



# Annual Audit of Compliance for Electricity & Gas Suppliers

Complaints Handling (for the audit period 2019)

Published: 9<sup>th</sup> September 2020



## About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



### Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



### Our vision

To ensure value and sustainability in energy and water.



### Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



## Abstract

Protecting consumers is one of the UR's primary objectives. The handling of customer complaints is an important aspect of a supplier's interface with their customers and consumer protection. The UR's role is to ensure suppliers adopt best practice processes and procedures when dealing with customer complaints. To that extent, this paper outlines the results of an audit conducted on energy supplier complaint's handling processes and procedures for the period 2019. In addition, this audit also reviewed the accuracy and quality of suppliers' submissions to the UR on their complaints data, under the Retail Energy Market Monitoring (REMM) framework.

## Audience

Regulated companies, energy industry, consumers, consumer representatives and other statutory bodies.

## Consumer impact

The details of this paper will give stakeholders and consumers (for the first time) an understanding of the effectiveness of the complaint handling processes within energy supply companies in Northern Ireland. The publication therefore promotes transparency and consumer empowerment, ensures energy suppliers are accountable for the effectiveness of their complaint handling processes and the quality of their complaint data which they submit and report to UR.



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# Executive Summary

As part of the Utility Regulator's (UR) Forward Work Plan for 2018/2019, we consulted on a second phase for the Retail Energy Monitoring Framework (REMM) REMM CIMA – Consumer Insight & Market Analysis. In order to progress the objectives under REMM CIMA, the UR recruited an external consultancy firm to complete an audit on consumer complaints handling and reporting by energy suppliers (via supplier site visits). The audit scope included (i) tests on the accuracy of the REMM complaints data which had been previously submitted to the UR and (ii) assessment of suppliers' compliance with their own Code of Practice on Complaints handling.

Accurate and high quality REMM data is essential to the UR to enable us to monitor the energy retail market effectively and protect and inform consumers by increasing transparency. The complaints data received as part of REMM is something we seek to publish in our Annual Transparency Report (ATR). Furthermore, ensuring suppliers are adhering to the prescribed minimum standards set by the UR for complaints handling provides the UR, and consumers themselves, with assurance that consumer's complaints are being dealt with in a fair, consistent and timely manner.

Following engagement with all suppliers, and having agreed an audit program with the auditors, site visits took place over a number of months (January 2020 - March 2020). Thank you to all suppliers for co-operating fully with the audit process.

The auditors provided an overall opinion for the complaint's handling system at each supplier, based on their audit findings. The auditors overall opinion was based on guidance issued by Department of Finance (DAO 07/16) on Internal Audit opinions. There are three possible opinions: satisfactory assurance, limited assurance and unacceptable assurance. Four of the suppliers audited were awarded satisfactory assurance, while three suppliers were awarded limited assurance and two were graded with unacceptable assurance.

In arriving at their overall audit opinion for each supplier, the auditors considered the findings in each of the areas tested: (i) accuracy and completeness of REMM data, (ii) compliance with the minimum standards set by the UR, (iii) compliance with suppliers' Code of Practice on complaint handling; and (iv) whether the audit recommendations from the previous 2018 audit on complaints had been addressed.

The auditors found material areas of concern during the audit period in relation to the completeness, accuracy and quality of the REMM complaints data that had been submitted to the UR. They recorded observations around suppliers' training of relevant staff on complaints. The audit also revealed some minor discrepancies, such as complaints being listed under the incorrect complaint categories, and there was a small number of discrepancies in relation to the number of complaints reported.

Following completion of the audit work, the UR met with each supplier to share and discuss their individual audit results including any further observations or recommendations made by the auditors. Suppliers were given the opportunity to review the audit findings and where applicable provide further evidence or information. All suppliers submitted a full written

management response to the audit findings. Where applicable, REMM data was resubmitted for any discrepancies that were identified during the audit. Any issues highlighted in relation to suppliers' complaint handling or compliance with the relevant Code of Practice were addressed accordingly.

We now plan to publish the complaints data in the Annual Transparency Report. The UR will complete another set of supplier audits (via site visits) in late autumn 2020.

