

ofgem

Social Action Strategy 2009





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Foreword

The landscape for this update to our Social Action Strategy is dominated by the worldwide financial crisis and tougher economic climate that all consumers face.

Over the coming period, more customers than ever will struggle to afford their fuel bills, increasing the number of customers in debt to their energy supplier and leading to higher energy debt levels and disconnections. Given this context, a key element of our forward work programme is closer scrutiny of suppliers' debt and disconnection practices to ensure that vulnerable customers are appropriately protected.

The remorseless rise in the numbers in fuel poverty is forecast to continue – unofficial estimates suggest there are now over 5 million households in fuel poverty. Ofgem continues to play a central role in securing fair prices for energy consumers, in particular through our recent proposals to improve the functioning of the market and in setting price controls for network companies. We also contribute to the debate about measures to help tackle fuel poverty. Our Fuel Poverty summit in April last year culminated in a programme of practical action to improve the identification and targeting of existing help to those in fuel poverty and to help vulnerable consumers participate more effectively in the energy market. Since then the Government has announced a full review of its fuel poverty strategy, which will again look at the role of social tariffs and how best to target the help available to those who need it most. We will contribute fully to these important debates.

The sizeable levels of investment needed to meet our future energy needs and to reduce carbon emissions will continue to exert upward pressure on prices for all consumers. We are therefore keen to ensure, as far as we can, that these investments are made cost-effectively to ease the burden on consumers, especially those in fuel poverty.


Foreword

Throughout 2009 we shall implement a range of measures to make the competitive energy market work better for all consumers and in particular for vulnerable consumers – measures that tackle unjustified price differentials identified in our Probe and to empower consumers to engage more effectively in the market.

We will continue to liaise closely with Consumer Direct, Consumer Focus and the Energy Ombudsman to ensure that the new arrangements for consumer representation in the energy sector operate effectively. We will build on our own Consumer First initiative to continue to improve our understanding of consumers' priorities and ensure that genuine consumer insight informs our policy and decision making. We are fully engaged in the growing consumer agenda at the European level and will play a central role in the debate on the extent of consumer protection in liberalised energy markets.

These are important and challenging times and the action we have taken, and will take over the coming year, firmly demonstrates our on-going commitment to protecting the interests of consumers and in particular vulnerable consumers.

This update to our Social Action Strategy provides an overview of progress in 2008-09 and sets out our programme of work for 2009-10.



Lord Mogg

Chairman, Ofgem

June 2009

The Social Action Strategy: Update on progress and work plan for 2009-10

Our Social Action Strategy, which was launched in 2005, sets out how we will meet our social responsibilities and help the Government to tackle fuel poverty.

The Strategy identified four themes for Ofgem's work on social issues over the coming years:

- securing compliance with **regulatory obligations** and effective monitoring and reporting by the companies;
- **encouraging best practice** among energy suppliers, using research to identify effective ways to address fuel poverty and help vulnerable customers;
- **influencing the debate** about measures to help tackle fuel poverty, working with other stakeholders, helping to promote a joined up and holistic approach; and
- **informing consumers** about ways to lower their energy bills.

During 2008, Parliament enacted changes to our statutory duties to make it clearer that we must protect the interests of future as well as existing customers and to increase our focus on sustainability. Government is also revising the statutory guidance on social and environmental matters to which we must have regard.

This update provides an overview of our progress and achievements throughout 2008-09 under each of the above themes and sets out a new programme of work for 2009-10¹.

Each autumn we also publish our annual Sustainable Development Report. These reports set out the key elements of Ofgem's contribution to making Britain's energy sector more sustainable. Fuel poverty and our social objectives with respect to vulnerable customers are key elements of our work on sustainability and are considered in these reports.

¹ Details of the Ofgem publications referred to in this update, including links to Ofgem's website where appropriate, are set out in Appendix 2 to this document.

Theme I: Regulatory obligations, monitoring and reporting

We take account of the particular interests of vulnerable customers in all areas of our work. In developing policy we consider the impact of our proposals on more vulnerable customers and seek to deliver solutions which best meet the needs of all customers, recognising that in some instances specific action may be required for some groups of vulnerable customers.

In terms of existing regulation, it is necessary to keep protections under review, assessing their continuing relevance as well as their success.

