

Social Action Strategy - Update July 2008



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Target Audience: Gas and electricity suppliers and potential new entrants, consumer groups in particular those representing pensioners, the disabled, the chronically sick or people on low incomes, environmental bodies, government departments and all interested parties.

Overview:

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

This update provides an overview of our progress in 2007/2008 in delivering against these social goals and sets out a new programme of work for 2008/2009.

Contact name and details: Angela Bourke

Tel: 020 7901 7306

Email: angela.bourke@ofgem.gov.uk

Team: Consumer and Social Affairs

Forward

Dramatically rising energy prices have brought major increases in the numbers of households in fuel poverty. Further substantial price increases are forecast for this year. The Government's recent Renewables Energy Strategy points to still further increases in bills. Against this background, if Government is to eradicate fuel poverty and meet its statutory targets it is clear that a significant increase in resources aimed at improving housing and boosting incomes will be required.

Energy suppliers play an important part in helping the fuel poor through their social programmes and have agreed to increase their collective expenditure on these to at least £150m per year by 2011 providing an additional £225m over the next three years. Working with other key stakeholders, Ofgem itself has contributed to identify improvements to the targeting of existing help to those in fuel poverty. We shall continue to do so as the scale of these social programmes increases. However, the responsibility for tackling fuel poverty rests with Government in their policies to tackle low incomes and improve the condition of the housing stock.

The energy market must operate competitively as the most effective means of securing the lowest prices for all energy consumers. Ofgem's energy supply markets probe is currently investigating whether the energy market is working well for all customers for example in view of the increases in payment differentials. This is particularly so for prepayment customers, where we are also seeking further information about why some switch to more expensive suppliers to consider whether action needs to be taken. A major piece of research is allowing us to better understand switching behaviour amongst vulnerable consumers and what might help to overcome and remove any barriers identified. Our recent Energy Summit on Fuel Poverty focussed on what more can be done to help vulnerable energy consumers participate more effectively in the energy market.

Rising energy bills challenge, above all, vulnerable customers and those on low incomes to meet the costs of energy. Our Debt and Disconnection Best Practice Review (published early this year) identified best practice among suppliers and set benchmarks for suppliers' performance in this area. These are strong messages for businesses to step up to the mark to ensure their customers, particularly their vulnerable customers, have adequate assistance to help them manage their energy bills.

There are many frontline agencies who contribute directly toward tackling fuel crises on the ground. Their role is key and we will work with them to ensure the new arrangements for consumer representation and redress in energy work effectively for consumers. More generally the new National Consumer Council (new NCC) will have a vital role to play in ensuring that vulnerable customers and those at risk of disconnection are afforded appropriate protection. The new NCC and the statutory redress scheme will provide important backstops to ensure suppliers take all appropriate steps to resolve any disputes and to meet the needs of energy customers – particularly those who are vulnerable. Our Consumer First initiative improves our understanding of the way consumers think and behave allowing us properly to take consumers' interests into account in our decision making. A key

element here will be the establishment of our new Consumer First Panel which will comprise a cross section of domestic energy consumers on whom we can regularly call to feed views into our policy decisions.

In bringing together these different stands of our work, our Social Action Strategy describes how we seek to meet our social responsibilities and contribute to the Government's drive to meet its targets for eradicating fuel poverty. This update provides an overview of our progress in 2007-08 and sets out a new programme of work for 2008-09.

Lord Mogg

Table of Contents

Summary	1
Update on progress and work plan for 2008-09	1
1. Theme I: Regulatory obligations, monitoring and reporting	2
Progress to date	2
How we will build on this.....	4
2. Theme II: Best Practice and Research	5
Progress to date	5
How we will build on this.....	6
3. Theme III: Knowledge and influence	8
Progress to date	8
How we will build on this.....	9
4. Theme IV: Information for customers	10
Progress to date	10
How we will build on this.....	11
Appendices	12
Appendix 1 - Key deliverables for 2008-09	13
Appendix 2 - Further reading and information	14
Appendix 3 – The Authority’s Powers and Duties	16

Summary

Update on progress and work plan for 2008-09

Our Social Action Strategy, which was launched in 2005, sets out how we will meet our social responsibilities and help the Government to meet its targets for eradicating 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.

This update provides an overview of our progress in 2007-08 in delivering against these social goals and sets out a new programme of work for 2008-09¹.

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.

1. Theme I: Regulatory obligations, monitoring and reporting

Chapter Summary

This chapter outlines the progress that we have made under Theme I and how we plan to build on this work.

