drafted. We include comments to explain the background to our thinking on these points.

Eurogas agrees in principle with Recommendations 4 and 12, although we do not believe that statutory requirements are necessarily the only or best means to improve service in this area. Where statutory standards are to be introduced, we believe they should be focused on ensuring minimum acceptable standards of performance, leaving suppliers scope to compete to improve on these.

On Recommendations 5 and 13, Eurogas accepts that compensation will be appropriate in defined cases, but as a general rule would prefer compensation to be voluntary. Eurogas warns against any widespread compensation scheme, which would encourage a 'compensation culture'.

Eurogas understand the intention of Recommendation 6 but does not consider the recommendation as drafted should be included in view of the very different national frameworks within which alternative dispute bodies operate.

On Recommendations 7, 14 and 15 Eurogas accepts the NRA should have access to complaints data but has concerns about the scope, purpose and potential use of information. It is important that the information requested is reasonable, and is used by regulator to assist his understanding of the retail market. Eurogas also has concerns if ERGEG envisages NRAs publishing data on a named company basis or wishes to compare statistics across Europe. No data should be published unless the regulator is confident about the comparability of the data.

On complaints indicators and classification, Eurogas stresses the importance of considering indicators as a high-level diagnostic only and warns against establishing an elaborate statistics gathering process or seeking to do detailed comparisons of performance by Member State.

B. Recommendations to service providers

- **Information on the bill on how to complain (3.1.1)**

Recommendation 1:

Customers should be provided, on their bills, with the contact details of the service provider's customer service.

Recommendation 2:

Customers should be provided by their service provider with the relevant contact information of the relevant third party body in case they want to complain.

Eurogas agrees that customer should be provided with company contact details on consumer bills. Eurogas believes strongly that contact should first be made with the supplier, and that the company involved should be given the opportunity to resolve any queries or problems the customer may have. Therefore, the most prominent contact information on the bill will normally be that of the supplier, the only exception being contact information related to who to contact in the event of a gas escape.

As regards Recommendation 2, Eurogas notes that a 'relevant third party body', will typically be a consumer organisation involved in helping the customer with complaints or problems. However it should be made clear in this recommendation that the third party route (other than for the provision of general advice) should be followed only if the customer is unable to reach satisfactory resolution with his supplier.

Thus for complaint handling, we envisage a two-stage process. Under this, complaints or questions for clarification should first of all be handled by the supplier. The customer should only contact the third party body if he does not get a satisfactory response from his supplier. Under such a process, the bill should only need to refer to how to contact the supplier (i.e. the supplier's customer service department), mediator or specific advice service. Detailed information on the second stage complaints process involving the third party body can be mentioned in subsequent bilateral correspondence with customers, rather than adding to the information on the bill.

- **Choice of the complaint channel within service provider (3.1.2)**

Recommendation 3:

To submit a complaint to a service provider, a wide range of channels should be available, and, in any case, more than one.

Eurogas agrees that it is highly desirable that the customer has a choice of routes by which to make a complaint to his supplier. This is most applicable in the case of ordinary paper bills, where customers should be able to contact their supplier by telephone, mail or E-mail. However, in common with other markets, where internet-only accounts are offered, it is appropriate that the customer deals only via E-mail.

- **Statutory complaint handling standards shared by all service providers (3.1.3)**

Recommendation 4:

Statutory complaint handling standards common to electricity and gas service providers should be in place. NRAs are best placed to set up these standards, after consultation with stakeholders, as appropriate, and to enforce them.

Eurogas supports the need for defined complaint handling standards to be in place, so that the customer knows what level of service to expect. As the consultation acknowledges, standards may be a part of a service commitment offered by the customer's own supplier. However there may be a desire to introduce minimum service standards to apply to all suppliers, and where such minimum standards are to be introduced, Eurogas agrees that the standards must first be fully consulted upon with stakeholders.

It is not necessary that even minimum industry-wide standards are statutory; self-regulatory approaches and industry codes of practice may be sufficient and should be seriously considered before statutory measures. However, where statutory standards are adopted, they should be focused on ensuring a minimum acceptable level of service, leaving suppliers scope to improve on these. Eurogas recognises that for statutory standards, there has to be some enforcement mechanism and accepts that the NRA may frequently be best placed for this role.