Effective monitoring and reporting are essential in enabling us to track progress on social issues, inform compliance activity and identify possible additional areas for future action.

Progress to date

We have, over the past year, taken a number of important actions:

- In February 2008 we launched an investigation into whether the energy supply market is working well for all consumers (**the Probe**). In October we published our findings, concluding that the transition to effective competition was well advanced and continuing but that there were a number of areas where this needed to be accelerated. In particular, we found that many consumers were not yet benefiting fully from the competitive market and that vulnerable customer groups were disproportionately affected. In April, we consulted on a package of measures designed to tackle the issues identified – in particular to help more consumers engage effectively with the market and to make well-informed switching decisions and to revisit the automatic right of suppliers to prevent indebted customers from switching.

Theme I: Regulatory obligations, monitoring and reporting

- One of the key findings of the Probe was that a significant number of customers remain disadvantaged by persistent **unfair price differentials** and that vulnerable customers are disproportionately affected. Of particular concern were price differentials between payment methods and regions that did not appear to have a full cost justification, which disadvantages customers who have never switched or who pay by certain payment methods; and significantly higher margins on electricity supply than on gas, which disadvantages stand-alone electricity customers. In January we sought views on proposed licence conditions to address these unfair price differentials and in April we published our final proposals and guidance on two proposed licence conditions that require cost reflective tariff differentials for different payment methods and ban undue discrimination.
- Following concerns raised at the end of 2008, Ofgem reviewed suppliers' **direct debit arrangements**. Whilst we found no evidence of deliberate attempts by suppliers to increase cash flow through unjustified increases in direct debits, nor of systematic errors, it was evident that suppliers' processes can result in very significant increases in payments and large credit/debit balances which can create difficulties for low income customers. We found a lack of transparency and poor communication by suppliers to be at the heart of the problem. We are currently consulting on proposals, including licence changes if necessary, to ensure that suppliers improve their customer service in this important area.
- In April 2008, Ofgem opened an investigation into npower following reports of incidents of **misselling**. In January, we fined npower £1.8 million having concluded it failed to take sufficient action to prevent misselling of energy contracts to customers and had failed to take adequate steps following complaints from customers about visits by the company's doorstep salespeople.

Theme I: Regulatory obligations, monitoring and reporting

- Following the 2008 Budget, Government secured an agreement with suppliers to increase their collective expenditure on **social programmes** by £225 million for 2008-11. We published a monitoring framework and guidance document in July 2008 and our first report of suppliers' spend against this framework in December 2008. This confirmed a baseline annual spend of £57 million. We also introduced stricter qualifying criteria for suppliers' social tariffs so that to be eligible as such they must be at least equal to the lowest tariff they offered to customers in that area, including online deals, regardless of the payment method. We have had a positive response from suppliers to this decision with a number of changes being implemented to ensure existing tariffs are consistent with the new social tariff definition.
- Throughout 2008 we have continued to work closely with Government, Consumer Direct, the Energy Ombudsman, Consumer Focus, consumer organisations, suppliers and network companies to ensure that the **new consumer representation arrangements** are appropriately embedded and working effectively. In particular, the Consumer Estate Agents and Redress Act 2007 (CEAR Act) gave Ofgem a statutory responsibility to set complaint handling standards for suppliers. These new standards took effect on 1 October 2008 and provide for an improved service to customers.
- We have continued to monitor suppliers' performance with regard to the timely recalibration of **token prepayment meters** to help prevent customers with these older technology meters avoid the build up of debt. We also monitored suppliers' progress in replacing these older prepayment meters with ones which do not require manual recalibration on price changes. As suppliers' replacement programmes near completion over the coming period, it is essential that they are proactive in ensuring that no customer is left without supply when withdrawing the token meter facility in an area. To that end, we have agreed with suppliers some minimum steps they should be taking in this area.