1.1. We aim to take account of the particular interests of vulnerable customers in all areas of our work, having regard to the Government's statutory guidance on social and environmental issues as well as our objectives and duties more generally. 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 vulnerable customers.

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

1.3. 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

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

- On 21 February 2008 we launched an investigation into whether the energy market is working well for all consumers in response to mounting consumer and public concern over the competitiveness of this market. The Energy Supply Markets Probe will cover the customer's perspective and experience of the market including access to information and barriers to switching supplier. It will also look closely at the issue of payment differentials.
- Under their licence, suppliers are required to provide explanations of the advantages and disadvantages of using prepayment meters. The aim is that where customers pay more because of their choice of payment method they should be aware that they are doing so. We have made clear to suppliers what we expect and have required suppliers to make a number of changes to their websites to comply with this obligation².
- We seek to ensure suppliers treat customers fairly and introduced new licence obligations on the timely recalibration of token prepayment meters to help

² Further details are available on the enforcement section of Ofgem's website.

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 better prepayment meters which do not require manual recalibration on price changes.

- At Ofgem's instigation, energy suppliers launched an independent ombudsman scheme in July 2006. In November we published our review of this ombudsman scheme including a number of areas for improvement.
- The Consumer Estate Agents and Redress Act 2007 (CEAR Act) introduced a statutory requirement on energy providers, including both suppliers and network businesses, to belong to a redress scheme approved by Ofgem. In March, following a consultation process, we published the criteria that a redress scheme must comply with if it is to be approved. We have recently approved a redress scheme for energy providers, the Energy Ombudsman, as required under the CEAR Act.
- The CEAR Act also gave Ofgem a statutory responsibility to set complaint handling standards for suppliers. In doing so we have introduced a number of elements which we believe will result in an improved service to customers.
- Following the Supply Licence Review, revised electricity and gas supply licences took effect on 1 August 2007. This resulted in a much clearer set of obligations on suppliers and extension of protection for vulnerable customers. We have also undertaken a review of the gas transportation and electricity distribution licences to clarify obligations on licensees and better protect customers. The revised licences took effect on 1 April 2008 and 1 June 2008 respectively.
- Under the 2005-2010 electricity distribution price control, we established a Customer Service Reward Scheme. A key focus of the scheme is to reward action by distribution licensees to help vulnerable customers, for example in relation to priority care initiatives, their communications and corporate social responsibility. The outcomes from the first two years of the scheme have been published and those of the third year will be announced shortly.
- As part of the Gas Distribution Price Control for 2008-13, we have introduced a similar scheme for gas transporters 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.
- Also as part of the Gas Distribution Price Control we implemented an incentive mechanism to encourage gas transporters to extend their networks to help tackle fuel poverty in communities not connected to the gas network.

How we will build on this

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

- We will implement new complaint handling standards and intend to audit licensees' performance against these standards and to publish a best practice review. We will continue to work with BERR, suppliers, new NCC and OFT to ensure the new consumer representation arrangements are appropriately embedded and working effectively to meet the needs of all consumers but in particular those of vulnerable customers.
- We will continue our work on the Energy Supply Markets Probe, particularly looking at the issue of payment differentials. Our analysis has shown that the premiums paid by both prepayment and standard credit customers over direct debit have, on average, risen significantly in recent years, raising the question of whether such differentials do now reflect costs. The Probe will cover the customer's perspective and experience of the market including access to information and barriers to switching supplier. Our initial findings will be published before the end of September and will consider whether any further action is required in this area.
- As part of our on-going analysis of payment differentials we have recently published an open letter seeking further evidence on the issue of customers switching to more expensive suppliers and seeking views on possible actions that could be taken to address this. Such actions could include a requirement on suppliers to alert customers where they are switching to a more expensive supplier. We intend to take a decision on whether further action is required in light of the responses to this letter together with broader evidence from the Probe.
- Over the next year, and linked to our work as part of the Probe, we will revisit suppliers' practices of blocking switching among customers who are in debt.
- We will continue to monitor suppliers' performance with regard to the timely recalibration of token prepayment meters and with their token prepayment meter replacement programmes.
- We will also monitor the impact of the changes made under the Supply Licence Review including in particular the revised arrangements for gas safety checks.
- We will be taking forward the arrangements for the next year of the Electricity Distribution Customer Service Reward Scheme as well as implementing the arrangements for the new Gas Distribution Discretionary Reward Scheme.
- We are conducting initial consultations for the fifth Electricity Distribution Price Control (DPCR5) for 2010-15 to help identify the key issues for consumers, in particular vulnerable customers.