# 1. Introduction and Background

## Retail Energy Market Monitoring

- 1.1. We implemented the Retail Energy Market Monitoring (REMM) framework in June 2015 as an effective and proportionate enhanced market monitoring framework on the electricity and gas supply sectors in NI. Following a pre-testing phase, REMM formally went live<sup>1</sup> in January 2016 and is reported on by both suppliers and distribution network operators (DNO's) via quarterly and annual REMM submissions.
- 1.2. As part of the UR's Forward Work Programme for 2018/19<sup>2</sup> we consulted on a second phase for REMM (REMM CIMA - Consumer Insight & Market Analysis), which comprises of three objectives:
  - Objective 1: Data optimisation. To ensure we have an accurate and efficient data collection, data processing and data storage system;
  - Objective 2: Data Quality. This relates to the integrity of the information submitted; and
  - Objective 3: Reporting. This will include enhancement of our internal reports (to Senior Management Team (SMT) and Board) and our external publications (such as the Quarterly and Annual Transparency Reports).
- 1.4. In order to progress our objective on enhancing the REMM data quality, we identified supplier performance in relation to “complaints handling” as the subject of the 2019 Supplier Audits. External auditors were procured to validate the accuracy of the complaints data received under REMM and review compliance with suppliers' Codes of Practice (CoP) on Complaints Handling Procedure.

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<sup>1</sup> [Implementation of the Retail Energy Market Monitoring \(REMM\) framework – final decisions.](#)

<sup>2</sup> [Utility Regulator Forward Work Programme 2018/19](#)

## 2. Supplier Audit Approach

### Audit Scope

- 2.1 Given the scale of the information collected and monitored under REMM and the desire to publish Suppliers' Complaints data, we have focused this audit on the complaints data that is collected quarterly and annually as part of REMM. This metric was chosen based on the importance that consumers place on suppliers' handling of complaints.
- 2.2 When determining the scope of work for the audits, we identified two key areas for review:
- (i) Validation of REMM complaints data: a review of suppliers' REMM submissions to ensure the complaints data submitted had been reported accurately and completely via REMM, and corresponds to the suppliers' internal records; and
  - (ii) Compliance: a review of the supplier's compliance with their individual CoP on Complaints Handling Procedure<sup>3</sup> to ensure suppliers have the required systems and processes in place to enable compliance with their CoP and accurate recording of complaints for monitoring purposes via REMM.
- 2.3 The period being audited was the twelve months from Q3 2018 to Q3 2019. The audit program was agreed with the auditors before the work began, including the sample sizes for each of the audit tests. All suppliers were written to in advance of the site visits which took place between January through to March 2020 (depending on supplier availability).
- 2.4 All suppliers cooperated with the audit process. For a number of suppliers there were only certain elements of the audit that were applicable, for example if a supplier only operated in one aspect of the market<sup>4</sup>.

### Validation of Suppliers' REMM Submissions

- 2.5 In order to validate the accuracy of the suppliers' REMM submissions, we split this test into two key areas which is described in more detail below:
- (i) Completeness of REMM data; and
  - (ii) Quality of REMM data

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<sup>3</sup> Under Licence Condition 33, each supplier is required to have in place a Code of Practice (CoP) for the handling of consumer complaints. This Code must comply with the [minimum standards](#).

<sup>4</sup> Note also that one supplier was not included in the audit due to ongoing investigations.

2.6 Completeness of REMM reports - this involved two main areas of testing:

- The verification of the total number of complaints reported via REMM against the total number recorded on the suppliers' internal systems (for the audit period).
- The auditors selected a random pro-rated sample of consumer communications (telephone, email and letters where possible), within the period under review, and inspected these communications to ensure that (i) expressions of dissatisfaction had been captured correctly as a complaint in the supplier's internal system and (ii) the complaint had been recorded accurately in the suppliers' submitted REMM data. Where the auditors uncovered any issues, further testing was completed to ascertain if these were isolated incidents, or, if there were underlying issues which may represent a wider problem.

2.7 Quality of REMM data – REMM complaints data is categorised according to complaint types (for example relating to bills or payments) and complaint resolution categories (the time taken for the complaint to be resolved). Please refer to Appendix 1 for the details of the REMM complaints type and resolution categories. This involved the auditors undertaking various validation checks for the following:

- Accuracy of reporting the complaint type within the suppliers' databases;
- Accuracy of reporting the complaint resolution categories according to the categories used for REMM submissions; and
- Accuracy of complaints recorded which have taken three months or longer to resolve (this REMM metric is submitted annually).