Theme I: Regulatory obligations, monitoring and reporting

- In 2005 we established a **Customer Service Reward Scheme** for electricity distribution companies to reward their actions to help vulnerable customers in relation to priority care initiatives, their communications and corporate social responsibility. The outcomes from the first three years of the scheme have been published and the Panel will be meeting to decide awards for 2008-09 in July. In 2008, we introduced a similar scheme for gas distribution companies which will focus on initiatives which facilitate network extensions, particularly those that increase the affordability of network extensions for fuel poor consumers; initiatives to promote gas safety including awareness of carbon monoxide; and initiatives which reduce the environmental impact of gas distribution. The first awards under the Gas Distribution Discretionary Reward Scheme will be decided in June and we will publish the outcomes from both schemes later in 2009.
- As part of the Gas Distribution Price Control we introduced an incentive mechanism to encourage gas transporters to **extend their gas networks** to help tackle fuel poverty in communities not connected to the gas network. In January 2009, we published our final position on the scheme, extending the eligibility criteria to ensure that a higher number of vulnerable and fuel poor households would be able to benefit from this scheme.
- We completed a post implementation review of the changes made to the gas supply licence in August 2007 with regard to **gas safety**. This looked at the number of free gas safety checks offered by suppliers, noting these had decreased in line with expectations given the changes to improve targeting to customers most at risk including, for the first time, families with young children. The review also identified examples of best practice.

Theme I: Regulatory obligations, monitoring and reporting

- We have consulted on our policy proposals for the fifth Electricity Distribution Price Control Review (**DPCR5**) which will apply for the period 2010-15. One of the key objectives of DPCR5 is ensuring that electricity distribution companies pay more attention to all aspects of customer service, including for vulnerable customers.

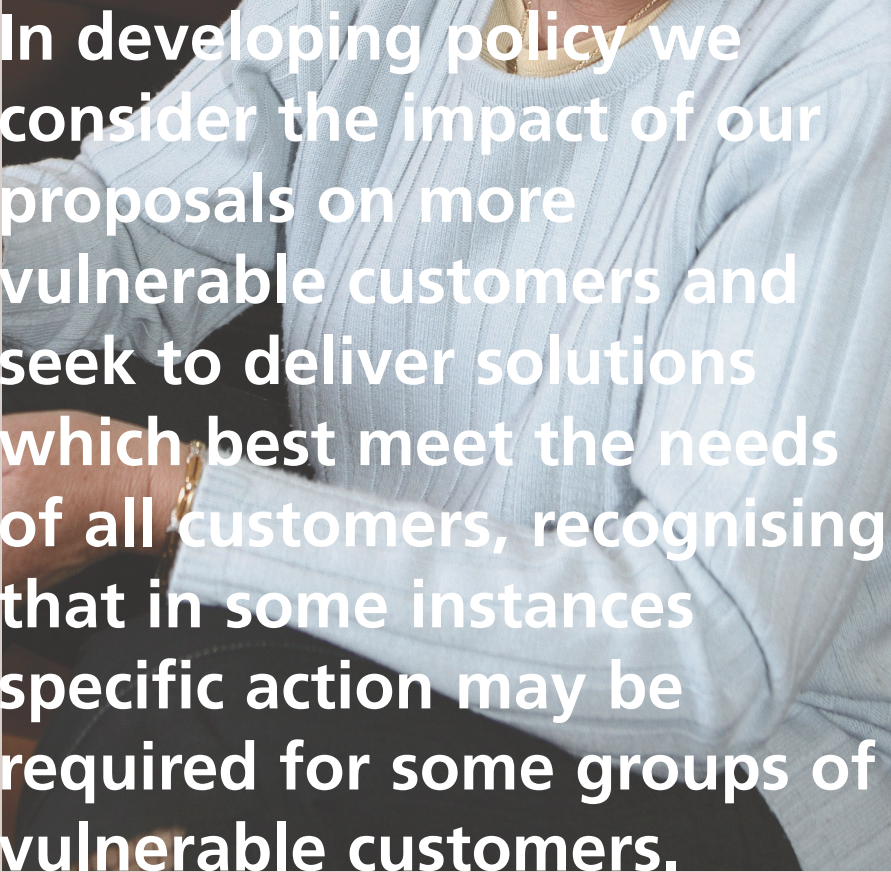
How we will build on this

Over the coming year our work will be focused on a number of key areas:

- In March we launched a joint project with Consumer Focus to review suppliers' **debt and disconnection practices**. Given the current economic climate we consider it timely to more closely scrutinise suppliers' approaches and performance in this area to ensure that vulnerable customers are protected. We are fast-tracking elements of this project examining suppliers' approaches to preventing the disconnection of vulnerable customers and the effectiveness of the industry's Safety Net arrangements. The latter stages of this project will look more widely at suppliers' debt prevention and management practices.
- We will continue to monitor suppliers' performance with regard to **token prepayment meters**. Suppliers have indicated that they are nearing the end of their replacement programmes with these meters being permanently phased out in areas. Suppliers have advised that by the end of 2009 there will be very few token prepayment meters left. We will also be closely monitoring the uptake in use of prepayment meters, given the current economic climate and rising energy debt levels.

