



Press Release

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Companies must step up efforts to tackle debt and disconnection, says report

EDF Energy and Scottish Power are currently the leaders in finding innovative ways to help consumers avoid fuel debt and disconnection. Among the other suppliers, npower has the most to do to implement guidelines according to a new independent report.

The report, jointly-commissioned by consumer watchdog energywatch and energy regulator Ofgem, monitored suppliers' progress against guidelines to prevent debt and disconnection, which were published by the two organisations in 2003.

It praises all companies for developing initiatives and improvements to avoid consumer debt in the past two years, but its overall message is that suppliers must improve their communication channels with consumers, especially the more vulnerable.

The report recommends that ALL suppliers:

- set targets to measure the performance and effectiveness of their debt prevention strategies
- work hard to improve communication as consumers feel suppliers are difficult to contact and that they do not understand their circumstances
- make greater efforts to advise consumers on budgeting and energy efficiency measures.

Allan Asher, Chief Executive of energywatch, said: "Companies are beginning to focus on vulnerable consumers but there is a need for a radical shake-up of the billing process. Companies use billing as the principal means of communication with consumers but consumers tell us that inaccurate and confusing bills are often the reason for their debt. Companies must wise up to the devastating impact that this has on vulnerable consumers."

Ofgem Chief Executive Alistair Buchanan said: "The guidelines have led all suppliers to step up their work to prevent debt and disconnection. But there are clear lessons from this report which we expect companies to take on board so that performance can be improved."

“Companies need to communicate better with their consumers – for some consumers the message that help is at hand is simply not getting through. The industry’s plan for a national fuel poverty helpline is also a very positive step in the right direction. Companies also need to sharpen their focus on delivering improvements by introducing targets. We would welcome suppliers’ views on this report and are keen to work with them to help customers who are most in need.”

The report echoes energywatch and Ofgem’s call for the Fuel Direct scheme to be extended to a wider consumer base than at present, by including people who may be at risk of getting into debt rather than just those already in debt.

The report also positively notes the reduction in disconnections overall, resulting from British Gas Trading’s (BGT) decision last year to temporarily stop disconnecting altogether. Ofgem and energywatch will monitor closely to see how BGT translates what it has learnt from this into better measures to prevent consumer debt.

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Notes to editors:

- Copies of the document “Preventing Debt and Disconnection: The Review” are available on the Ofgem website www.ofgem.gov.uk. Hard copies can be ordered from the Ofgem distribution centre on 020 7901 7116 or by email from distribution@ofgem.gov.uk. It will also be available at www.energywatch.org.uk
- In January 2003 Ofgem and energywatch implemented new guidelines on preventing debt and disconnection. In late 2004, Ofgem and energywatch commissioned consultants, Sohn Associates, to report on progress made since these were implemented. The guidelines cover six key areas: minimising billing errors, using incoming calls to identify consumers in difficulty, using consumer records to target energy efficiency improvements, demonstrating flexibility in debt recovery, offering sustainable solutions to consumers in extreme hardship and helping consumers who are unable to manage their own affairs.
- In the period following the publication of the guidelines, the industry has responded with a large number of initiatives being trialled and implemented. These include a cross-industry safety net to protect vulnerable customers from disconnection, additional training for front line staff to advise customers on help available and new teams established to handle vulnerable customers.
- The consultant’s report is based on visits to all suppliers and customer research. Consumers said that many of the problems had arisen as a result of billing and metering issues and that the debt could have been easily avoided. The report ranks suppliers’ performance against the guidelines as well as identifying best practice. It highlights issues with the current arrangements for measuring performance and proposes a set of performance indicators and a structure to be used for future monitoring.

- The publication of 'Preventing Debt and Disconnection: The Review' follows on from a Trade and Industry Select Committee report published in February. The number of disconnections for gas and electricity customers are generally falling. The figures are as follows:

2001 -	26,463
2002 -	22,775
2003 -	17,334
2004 -	3,280 NB (the rate of disconnection in 2004 was reduced by British Gas Trading's self-imposed moratorium on disconnections)

- Fuel Direct forms part of the Department for Work & Pensions (DWP) Third Party Deductions Scheme and was designed as a payment method of last resort. It is available to recipients of Pension Credit, Income Support and income based Jobseekers' Allowance only. Recipients of these benefits must be facing disconnection for non-payment in order to qualify for the scheme.
- Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.
- energywatch is the independent gas and electricity consumer watchdog. We provide free, impartial information and advice to energy consumers who are experiencing difficulty in resolving complaints directly with their energy supply companies. Consumers can contact energywatch on the 08459 060708 helpline or Typetalk 18001 08459 060708 for advice on being Energy Smart, or visit www.energywatch.org.uk

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