## **Supplier Compliance with their Code of Practice on Complaints Handling Procedure**

2.8 The CoP minimum standards on Complaints Handling Procedure was published by the UR in June 2015 as the minimum actions required to fulfil the relevant obligations pursuant to the licence. The definition of a complaint used in the CoP and for the purpose of REMM is:

*“The expression (through various possible channels: letter, email, phone call or physical claim) of a person’s dissatisfaction”.*

2.9 The minimum standards are based on key principles, these are:

- Accessibility of Complaints Handling Procedure;
- Transparency of the CoP;
- Processes for prompt and effective investigation and resolution of

complaints;

- Process for dispute resolution; and
- Reporting requirements.

2.10 In order to complete this audit test, the auditors assessed complaints against a set of pre-defined criteria based on the UR Code of Practice minimum standards on Complaints Handling.

2.11 Evidence of suppliers' systems and processes not complying with their own published CoP is not only a licence compliance issue, but also has an impact on the quality of the REMM complaints data. Furthermore, this indicator provides the UR with insight as to how effectively suppliers are dealing with consumer complaints.

### 3. Supplier Audit Findings

#### Audit Results

- 3.1 Once the site visits were completed, the auditors compiled individual reports on each supplier for the UR which summarised the results of the audit tests and highlighted potential areas for concern.
- 3.2 The UR has discussed the results with each supplier and shared their individual audit results, including any further observations or recommendations made by the auditors. Suppliers were given the opportunity to review the audit findings and where applicable provide further evidence or information. All suppliers submitted a full written management response to the audit findings.
- 3.3 The auditors provided an overall opinion for each supplier based on the audit findings. The grading used is in line with guidance issued by the Department of Finance (DAO 07/16) on Internal Audit opinions, of which there are three possible conclusions:
- Satisfactory Assurance: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.
  - Limited Assurance: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.
  - Unacceptable Assurance: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.
- 3.4 The table below shows the auditor’s conclusions for each supplier based on the above definitions.

2019 Supplier Audits Assurance Levels		
Satisfactory	Limited	Unacceptable
Power NI	firmus Energy	SSE Airtricity
Click Energy	Go Power	Budget Energy
Flogas	Naturgy	
3T Power		

## Overview of validation of Supplier's REMM Submissions

### Completeness/Accuracy of REMM complaints data

- 3.5 Out of the nine suppliers audited, five suppliers had discrepancies with the completeness/accuracy of their REMM complaints data submitted to the UR. This was a combination of both under reporting (submitting less complaints than had been received) and over reporting (submitting more complaints than had been received). In terms of the level of discrepancies for the majority of suppliers this was minimal (representative of <1% of the suppliers complaint numbers).
- 3.6 For two of the five suppliers referred to in paragraph 3.5, the auditors concluded that they had more significant discrepancies. This means the auditors felt these discrepancies were a result of failures in the suppliers' system of governance. For example, one supplier had sent a blank file for one quarter submission and another had under reported complaints data to the UR for three consecutive quarterly submissions during the audit period.
- 3.7 The auditors noted a number of reasons for these inaccuracies, but the main reason reported was a result of human error due to the use of manual systems. For clarity, the UR do not consider human error as an acceptable reason for these discrepancies and have addressed this issue during our feedback. Suppliers are required to have the appropriate training, systems and procedures in place to deal with and record complaints accurately and ensure human errors are prevented and, if not, are captured and rectified.
- 3.8 Within this audit test, the auditors also sampled a random number of communications (i.e. emails, phone calls, letters etc.) to ensure all communications where customers were dissatisfied (as per the complaints definition<sup>5</sup>) were being reported in REMM as a complaint. The sample sizes varied dependant on the size of the supplier and their customer numbers. The findings showed five out of the nine suppliers had instances in the auditors' view where the consumer had expressed dissatisfaction but this was not recorded as a complaint by the supplier in their own systems or in the REMM complaints data submitted to the UR.
- 3.9 The auditors then conducted further review and testing into the suppliers' systems and processes to get a better understanding and to determine if these were isolated incidents or if there was potentially a weakness in suppliers' systems and processes. There were two suppliers identified as potentially having underlying weaknesses in their systems and processes in recording of consumer complaints.
- 3.10 As noted above, the suppliers have resubmitted their REMM data for any discrepancies found. Where any other weaknesses have been highlighted, the suppliers have produced a Compliance Plan<sup>6</sup> for the UR setting out in detail the