Theme I: Regulatory obligations, monitoring and reporting

- We will publish our second report monitoring suppliers' **social programmes** using the reporting framework and guidance we established in July 2008. This will be the first time we report on whether suppliers have met the social spend targets they agreed with Government, covering the first year of the 2008-11 agreement.
- We will be seeking to implement a range of measures that will assist vulnerable customers in participating fully in and accessing the benefits of the **competitive energy market**. Our proposals include some changes to the rules governing suppliers' ability to prevent switching by indebted customers, improving the information available to consumers about tariffs and switching to enable them more easily to select the deal that is best for them, and strengthening direct selling rules. We are looking to introduce licence conditions that require cost-reflective tariff differentials for different payment methods and ban undue discrimination.
- We have sought views on actions and licence changes that could be taken to improve transparency and the quality of information to customers regarding **direct debit arrangements**. We will be taking a decision on the most appropriate way forward in this area shortly.
- We will carry out a review in early 2010 of how the new **statutory ombudsman** arrangements are working after a year of their operation.
- We will be publishing our initial and final proposals for the fifth Electricity Distribution Price Control (**DPCR5**) that will come into effect on 1 April 2010. This will make it clear what customers should expect from electricity distribution network businesses in return for paying distribution charges.

An elderly woman with short, wavy white hair is shown from the chest up. She is wearing glasses and a light blue, ribbed sweater. She is looking down and to the left, focused on a document or task. The background is slightly blurred, showing what appears to be a window with some lights. The text is overlaid on the lower half of the image.

In developing policy we consider the impact of our proposals on more vulnerable customers and seek to deliver solutions which best meet the needs of all customers, recognising that in some instances specific action may be required for some groups of vulnerable customers.

Theme I: Regulatory obligations, monitoring and reporting

- We will continue to work with the gas distribution networks businesses to ensure that the **gas networks extensions scheme** is successful in delivering cheaper connections to fuel poor households and communities and households eligible for grants for central heating and gas appliances.
- We will be taking forward the arrangements for the next year of the Electricity Distribution **Customer Service Reward Scheme** and the Gas Distribution Discretionary Reward Scheme.
- Ofgem's **RPI-X@20** project is reviewing our current approach to energy network regulation and considering what changes need to be made to deliver a regulatory framework that ensures network companies focus on the needs of current and future consumers, including vulnerable consumers. We will publish our emerging thinking on consumer needs in our consultation paper in November.
- We will work with Government and fellow EU energy regulators on the detailed implementation of the new energy legislation, the **Third Package**, to ensure that proposals are workable in the context of the competitive British energy markets and to help develop our thinking (and that of other EU regulators) on consumer issues. Britain is already ahead of many of our European counterparts in providing consumer information and protection for vulnerable customers and as such already has in place many measures that meet, and in some cases go further, than what is being proposed in the Third Package.

Theme II: Best practice and research

We have identified the promotion of best practice within the energy industry as a key area for action under our Social Action Strategy and seek, where appropriate, to take forward initiatives through a self-regulatory approach.

A 'best practice' approach can, in our view deliver positive benefits for both suppliers and customers, allowing suppliers the freedom to innovate and differentiate themselves from their competitors whilst seeking to ensure quality and a degree of consistency for customers.

Research is another key area of our Social Action Strategy and plays a vital role in informing our wider work and future plans as well as being a key input to policy decisions in specific areas. In particular, our Consumer First initiative aims to continually improve our understanding of the way consumers think and behave so that we can properly take consumers' interests into account in our decision making. As part of this we run a programme of consumer and social research.

