

SJM letter to chief executives of
supply companies

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MORE ACTION TO HELP THOSE IN NEED

Ofgem is publishing research by MORI which shows that most vulnerable customers are unaware of the special help they can receive from energy suppliers. The key finding of the research was a serious lack of awareness amongst the most vulnerable:

- almost half of the customers surveyed did not know that help and support on energy efficiency, which can reduce household bills, is available from their energy suppliers. Less than a fifth of customers have ever taken up such help and support, and
- three quarters of vulnerable customers surveyed did not know they could also receive free special services from their gas and electricity suppliers, including safety checks and more frequent meter readings.

This research confirms the perception of many that tackling this lack of awareness, and being able to identify those most in need, is crucial to meeting the Government's target of lifting vulnerable households out of fuel poverty by 2010.

Rising domestic energy prices demand further reflection from all of us – so that better solutions can be found to the “first stage” identification of those in most need, the fuel poor, and then to achieve a more holistic approach to delivering the appropriate measures to lift them out of fuel poverty. The contacts I have had in recent weeks have convinced me that the Government, companies and voluntary organisations need to adopt a more joined up tailored approach to tackling each vulnerable household's needs, in particular by providing the appropriate group of measures for that household.

It is clear that work is needed within Government to tackle the perceived weaknesses in its present operational arrangements, particularly in targeting the available help towards those most in need of it. For example, I want to pursue with ministers in the Department of Work and Pensions whether more help can be given to identify those in fuel poverty and in carrying out

entitlement checks for the relevant benefits. Further clarification would also be useful from ministers at the Department of Health to ensure the more widespread adoption of good practice amongst health professionals in contributing to this agenda. Defra in its recently announced changes to Warm Front and to EEC programmes may be able to improve their targeting in practice, so that those in fuel poverty receive the integrated package of help they really need from the appropriate source. I also want to pursue the question of whether you are clear enough in specifying what precisely Government needs to change in order to improve delivery.

The objective of this letter is to secure concrete steps that might justify my calling together in a few months those most involved to work out practical steps on some specific issues. This could feed into an improved take up of the special services available under the priority services register. It could also help in putting into place a transparent accountable framework for joint working between the Government's and the Devolved Administration's fuel poverty schemes, so that, on the ground, these schemes maximise the targeting of help on those in fuel poverty.

Whilst the Government has the principal task of providing the means to achieve its fuel poverty target in 2010, most notably by determining the level of resources contributed by taxpayers and energy consumers, there is also more that all of us can do. As a regulator we are today publishing a paper which provides guidance when you are considering introducing further social tariffs. I also intend us to be more explicit in recognising the contribution you are already making, to enhance trust in your efforts. We shall commission external consultants to carry out an assessment and ranking of all the supply companies' corporate social responsibility activities which impact on vulnerable consumers. Such transparency will, I believe, demonstrate the existing commitment of the companies and help in fostering wider understanding of best practice throughout the industry. In parallel we are working with energywatch on a joint information campaign for consumers under the "Energy Smart" banner. This can reinforce, but not supplant, the message that shopping around can, in most cases, lower energy bills.

My objective in writing to you is to promote better understanding of how we can all pursue measurable improvements in a number of areas. I hope you will consider carefully your response to the issues raised in this letter and respond by 15 January setting out your company's views in as constructive a way as possible. I should also welcome your comments on the following, on some of which I have touched above:

Benefits entitlement checks

How can benefit entitlement checks be improved and expanded? A number of companies already offer such checks as part of their range of special services, both as a way of increasing the take-up of schemes such as Warm Front and EEC, and as a means of helping customers maximise their incomes. The provision of these checks is a very cost effective way of helping customers, and I would encourage you to look carefully at what you are doing in this area to see if provision of these services can be improved and possibly expanded. What more can be done to involve and train intermediaries in this area (health and care workers) and what more can parts of Government such as DWP do in terms of identifying where such help would be best targeted?

Debt and Disconnection

We have strongly welcomed the commitment of the six major energy suppliers, working together under the umbrella of the ERA, not to disconnect vulnerable customers. I recognise that this commitment represents a considerable challenge to the industry. We

shall monitor progress closely to see how the new procedures for dealing with vulnerable customers work in practice. In the area of debt prevention and management, Ofgem and energywatch published best practice guidelines early in 2003, and we are now commencing a review of progress and will be reporting on this early next year. In a separate and wider initiative, I shall also be seeking your help on the important issue of billing and the availability of information to consumers including, of course, the vulnerable. One area on which I should particularly welcome views is the development of payment methods and advice in order to minimise the risk of customers getting into debt. Can more be done to innovate in this area? Do you need help from Ofgem to do this?

Social Tariffs

There have been several calls recently for suppliers to do more to develop tariffs which are tailored to the needs of vulnerable customers, in and out of area, to help reduce the impact of rising prices on this important group. We are aware that some companies may be concerned that the offer of special tariffs may run the risk of regulatory challenge. As I mentioned earlier, to support our view that there is considerable scope for such offers, Ofgem is issuing a paper summarising our view of the current position under competition and other legislation. Please consider this paper carefully, and examine what possible steps your company could take to offer more help to vulnerable customers. I want to underline that I believe you are best placed to understand the issues facing your customers and to develop innovative tariffs which meet these needs.

Next Steps

I am making the text of this letter available on Ofgem's website. It is also mentioned in a press release, issued today. This highlights the MORI results, and calls on all with responsibilities in this area to do more to take customers out of fuel poverty. I enclose a copy of that release. Whilst writing I should also mention my intention to write shortly to your chairman, raising the issue of good corporate governance, notably that your company demonstrates that it gives effective consideration to what is done for those most in need of help.

One final word. I hope I have made it clear that I fully recognise how much companies are contributing on these issues. Companies already operate a wide variety of excellent schemes, ranging from special tariffs, to trust funds and partnerships with charities and local authorities. I am seeking to encourage all of us to draw out what is best practice in this area, and to encourage better integration of the key programmes designed to assist those in fuel poverty, recognising that, above all, success will be secured by strong practical collaboration at local level. If Ofgem can contribute by publicising good practice and drawing together key people to work on specific issues, we shall be happy to do so. There is no single magic solution to improving performance, but with substantial commitment from all those most involved I am convinced we can make a major new step forward.