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<sup>5</sup> The definition of a complaint is: "The expression (through various possible channels: letter, email, phone call or physical claim) of a person's dissatisfaction"

<sup>6</sup> Suppliers must record any areas with compliance issues in their annual Statement of Licence Compliance (submitted to the UR annually) and include a Compliance Plan which sets out how and when full compliance will be achieved.

changes and timing of these to ensure these issues are addressed going forward. These Compliance Plans will be kept under constant review by the UR to ensure sufficient progress is made in the areas of concern.

### **Quality of REMM complaints data**

- 3.11 Out of the nine suppliers who were audited, four were found to have reported discrepancies with recording the complaint type and/or the resolution categories as detailed in the REMM framework (detailed in appendix one).
- 3.12 The results specified that two of these suppliers were recording the complaints as category 3<sup>7</sup>, although they took longer than 10 days to resolve, which is not in line with the definition under the REMM framework. One supplier had left category 1 blank and only completed the category 2 & 3 sections.
- 3.13 The auditors found that one supplier had small variances in the number of days from when a complaint is opened on the supplier's system, to the number of days it takes to resolve the complaint for the consumer. This was due to limitations in the supplier's system. This IT issue, along with a misunderstanding of the resolution category definitions in the REMM framework, resulted in some category 3 complaints being recorded by this supplier as category 2 (i.e. the complaint was not resolved at the first point of contact).
- 3.14 Out of the nine suppliers audited, the auditors found one instance in which a supplier took longer than three months to resolve the complaint and the complaint was not recorded as such. The supplier has since resubmitted their REMM data to correct this error.
- 3.15 As noted above, the suppliers have resubmitted their REMM data for any discrepancies found. Where any other weaknesses have been highlighted, the suppliers have produced a Compliance Plan for the UR setting out in detail the changes and timing of these to ensure these issues are addressed going forward. These Compliance Plans will be kept under constant review by the UR to ensure sufficient progress is made in the areas of concern.

### **Overview of Suppliers' Compliance with their CoP on Complaints Procedures**

- 3.16 Firstly the auditors completed a review of each supplier's Code of Practice on complaints handling to ensure it met the requirements in the minimum standards. There were no variations noted.
- 3.17 To obtain an understanding of how suppliers handle complaints, a number of complaints were randomly selected by the auditors and were assessed against a

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<sup>7</sup> **Category 1:** Total number of complaints. **Category 2:** Complaints resolved at the first stage of customer contact (i.e. the customer does not need to contact the supplier a second time). **Category 3:** Complaints resolved at a second (or further) stage of customer contact, but within 10 working days from the complaint being received.

set of pre-defined criteria. This criteria covered a range of areas, and while this is not an exhaustive list, some of the areas covered in the testing included a review of: (i) staff training records, (ii) staff training material, (iii) supplier's systems (i.e. call recording facilities), (iv) customer-facing documentation (i.e. T&C's and Bills), (v) compensation policies and (vi) complaint escalation procedures.