2. Theme II: Best Practice and Research

Chapter Summary

This chapter outlines the progress that we have made under Theme II and how we plan to build on this work.

2.1. We have identified the promotion of best practice within the supply 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.

2.2. 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.

2.3. 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 Programme aims to 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

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

- In August and October 2007 we published a review of suppliers' social programmes and voluntary initiatives to help their vulnerable customers. The framework aimed to highlight the diverse ranges of initiatives undertaken by suppliers in this area and to assist customers and their advisors in understanding the range of help available.
- As part of our Debt and Disconnection Best Practice Review, we undertook a review of energy suppliers' policies and processes on debt and disconnection, including consumer research. The report included a number of examples of best practice on which suppliers can draw to further improve the way they respond to and help customers who face debt or the risk of disconnection.
- Research amongst complainants was used to inform the new complaint handling standards which will take effect as part of the new arrangements for consumer representation.

- We have carried out a major piece of research to help us understand switching behaviour amongst vulnerable consumers and in particular the barriers to switching and what might help to overcome and remove these. Our research included low income families, people with low levels of literacy and numeracy non-English speakers, the elderly and those with disabilities. We also completed a tracking survey to measure switching rates and behaviour amongst different groups of customers.
- As part of the Electricity Distribution Price Control Review for 2010-15 we have commenced a large programme of customer research. This has included interviews with people who are medically dependent on their energy supply and others who have disabilities.

How we will build on this

2.5. 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.

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

- Following the Chancellor's budget announcement, energy suppliers agreed to increase their collective expenditure on their social programmes to a level of at least £150 million by the financial year 2010-11 – an increase of approximately £225 million over the next three years. Ofgem has agreed to lead a process to set the parameters for what can be included under this spend and the associated reporting arrangements. We have already sought initial views of suppliers and other key stakeholders and published proposals for consultation at the end of May. We intend to publish the final framework in July.
- Each supplier has also committed to review the targeting of their social programmes. As part of the reporting arrangements on suppliers' social spend we have proposed to include best practice examples from suppliers on their most effective targeting strategies.
- Building on the success of our Consumer First programme, we have recently announced the creation of a Consumer First Panel. This will consist of a cross-section of domestic energy consumers that we will call on regularly to feed into our policy decisions. They will be a ready sounding board for the issues that matter most to consumers and will give us access to a group of people who can help us grapple with some of the more complex challenges around issues such as the environment and energy use.
- Continuing to help promote best practice in debt and disconnection by following up suppliers' responses to our best practice review published in January.

- Exploring the scope for information sharing between suppliers and Distribution Network Operators (DNOs) to improve the accuracy of their Priority Services Register (PSR) and the scope for transferring this data when customers switch supplier.
- Undertaking research in a number of areas to better inform our work to protect vulnerable customers across England, Scotland and Wales:
 - As part of DPR5 we will continue our large programme of consumer research to gain views on quality of service including that provided to vulnerable and 'worst served' customers;
 - Further research looking at switching rates for vulnerable customers and the challenges facing them in exercising choice in the energy market; and
 - We also intend to commission research to gain insight into the needs and aspirations of future energy consumers.

3. Theme III: Knowledge and influence

→ Chapter Summary

This chapter outlines the progress that we have made under Theme III and how we plan to build on this work.

3.1. In areas where we have a less direct influence over outcomes we are committed to driving forward the debate, identifying solutions and facilitating discussion. The Social Action Strategy Review Group, which was launched in 2000, remains an important vehicle for delivery in this area.

Progress to date

3.2. 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 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, Ofgem 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. The Summit was focussed around four themes and a number of key initiatives were agreed which will be monitored over the coming months.
- During winter 2007-08, building on the previous year's Ofgem led "winter initiative" mail-out, Government and energy suppliers sent a targeted mailer using DWP data to nearly 250,000 pensioners who were aged over 70 and on pension credit encouraging them to take up energy efficiency measures, benefit checks and tariff advice.
- Ofgem's Social Action Strategy Review Group has debated a number of important topics including financial exclusion, social tariffs, debt and disconnection and switching amongst vulnerable consumers.
- We have worked closely with Government on the development and implementation of the Carbon Emissions Reduction Target (CERT) scheme that will run from 2008-11, including the priority group flexibility mechanism to target activity to those most likely to be in fuel poverty.
- Our work on new technologies such as microgeneration and smarter metering and their scope to help meet environmental and social objectives are areas where we have sought to bring our expertise to bear.

- We have continued to highlight the need to look in an integrated way at the implications of environmental measures for fuel poverty. For example, in January we again noted that auctioning EU Emission Trading allowances, worth approximately £9 billion, would provide a revenue stream that could be recycled into fuel poverty programmes.