Progress to date

Over the past twelve months we have taken action in a number of areas:

- As part of our **Probe** and in order to understand how consumers engage in the market, we commissioned quantitative research to look at factors that influence domestic consumer switching behaviour. We also commissioned qualitative research, using focus groups and individual interviews, with a range of domestic vulnerable and non-vulnerable consumers to understand their attitudes and experiences of the energy market.
- We have also tested some of our proposed Probe remedies for making improvements to customer information from suppliers with our **Consumer**

Panel. Our Panel consists of 100 everyday domestic customers, recruited from five locations across Great Britain, who meet at least three times a year to discuss key issues impacting on their participation in the energy market, as well as other key issues related to energy. We sought their reaction to the inclusion of a range of information on bills and/or an annual statement and what actions consumers felt they might take as a result. We also tested these proposals with groups of vulnerable customers, including those who are elderly, on low incomes and who have low levels of literacy and numeracy. To further complement this work, we sought the advice of an educational consultant on how easy-to-understand consumers find price comparison information.

- As part of our **DPCR5** work, we have completed an extensive programme of qualitative and quantitative consumer research to identify customers' service priorities and their willingness to pay for improvements. The research was conducted over a 12 month period and included a number of different elements to cover a variety of service issues and customer groups. To supplement this work, in July 2008 we commissioned seven qualitative discussion groups with the objective of specifically understanding the expectations, experiences and priorities of those customers that have encountered poor reliability of supply.
- To complement our DPCR5 work, we have also established a **Consumer Challenge Group**. The Group acts as a 'critical friend' to Ofgem, challenging our proposals on consumers' behalf and ensuring that the consumer perspective is considered throughout the DPCR5 process. We meet regularly with the Group and these discussions have helped to inform the development of our views. The Group differs from the Consumer Panel mentioned above as the members are experienced in the energy field and can provide advice and input on more complex issues.

Theme II: Best practice and research

- We have recently undertaken research to evaluate consumer **awareness of suppliers' social tariffs** and wider programmes or initiatives to assist their vulnerable customers, which we intend to publish shortly. This will provide an update to the research we carried out in March 2007.
- We also commissioned research into customer satisfaction with regard to **complaint handling** by the six main energy suppliers. This involved quantitative interviews with over 2700 domestic customers and 300 micro business customers, together with 36 qualitative interviews.
- The very real difficulties in identifying and targeting the fuel poor are widely recognised. Suppliers have all taken different approaches to how they target and market their schemes and social tariffs in an attempt to devise innovative and effective ways to reach their most vulnerable customers. As part of our reporting on suppliers' social programmes we included some examples of good practice from suppliers on their most **effective targeting** strategies.
- In January 2008, we published a **Debt and Disconnection Best Practice Review** which looked at energy suppliers' policies in this area. We subsequently wrote to all suppliers seeking information on how they intended to take forward the recommendations in the report. The updates we received from suppliers detailed improvements to their existing debt and disconnection practices which they had introduced, or were trialling, particularly with regard to improving their correspondence to customers in this area. We will build on this work as part of our current debt and disconnection review.

How we will build on this

We remain committed to using a ‘best practice’ approach where appropriate, as a means of delivering against our social objectives; highlighting areas for improvement in services and improving our understanding of the consumer experience. Research will also be a key factor in our work over the coming year.

In particular, over the next twelve months efforts will be focused on:

- A review of suppliers’ approaches to customers in **debt** and at risk of **disconnection**, building on past work, to further identify and promote best practice in this area, particularly given the tougher economic conditions facing all consumers. We will be fast-tracking the element of this review examining the protections in place for vulnerable customers to prevent them from being disconnected, including reviewing the effectiveness of the current Energy Retail Association Safety Net arrangements.
- We will be publishing the results of our **complaint-handling consumer research** together with the audit of supplier’s adherence to the complaints handling standards to provide a more complete picture of energy suppliers’ complaints handling performance. We will be asking suppliers to improve their complaint handling processes where the audit and/or research have shown weaknesses.
- In our future monitoring of **switching by vulnerable customers** we intend to assess the quality of switching decisions as well as the rate of switching. This will update and aid our understanding of vulnerable customer engagement with the energy market.