- 3.18 During the auditors examination of supplier compliance with their Code of Practice there were some common areas identified in which suppliers fell short of the minimum standards.
- 3.19 One of the requirements under the minimum standards is to ensure appropriate correspondence (such as bills, statements etc.) provided to customers includes information on the right of consumers to take unresolved complaints to the Consumer Council. The information should include:
- The contact details of the Consumer Council.
  - Reference to the fact that any person can utilise the scheme at no cost to themselves.
  - The person's right to go to court if they deem the solution unsatisfactory is not affected by the procedure.
- 3.20 Of the nine suppliers two were found to have no contact details within their T&C's for the Consumer Council (but did have the details included on their bills).
- 3.21 Seven did not have reference to the fact that any person can utilise the scheme at no cost to themselves within their T&C's, in addition to four not having this referenced on their bills.
- 3.22 Furthermore, eight out of nine did not include details in their T&C's of the person's right to go to court if they deem the solution unsatisfactory and is not affected by this procedure (again some did have this in their bills).
- 3.23 We have requested that suppliers update their applicable literature to ensure it meets all of the requirements set out in the minimum standards. As there is a cost implication for suppliers updating their T&C's we have advised this can be done the next time a review of the T&C's is being completed (or a tariff increase/decrease).
- 3.24 For two suppliers the auditors reported on observations around their complaints training. One supplier does not provide complaints handling training to employees and instead they are given a document to review which outlines the steps on how to deal with a call. There was also no record of this training being completed for staff in contact with consumers. One supplier requires employees to undergo complaints training only when joining the company but there is no refresher training provided following changes to complaint's processes. In these cases the UR has recommended that both suppliers review their complaint's training and report to the UR via a Compliance Plan.
- 3.25 In relation to the complaints testing section, the auditors selected a sample of complaints for each supplier, and tested the full complaint process from the beginning of the complaint (and identification of dissatisfaction) right through to

resolution of the complaint. Out of the nine suppliers tested, one supplier was highlighted as having issues in the following areas:

- In some instances, the auditors were unable to trace individual complaints through from the supplier's system to the REMM data. The supplier was unable to clarify where/how these complaints were included in the REMM submission data to the UR;
- For some complaints, the start or resolution date had been recorded incorrectly on the complaints system;
- One instance where the incorrect description of the complaint was recorded on the system; and
- In one instance, a refund was not issued to a customer within the refund period as stated on the Code of Practice. However, it was noted that in this case, compensation was provided to the customer for this error.

3.26 The UR has requested this supplier undergo a full review of their complaint handling processes and procedures and produce a Compliance Plan to the UR detailing the changes and timing of these to ensure these issues are addressed going forward. This Compliance Plan will be kept under constant review by the UR to ensure adherence.

## 4. Conclusions

- 4.1 Following the completion of the audits, we engaged with each supplier on an individual basis to discuss the findings of their audit report and address the concerns highlighted. Likewise, where the audit report highlighted areas that suppliers had performed well in and demonstrated good/best practice, the UR acknowledged this individually.
- 4.2 All suppliers submitted a full management response to the audit findings. Where appropriate, suppliers were required to amend their previous REMM submissions relating to complaints data, according to the issues identified by the auditors to ensure the REMM information is complete and accurate.
- 4.3 In addition, if licence compliance issues were highlighted, the UR sought an explanation from the licensee including a compliance plan setting out how they would rectify the issue going forward. These compliance plans will be kept under review by the UR.
- 4.4 The UR will be completing and reporting on another set of supplier audits, (via site-visits) expected to commence autumn 2020, the focus of which has yet to be decided. Suppliers will be notified of these audits in a timely fashion.

## Appendix 1: REMM Complaints Metric

Indicator	Data source	Frequency of collection	Electricity and gas categories
Complaints	Suppliers	Quarterly	<p>Domestic / I&amp;C</p> <p><b><u>Complaint types</u></b></p> <ul style="list-style-type: none"> <li>▪ Bills, payments and accounts</li> <li>▪ Tariffs</li> <li>▪ Debt issues, disconnections and reconnections</li> <li>▪ Selling/marketing– doorstep and face-to-face</li> <li>▪ Selling/marketing –other</li> <li>▪ Switching</li> <li>▪ Prepayment meter issues</li> <li>▪ Customer service</li> <li>▪ Network company related</li> <li>▪ Other</li> </ul> <p><b><u>Resolution categories</u></b></p> <p>Category 1 – total number of complaints received during the relevant quarter</p> <p>Category 2 – of the category 1 complaints, the number of complaints resolved by the supplier at the first stage of customer contact (i.e. the customer does not need to contact the supplier a second time)</p> <p>Category 3 – of the category 1 complaints, the number of complaints resolved by the supplier at a second (or further) stage of customer contact, and in less than 10 working days from the complaint being received</p>
Complaints	Suppliers	Annual	<p><b><u>Supplementary information for licence compliance</u></b></p> <p>the number of complaints received during the year that:</p> <ul style="list-style-type: none"> <li>(a) took three months or longer to resolve</li> <li>(b) are still ongoing after three months</li> </ul>