To clarify the meaning of the period mentioned in the consultation ("immediate" = within 1 day), Eurogas considers that it should be possible for a holding reply at least to be sent by close of business on the day following receipt of the complaint. Eurogas would welcome confirmation of this interpretation. Eurogas agrees that resolution of complaints should normally be possible within 2 months, but as suggested in the consultation, more complex cases may take longer, in which case the customer should be kept informed of progress.

- **Service providers' redress schemes (3.1.4)**

Recommendation 5:

Redress schemes should be in place to allow compensation in defined cases.

Eurogas accepts that compensation will be appropriate in defined cases (e.g. a prolonged supply failure), provided this is at a level commensurate with the cost to the customer of the problem encountered. However Eurogas warns against any widespread scheme of fixed compensation amounts, which will encourage customers to make complaints in the knowledge they will automatically receive payment i.e. a complaint or compensation culture. For this reason, suppliers generally prefer any such payments to be on a voluntary basis, which allows the circumstances of each case to be taken into account. If

the customer remains unhappy, he still has the option of going to alternative dispute resolution.

- **Compliance with alternative dispute settlement body's recommendations (3.1.5)**

Recommendation 6:

Service providers should follow the alternative dispute settlement body's recommendations.

Eurogas agrees that the duties and responsibilities of the different market actors should be clear and that it is important they should work together in the customer interest. Alternative dispute bodies are key players in this. However Eurogas wishes to highlight the very different national models for alternative dispute bodies which have been adopted by Member States and the different industry, legal and regulatory frameworks within which they operate. For this reason, while we understand the intent of this recommendation, we consider the concern should be picked up by Member States appropriately to their national contexts rather than being included in these EU-level complaint handling recommendations.

- **Complaint data collection by NRA (3.1.6)**

Recommendation 7:

When a regulator deems it appropriate to receive data on customer complaints, the service provider should give the regulator access to these data.

Eurogas agrees with the principle that the supplier should give the NRA access to complaint data, assuming this is for the purpose of helping the regulator to form a view on the functioning of the retail market, and in particular on the broad areas of complaint and general trends in complaint levels. However this does not mean that NRA should have the freedom to impose routine statistical reporting requirements on suppliers which are excessively frequent, unnecessary or unreasonable. NRAs should work in co-operation with suppliers and others to ensure that what is routinely requested for monitoring purposes is reasonable and does not impose undue administrative burden or cost.

While Eurogas accepts that data should be provided to the NRA, Eurogas has concerns if regulators wish to go further and publish such data, e.g. named company data at a national level or comparative statistics between Member States. We are not convinced such an intervention is necessary if the purpose is only to enable the NRA to monitor trends in complaints and it would also raise questions about the accuracy and comparability of the data provided and the classification system used to categorise complaints. Certainly no data should be published unless the regulator is totally confident about the comparability of such data. (See also our response to Recommendation 15.)

Eurogas comments further on the suggested consumer complaint classification system in section D below.

C. Recommendations to third party bodies (alternative dispute settlement boards, ombudsmen, consumer bodies...)

- **Single point of contact (3.2.1)**

Recommendation 8:

A single point of contact should deliver, in every country, free information and advice on consumer issues. Such a single point of contact could deliver, for example, information on: suppliers; different types of supply contracts; price comparisons; consumer rights; and how to complain. When the single point of contact receives complaints, it should be able to direct customers to the relevant body to handle their complaints. This service should be set either by government or the NRA (in some cases in co-operation with other bodies in charge of consumer issues). It should be available either by phone, email, written mail (letter or fax) or in person.

While the supplier should normally be the first point of contact for customer enquiries, Eurogas agrees that a general information/advice service would be desirable, especially in newly opened markets where there may be customer confusion on the roles of the different players in the competitive market. Such a service should refer customers with complaints to the supplier (or distribution company) concerned.

- **Prior contact with the service provider (3.2.2)**

Recommendation 9:

Before submitting a complaint to a third-party body, customers should first contact their service provider to explain their complaint and try to solve it directly with the provider.