Theme II: Best practice and research

- As part of our DPCR5 work we will look for ways to encourage electricity network businesses to address the **worst served customers** in their areas. We are also developing a broad measure of customer satisfaction against which to assess the performance of the companies.
- We will continue to build on our **Consumer First initiative**. The DPCR5 Consumer Challenge Group will continue to meet during 2009 and will also meet with the Authority's sub-committee ahead of initial and final proposals. We will also examine how the Consumer Challenge Group has worked as part of the price control process and may look to roll this out to further projects in the future. Our Consumer Panel will continue throughout the coming year and we have planned a further four meetings to explore consumers views on a range of energy issues.



Ofgem has consistently highlighted the need for a holistic 'find and fix' approach to tackling fuel poverty and for Government, suppliers and third parties to work together to target help where it is needed most.

Theme III: Knowledge and influence

In areas where we have a less direct influence over outcomes we are committed to driving forward the debate, identifying solutions and facilitating discussion. Our Social Action Strategy Review Group, chaired by Lord Mogg, remains an important vehicle for delivery in this area and meets five times a year.

Progress to date

Informed debate on fuel poverty and other issues affecting vulnerable customers is crucial to developing a wider policy framework and improving the effectiveness of individual measures. We have sought to contribute to the debate and facilitate progress over the past twelve months in a number of key areas.

- Ofgem has consistently highlighted the need for a holistic ‘find and fix’ approach to tackling **fuel poverty** and for Government, suppliers and third parties to work together to target help where it is needed most. In April 2008, we convened a **Summit** which brought together Ministers, Government officials, energy suppliers and consumer organisations to agree a programme of practical action to improve the targeting of existing help to those in fuel poverty and to help more vulnerable energy consumers participate more effectively in the energy market. In March we published an update on the key outcomes and progress against the commitments and actions which came out of the Summit.
- A key commitment given at our Summit was for Government and suppliers to progress proposals to enable **data sharing**. Provisions have now been included in the Pensions Act 2008 which enables DWP to share its data on pension credit recipients with energy suppliers so they can target their assistance to these vulnerable customers.

- Ofgem's **Social Action Strategy Review Group** has continued to discuss and debate a number of important topics in particular looking at tackling fuel poverty through building financial capability and inclusion, uniform social tariffs, and energy efficiency and behavioural change. We also worked closely with the Financial Inclusion Taskforce as part of their review into the use of direct debits for energy payments.
- Ofgem continues to manage a three year **smart metering trial** on behalf of Government and industry which will assess customers' long term response to better information on energy use and the effectiveness of different interventions in delivering energy savings. The trial involves around 50,000 households across Great Britain, including specific customer segments such as the fuel poor. The results of this trial will be used to inform Government's policy on the roll-out and functionality of smart metering which it is currently consulting on.
- We administer the Carbon Emissions Reduction Target (CERT) scheme on behalf of Government which places an obligation on energy suppliers to achieve carbon savings from domestic households. We have continued to advise Government on the evolution of **energy efficiency programmes**, in particular on the changes to CERT and the introduction of the Community Energy Savings Programme which were announced in September. Our aim is to ensure that these programmes interact effectively with other fuel poverty and energy efficiency programmes that are available.
- We are engaging more closely at the European level, given the progressive liberalising of retail energy markets across Europe and as consumer issues are rising up the agenda. In October 2008 we hosted the **Citizens Energy Forum** which focussed on the protection of consumer rights and development of competitive retail markets for the benefit of all consumers.

Theme III: Knowledge and influence

How we will build on this

We have identified a number of key areas for focus in the coming year:

- We will continue to administer CERT on behalf of Government and will be closely involved in the Government's **Community Energy Savings Programme** using our substantial expertise in this area to ensure that these resources are well targeted and that measures interact effectively with other fuel poverty programmes. We will continue to input into the Government's Heat and Energy Savings consultation, and on arrangements for CERT post-2011 and the future development of renewable heat incentives and feed-in tariffs, to ensure that **emissions reductions** are made cost-effectively to minimise the impact on consumers, particularly those in fuel poverty.
- The Government has announced a full review of its **fuel poverty** strategy, which will include looking again at the role of social tariffs and how best to target the help available. We will contribute where we can to this important debate. We will review the action programme that resulted from our Fuel Poverty Summit to monitor further progress against the commitments obtained. In particular, we will use our expertise to help shape and inform Government's data sharing proposals, working with suppliers and other stakeholders to improve the targeting of assistance to those who are most vulnerable and in fuel poverty.
- The most equitable way to recover the costs of energy saving programmes is through taxation rather than energy bills. While those on low incomes use less energy on average, raising money through energy bills remains highly regressive. If some element of the costs of these programmes is to be funded through energy bills then careful thought will be needed as to how to mitigate the impacts for those on low incomes by considering who pays for the schemes.

