

R/27

NOT FOR PUBLICATION BEFORE 00:01AM ON FRIDAY 25 JULY 2008

SOCIAL TARIFFS MUST EQUAL SUPPLIERS' CHEAPEST DEALS

- **Ofgem sets guidelines for measures suppliers can count towards £225m increase in social spend**
- **Guidelines require all social tariffs must be equal to the supplier's cheapest deal**
- **New tariff definition will give confidence to consumers and consumer advisors on the value of social tariffs**
- **In allowing a range of measures, as well as social tariffs, the guidelines will help suppliers to identify and target support to consumers most in need**

Energy regulator Ofgem has today (Friday) moved to clear away confusion surrounding social tariffs – energy deals for vulnerable customers and fuel poor customers (those spending more than a tenth of their income on energy).

The move is part of the regulator's new guidelines on the types of initiatives that energy suppliers can include towards the social spending commitments agreed with Government. Following the 2008 Budget, suppliers agreed to increase their collective expenditure on their social programmes by £225 million between 2008 and 2011.

Ofgem's new guidelines provide more clarity and certainty on what will be counted towards this increased social expenditure and they set a tighter definition for social tariffs. The regulator has specified that in future, for a supplier's social tariff to count as such against their spend commitments it must be as good as the lowest tariff they offer to customers in that area, including online deals. This means that vulnerable and fuel poor customers who struggle most to pay their energy bills will be assured of being on the best deal their supplier offers in their area.

Ofgem's Managing Director for Corporate Affairs, Sarah Harrison, said: "Tightening the definition of a social tariff assures eligible customers that they will be on their supplier's best tariff in their area. This move also gives consumer advisers more confidence to recommend social tariffs."

"Ofgem's guidelines allow for different ways to use the increase in suppliers social spend to help customers most in need. The range of initiatives will help in the challenge to target support effectively so that the £225 million can contribute to tackling fuel poverty."

Some consumers may still be able to get a better deal by switching to another supplier, particularly if they are also able to change payment method. That is why it still pays to shop around. But for customers who are unlikely or unable to switch and are eligible for a social tariff this ruling means they can be assured they will be on their supplier's best deal.

The challenge of better targeting existing help to tackle fuel poverty was the theme of Ofgem's Fuel Poverty Summit in April 2008. As a result of which a number of commitments were made by suppliers, Government, consumer agencies and switching sites to improve identification and targeting.

ends -

Notes to editors

1. Social tariffs were previously accounted for if they were at least as good as the suppliers direct debit tariff which may not have been the cheapest tariff offered by that supplier.
2. **Other qualifying measures under the £225m increase in supplier spend**

In addition to social tariffs, suppliers can count other initiatives towards the new spending commitments, such as:

- other rebates or tariff discounts;
- trust fund contributions;
- funding for partnerships with intermediaries and for benefit entitlement checks;
- energy efficiency initiatives that are additional to existing statutory obligations; and
- costs of aligning pre-payment meter (PPM) tariffs with lower tariffs where this is effectively targeted at fuel poor and vulnerable customers.

Ofgem has maintained its approach in allowing a range of initiatives to be counted, ensuring that suppliers have flexibility in how they structure their social programmes and promoting innovation and competition. This is particularly important given the difficulties in identifying and targeting the fuel poor, a key theme of Ofgem's April Fuel Poverty summit.

3. Ofgem has put in place robust **reporting arrangements** for monitoring suppliers' progress against their increased social spend commitments of £225 million. All companies will have to sign-off the data submitted at board level before reporting it to Ofgem. Ofgem will then report on suppliers' social programmes annually.

4. Ofgem has proposed to review the guidance and framework at the end of 2008 to take account of the findings from Ofgem's current probe into energy supply markets **as appropriate**.

5. The Ofgem Fuel Poverty Summit was hosted in April 2008. Actions to improve targeting of existing help, and to help vulnerable consumers to participate in the energy market more effectively were published in a Fuel Poverty Action Programme.

5. 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. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

For further press information contact:

Mark Wiltsher: 020 7901 7006 / 07774 728971

Chris Lock : 020 7901 7225/ 07766511470