Eurogas agrees. As we have noted in commenting on Recommendation 2 it should be made clear in the interests of efficiency in complaint handling that the third party complaints route should be followed only if the customer is unable to reach satisfactory resolution with his supplier.

Eurogas notes in addition that some energy companies with distribution and supply interests have established their own arm's length mediation service, which can intervene in a more neutral way in problems where both supplier and DSO are involved. Such a service is indeed often considered as a "third party body".

- **Choice of the complaint channel (3.2.3)**

Recommendation 10:

To get in contact with a third-party body, a wide range of channels should be available, and, in any case, more than one, even if – at a later stage – a written document may be necessary for a formal procedure with alternative dispute settlement bodies.

Eurogas agrees with this recommendation.

- **Free access for all customers (3.2.4)**

Recommendation 11:

Alternative dispute settlement should be made available for all household customers, preferably without charge or as inexpensively as possible irrespective of the financial amount of the dispute.

Eurogas agrees with this recommendation.

- **Statutory complaint handling standards within third party bodies (3.2.5)**

Recommendation 12:

Regarding third party bodies, the following complaint handling standards should be effective, in accordance with the above-mentioned Commission Recommendation and with 3rd Package legal provisions: a common classification should be used [...], a prompt first answer or acknowledgement should be issued, a lead time to solve the complaint/dispute should be determined on a national basis [...].

Eurogas agrees that complaint handling standards should be effective. However, as we have noted in commenting on Recommendation 4, this does not mean that they have to be statutory; self-regulatory approaches and industry codes of practice may be sufficient and should be seriously considered before statutory measures.

We comment on the recommendations regarding time to acknowledge and lead time to resolve in our answer to Recommendation 4 above and regarding complaint classification (and in particular the use of comparative information) in our comments at the end of this response.

- **Financial compensation to customers (3.2.6)**

Recommendation 13:

Customers whose complaint has been settled in their favour should be allowed a fair compensation from their service provider.

Eurogas believes that the same points apply here as for Recommendation 5. Compensation will be appropriate in defined cases, at a fair level commensurate with the cost to the customer of the problem encountered. However Eurogas warns against any widespread scheme of fixed compensation amounts, which will just encourage a complaint or compensation culture.

More generally Eurogas is concerned about the possible (over)regulation of supply activities through the imposition of standardized compensation schemes. In a competitive market, the customer's ability to switch supplier is the best incentive for suppliers to correctly serve their customers; it is also the best guarantee for customers to get a high quality offer and a good after sales service. ERGEG should take care not to be too prescriptive and to leave room for service innovation and improvement.

- **Complaint data collection by NRAs (3.2.7)**

Recommendation 14:

When a regulator deems it appropriate to collect data on customer complaints, the regulator should have the possibility to receive the relevant information from third parties as well as from service providers (refer to Recommendation 7).

Eurogas believes that NRAs should be able to draw together data from a range of sources in assessing the functioning of the market - it is not necessary or desirable for the NRA to have to duplicate existing sources or information flows. However, as we comment in response to Recommendation 7, neither NRAs nor third parties should impose routine statistical reporting requirements on suppliers which are excessively frequent, unnecessary or unreasonable. NRAs and consumer bodies should work co-operatively with suppliers to ensure that what is routinely requested for monitoring purposes is reasonable and minimises administrative burden and costs.

If data is to be collected, it is essential that there is an agreed definition of what constitutes a complaint. Eurogas accepts the broad definition used in this consultation –

'an expression of a customer's dissatisfaction' – but believes that a suitable basis for reporting purposes would be issues not resolved by close of business on the day following receipt of the original complaint.

Eurogas agrees that the regulator is well-placed to analyse the data collected.

- **Complaint data publication (3.2.8)**

Recommendation 15:

The NRA or another third-party body having responsibility on customer complaints could provide and publish reports on complaints they have received. Depending on the level of maturity of the retail market, the report could include information such as: categories of complaint that most frequently appear, proposals of best practices that could be followed by suppliers [...], a list of ADR Board recommendations which have not been followed [...], a description of the complaint handling process within each service provider.

The frequency of reporting should be at least once per year.

Eurogas recognises that such approaches could be adopted at national level and that the level of market maturity is an important factor in considering the appropriateness of any particular approach.