Theme III: Knowledge and influence

Government is already thinking about these issues, including the role of social tariffs, as part of its fuel poverty review and it is important that this thinking is joined up. Ofgem is contributing to thinking in this area in its current work on domestic **energy consumption and tariffs**; a discussion paper is due for publication in June 2009.

- We will continue to support the Government's wider work on **Financial Inclusion** and work with the energy industry and Financial Inclusion Taskforce to encourage appropriate take-up of direct debit as a payment method.
- We will work with Government to ensure that **smart meters** are introduced in a cost-effective manner that maximises the benefits to consumers. We will contribute to the consultation on the roll out and functionality of these meters and will take forward work, with the Department of Energy and Climate Change, on any changes that may be needed to ensure that consumers are appropriately protected.
- We will play a central role in the debate at the European level about the extent of consumer protection in liberalised energy markets, taking part in the European Regulators' Group for Electricity and Gas Consumer Working Group and Consumer Empowerment Taskforce as they develop proposals to harmonise arrangements for consumer representation and redress. We will also participate in next **EU Citizens Energy Forum**, sponsored jointly by the energy and consumer Directorates of the European Commission, to be hosted in London in September.
- We will work with **key stakeholders** in Scotland and Wales to ensure that the particular issues facing these customers are appropriately considered. We will contribute to the English, Scottish and Welsh fuel poverty groups and forums.
- We will undertake further work to strengthen our relationship with **disability groups** to ensure that we understand and can take into account any particular needs that people with disabilities have in relation to energy use and the energy market.

Theme IV: Information for customers

Customers need to be properly informed about options for reducing their energy bills and need to feel confident to make the choices available. Vulnerable customers, in particular, may require additional information and support. We, along with suppliers and consumer bodies, have a role to play in providing such information to customers.

Progress to date

- As part of the commitments secured at our Fuel Poverty Summit, eaga and suppliers agreed to carry out a **pilot programme** to check that 3,000 vulnerable customers were on their supplier's best tariff given their circumstances. The pilot programme resulted in 41 percent of customers referred moving to a cheaper tariff, including in many cases to their supplier's social tariff.
- Trusted intermediaries play an invaluable role in clarifying and explaining the help that is available from Government and energy suppliers for vulnerable customers. Ofgem and Citizens Advice Bureau (CAB) piloted the **"Energy Best Deal" campaign** which provided training sessions for a wide range of front line advice workers as part of the CAB's financial capability work. The campaign aims to help raise awareness among low-income consumers of the savings that can be made by switching supplier and/or payment method and provide reassurance about the switching process. DECC agreed to fund a rollout of this programme and Ofgem worked with CAB to update the materials and took part in the regional launches throughout October to March 2009. Given the success of this campaign to date, Ofgem also agreed to fund a further print run of the Energy Best Deal campaign materials for distribution. We also had the materials translated in Welsh and have discussed the possibility of rolling out this campaign in Scotland with Citizens Advice Scotland.

Theme IV: Information for customers

- Ofgem ran a **regional switching campaign** to coincide with and complement the regional launches of the Energy Best Deal programme. These press campaigns included region specific press releases highlighting the potential savings available to consumers by switching supplier and some regional radio interviews.
- Also as part of the commitments obtained at our Fuel Poverty Summit, suppliers, switching sites and other intermediaries agreed to review how they can provide more targeted information to vulnerable customers, signposting them to the range of help available. In particular, switching sites undertook to explore how to make **information on switching** supplier more accessible to vulnerable customers, through a variety of means rather than just through the Internet. Switching sites and suppliers also agreed to work together to enable more prepayment customers to have the facility to switch on-line.

How we will build on this

- Our Probe found that some consumers may be prevented from engaging effectively with the energy market because of a lack of relevant information, a lack of confidence in suppliers and the switching process or for other reasons. In 2009 we will be seeking to implement a range of measures to promote more effective consumer engagement in the market. Alongside this work, suppliers and the ERA are considering what steps they could take to **build consumer confidence in switching supplier**. They are jointly preparing information for consumers on how to switch supplier and are proposing to introduce a 'peace of mind guarantee' that they will support customers through the switching process and resolve any problems that occur in a timely and effective manner.