How we will build on this

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

- We will be reviewing the action programme that resulted from our Energy Summit on Fuel Poverty to monitor progress against the commitments obtained.
- Building on the past two “winter initiative” mail-outs, Government and energy suppliers are considering a new communications campaign for winter 2008-09 using DWP data to better target activity under their CERT and social programmes. Government has also recently announced their intention to look at legislation to facilitate further information sharing of this sort. Ofgem will continue to work with Government, suppliers and other stakeholders to facilitate data sharing to improve the targeting of those in fuel poverty.
- Given our role in administering CERT we have completed work on the detailed reporting arrangements, in particular around the “flexibility” elements of the scheme. We will also be inputting actively to the Government’s consultation on arrangements for CERT post-2011 including the possibility of a broader “supplier obligation” and the social issues that raises.
- We will continue to manage, on behalf of BERR, the smart metering energy demand research project which includes some initiatives targeted at low income and prepayment customers. In particular we, alongside BERR, are committed to exploring the consumer issues raised in relation to smart metering and to review whether existing protection is appropriate and adequate. We are also looking to contribute our expertise to help influence the wider policy debate including the development of microgeneration and the possible scope for this technology as a means of tackling fuel poverty.
- We will continue to support the Government’s wider work on Financial Inclusion and explore how the energy sector can help in meeting this challenge. We will also continue to encourage the use of Fuel Direct which can provide much needed help and support to customers who are having difficulty paying their bills.

4. Theme IV: Information for customers

→ Chapter Summary

This chapter outlines the progress that we have made under Theme IV and how we plan to build on this work.

4.1. 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

- Under the “energysmart” umbrella, we have worked to promote the options available to customers to help reduce energy costs by switching to a cheaper supplier, paying by a cheaper payment method and installing energy efficiency measures. Linked to rising energy prices over the past year we have carried out a number of switch and save campaigns highlighting to consumers where there are savings to be made.
- 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 in February which provided training sessions for a wide range of front line advice workers as part of the CAB’s financial capability work. The principle objective of this pilot was to help raise awareness among low-income consumers of the savings that can be made by switching supplier and/or payment method and help to provide reassurance about the switching process. BERR have agreed to fund a national rollout of this programme in the coming year.
- As part of the commitments secured at our Energy Summit, eaga and suppliers agreed to carry out a pilot exercise, which was launched on 2 June. As part of the Warm Front Programme, eaga will contact a sample of 3,000 customers across all the six major energy suppliers about the benefits of being on the most appropriate tariff and offer to transfer a customer to their supplier for more advice and help. Suppliers will then check and confirm that the referred customer is on the best tariff given their circumstances, which may be the suppliers’ social tariff, and offer any other appropriate help.
- Also as part of the commitments obtained at our Energy Summit, some switching sites have agreed to review how they can provide more targeted information to vulnerable customers, signposting them to the range of help available. In addition to the above they are also looking at how to make information on switching supplier more accessible to vulnerable customers, through a variety of means such as face-to-face ‘switching days’ and publicising their calls centres, rather than just through the Internet. Switching sites and suppliers have also

agreed to work together to enable more prepayment customers to have the facility to switch on-line.

How we will build on this

- We will continue to work under the “energysmart” umbrella to deliver information to customers. In particular, we are launching a regional press campaign to highlight the savings that customers can make by switching, naming those suppliers who are the most expensive for people who pay by prepayment meter or standard credit.
- Building on our Energy Best Deal campaign, we will look to review the materials produced and assess how these can best be disseminated and used with other front line advice agencies working with consumers.
- Defra have agreed to undertake a review of the pilot exercise agreed between eaga and suppliers to include tariff advice and referrals as part of the Warm Front programme. Following this review, suppliers, eaga, Defra, BERR and Ofgem will make a decision on a full roll out of this initiative at the end of October.
- We will continue to explore the role that switching sites can play in assisting vulnerable customers to better engage in the energy market as part of the commitments secured at our Energy Summit.
- With the changes to consumer representation there will be an important consumer communications exercise to be managed. We will look to play our part in taking this forward. Ofgem and the new NCC will also work together to take forward the key elements of the consumer education and information work previously undertaken by energywatch, including a review of the current Confidence Code for switching sites.
- We will also look at the potential to work more closely with the Scottish Executive and other agencies in Scotland to develop a targeted campaign for Scottish consumers. We will also look at the potential to work more closely with stakeholders in Wales.