However while trends in complaint levels are an indicator of how well a national market is functioning, they should not be seen in isolation or without proper context. For example the failure of an interconnector or other supply problems may have an impact on end-users, but a rise in complaints prompted by such a failure says nothing about the functioning of the retail market.

As regards the publication of such reports, we believe again that in their content the focus should be on trend data. As noted in response to Recommendation 7, we would be concerned if regulators or third parties published information which identified individual companies, until the reliability and comparability of such data has first been verified. We also note that while publication of data on individual companies may result in efforts to improve performance, there is also the possibility it could encourage companies to manipulate their statistics; this could actually make it more difficult to have confidence in the usefulness of the data or mean that more onerous auditing is required.

Eurogas notes the suggested frequency of at least once per year but warns against excessive frequency.

- **Complaints monitoring & indicators (3.2.9)**

Eurogas notes the work in progress by ERGEG to develop market indicators to help provide evidence of market malfunction. We see the primary purpose of Recommendations 7, 14 and 15 being to support this objective, and look forward to commenting on the outcome of the work in due course. However we would like to make the following preliminary remarks, which are also relevant to complaint handling.

Information on complaints (or indeed any other element in this market monitoring) should be no more than ERGEG intends in section 3.2.9 - high-level indicators, to help direct NRA attention if one or more national indicators suggest there may be grounds for concern. From time to time the indicators may suggest there is a more general problem, and this could result in an in-depth analysis by the regulator concerned.

However in proposing a set of monitoring indicators, ERGEG must be very careful to avoid the temptation of starting with a broad class of customer complaint and then analysing this into ever greater levels of detail, increasing the amount of data routinely collected and generating significant administrative cost. The more detailed the indicator, the more there is a danger of some regulators feeling they have to micromanage the industry, which would be fundamentally contrary to any trust in the competitive market. Suppliers will naturally wish to resolve their process or other customer relations problems, especially if they are a matter of public comment, and suppliers themselves will be best placed to dig into the detail they find most relevant to their desire to improve their levels of service.

It is thus essential that market indicators do not become an end in themselves or an elaborate statistics gathering exercise, which would not be the best way of encouraging service improvement.

D. Complaints Classification

In the light of these remarks, we believe that the number of categories at EU-level should be kept to a minimum list of broad complaint areas. While Eurogas would even question how far it is feasible to apply the same methodology and approach to e.g. both the financial and energy sector, the higher the level of classification, the more chance there is of producing a set of indicators that enables energy to be seen alongside other sectors, as DG SANCO is seeking to do. The shorter the EU-level list, the greater the scope at a national level for locally relevant indicators to be included.

Conversely, the more detailed the list of indicators, the greater the temptation to compare detailed results by Member States, which as noted earlier we believe should not be done without a much deeper understanding of national circumstances and structures in the gas (and electricity) markets.

There are evident differences between Member States affecting the comparability of data – for example varying market structures and characteristics (e.g. regulated versus market prices, different levels of public service obligations). Looking only at quantitative results (number of complaints) does not adequately reflect the functioning of the market or the state of competition.

In general, Eurogas believed the approach to data collection, classification and reporting should be pragmatic and proportionate and not lead to heavy and costly reporting obligations for companies.

Thus turning to the fourteen categories proposed by ERGEG:

Level 1

- we suggest that only the eight categories put forward by DG SANCO should be considered as the areas suitable for EU-wide comparative analysis
- NRAs should seriously consider collecting data at national level on the other six categories in level 1 also, but information in these six energy-specific categories would **not** be the subject of EU-level statistical analysis; NRAs would use information in these areas - which could be based on statistics collected from companies, survey results or other research - only to help determine if there were issues meriting further study in their Member State. This assessment would in turn inform the content of the retail monitoring reports produced by NRAs.

Level 2

- we agree that Level 2 indicators should be optional – they should be offered to NRAs simply as examples of what has been found to be useful in some Member States. Each Member State would therefore consider whether to gather information in each of these areas and if so how, and/or whether there are other areas with greater priority.

Eurogas trusts that ERGEG will find the above comments helpful at this stage in developing their thinking about this indicator work, and would be happy to discuss the subject further with the ERGEG workgroup if desired.