Theme IV: Information for customers

- Our Probe Initial Findings report also proposed that a programme to promote confidence in price comparison and switching sites was needed and that these services should be extended to enable prepayment meter switching and switching among low income and vulnerable groups who do not have internet access. This work builds on the commitments given at our Fuel Poverty Summit. We will work with Consumer Focus, who run the accreditation scheme for switching sites through the **Confidence Code**, and with industry to promote confidence in price comparison and switching sites.
- Eaga has undertaken an evaluation of the **pilot programme** agreed with suppliers to include tariff advice and referrals as part of Government's fuel poverty programmes. Suppliers, eaga, DECC and Ofgem have met to discuss the evaluation and are now exploring how this initiative could be permanently rolled out as part of Government fuel poverty programmes.
- It is envisaged that the **Energy Best Deal campaign** will reach 25,000 customers in total. Over 18,000 leaflets have been distributed to community organisations, Citizens Advice Bureaux in England and Wales, Housing Associations, Local Authorities and MPs. The Centre for Sustainable Energy is undertaking an evaluation of the effectiveness of the campaign and will report in July. In light of that evaluation, we will engage with Government on options for continuing this campaign.
- We will continue to **work with Consumer Focus** to best disseminate information to customers on how to reduce their energy bills and make well informed switching decisions. We will also play our role in encouraging customers to be more energy efficient.

We will continue to work with Consumer Focus to best disseminate information to customers on how to reduce their energy bills and make well informed switching decisions.



Appendix I:

Key deliverables for 2009-10

Themes	Action	Date
I. Regulatory obligations, monitoring and reporting	Review of vulnerable customer disconnections	Q2
	Awards under Electricity and Gas Discretionary Reward Schemes	Q2
	Publish report on suppliers' social programmes and spend for 2008-09	Q2
	Publish Probe remedies for statutory consultation	Q2
	Publish a review of the new ombudsman arrangements	Q4
II. Best practice and research	Publish consumer research and audit results for the new complaint handling standards	Q1
	Publish a review of suppliers' debt practices	Q3
	Update on vulnerable customer engagement with the market	Q4

Appendix I: Key deliverables for 2009-10

Themes	Action	Date
III. Knowledge and influence	Input into DECC consultations on the Heat and Energy Saving, Community Energy Savings Programme and smart meter roll out	Q1/2
	Participate in the EU Citizens Energy Forum hosted in London	Q2
	Publish annual Ofgem Sustainable Development Report	Q3
IV. Information for customers	Work with Consumer Focus to best disseminate information to customers on how to reduce their energy bills and make informed switching decisions	Ongoing

Reporting year: 1 April 2009 – 31 March 2010

Appendix II: Further reading and information

All of the documents listed below are available in hard copy through Ofgem's Distribution Centre on 020 7901 7116 or by email: distribution@ofgem.gov.uk

Energy Supply Probe

<http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Pages/Energysupplyprobe.aspx>

Fuel Poverty Summit: Update to the Action Programme

<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Updated%20Fuel%20Poverty%20Summit%20Action%20Plan%20240309.pdf>

Monitoring suppliers' social programmes and spend

<http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Pages/CSR.aspx>

Ofgem's Consumer First initiative

<http://www.ofgem.gov.uk/Consumers/CF/Pages/CF.aspx>

Gas Fuel Poor Network Extensions scheme

<http://www.ofgem.gov.uk/Networks/GasDistr/GasDistrPol/Documents1/Revised%20Decision%20letter%2029Jan2009.pdf>

Electricity Distribution – Customer Service Reward Scheme

<http://www.ofgem.gov.uk/Networks/ElecDist/QualofServ/CustServRewSch/Pages/CustServRewSch.aspx>

Appendix II: Further reading and information

Sustainable Development Report 2008

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=14&refer=Sustainability>

Monitoring of licensees' performance

Monitoring suppliers' performance under their social obligations

<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Pages/SocObMonitor.aspx>

Recalibration of Token Prepayment Meters

<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Token%20PPM%20update%20letter%20-%20Jan%202009%20update.pdf>



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