Appendices

Index

Appendix	Name of Appendix	Page Number
1	Key deliverables for 2008-09	13
2	Further information and reading	14
3	The Authority's Powers and Duties	16

Appendix 1 - Key deliverables for 2008-09

Themes	Action	Date
I. Regulatory obligations, monitoring and reporting	Awards under Electricity and Gas Discretionary Reward Schemes	Q1
	Post-implementation review on gas safety check licence changes	Q2
	Initial findings from the Energy Supply Markets Probe published, including whether further regulation is required to alert customers when they are switching to a more expensive supplier	Q2
	Audit licensees' performance against new complaint handling standards	Q3
II. Best practice and research	Monitoring and reporting on suppliers' social programmes Consult on and publish the final framework Publish report on 2007-08 supplier spend	Q1/2 Q3
	Conduct research, as part of DPCR5, into 'worst served' customers	Q3
	Conduct research into switching by vulnerable customers	Q4
	Conduct research into Future Energy Consumers	Q4
III. Knowledge and Influence	Ofgem Energy Summit on Fuel Poverty Host Summit Review meeting with Ministers on progress	Q1 Q3
	Publish annual Ofgem Sustainable Development Report	Q3
	Input into Defra's consultation on the 'supplier obligation'	Q3
IV. Information for Customers	'Switch and Save' press campaign targeted at PPM and other vulnerable customers	Q2
	New NCC and Ofgem to take forward consumer information and education activity	Q3/4

Reporting year: 1 April 2008 – 31 March 2009

Appendix 2 - 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 Summit on Fuel Poverty

Documents discussed at the Summit and final Action Programme.

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=108&refer=Sustainability/SocAction/Publications>

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

Monitoring suppliers' social initiatives

Review of suppliers' voluntary social initiatives to help vulnerable customers and consultation on monitoring suppliers' social spend for 2008-11.

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

Energy Supply Markets Probe

Ofgem's investigation into the markets in electricity and gas for households and small businesses.

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

Debt and disconnection best practice review

This review looks at how suppliers assist customers having difficulty paying their energy bills.

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=103&refer=Sustainability/SocAction/Publications>

Consumer representation

The CEAR Act establishes new arrangements for consumer representation in the energy sector, including a new consumer advocacy body (the new NCC) and duties on Ofgem to set complaint handling standards and approve redress schemes for energy providers.

<http://www.ofgem.gov.uk/Markets/RetMkts/Compl/ConsRep/Pages/ConsRep.aspx>

Research on switching behaviour amongst vulnerable customers

Factsheet and full report on our Consumer First research to better understand how vulnerable consumers engage with the energy market.

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=106&refer=Sustainability/SocAction/Publications>

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=105&refer=Sustainability/SocAction/Publications>

Consumer First Panel announcement

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=190&refer=Media/PressRel>

Electricity Distribution Price Control 5 (DPCR5) Consumer Research

Accent's report on expectations of DNO's willingness to pay for improvement in service.

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=127&refer=Networks/ElecDist/QualofServ>

Gas Distribution Price Control Review (GDPCR)

GDPCR Final Proposals, including incentives to facilitate extensions to the gas network and the introduction of a Discretionary Reward Scheme.

<http://www.ofgem.gov.uk/Networks/GasDistr/GDPCR7-13/Pages/GDPCR7-13.aspx>

Electricity Distribution – Customer Service Reward Scheme

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

Sustainable Development Report 2007

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

Licence Reviews – Final decision documents

Supply Licence Review

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=156&refer=Markets/RetMkts/Compl/SLR>

Electricity Distribution Licence Review

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=27&refer=NETWORKS/ELECDIST/POLICY>

Gas Distribution Licence changes as part of GDPCR

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=410&refer=Networks/GasDistr/GDPCR7-13>

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/Documents1/16521-218_06.pdf

Carbon Emissions Reduction Target (CERT) – Defra website

<http://www.defra.gov.uk/environment/climatechange/uk/household/supplier/cert.htm>

Appendix 3 – The Authority's Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority ("the Authority"), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.³

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly⁴.

1.4. The Authority's principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of consumers, present and future, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- The need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- The need to secure that all reasonable demands for electricity are met;
- The need to secure that licence holders are able to finance the activities which are the subject of obligations on them⁵; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.⁶

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

³ entitled "Gas Supply" and "Electricity Supply" respectively.

⁴ However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

⁵ under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

⁶ The Authority may have regard to other descriptions of consumers.

- Promote efficiency and economy on the part of those licensed⁷ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- Protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity;
- Contribute to the achievement of sustainable development; and
- Secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- The effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- The principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- Certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation⁸ and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

⁷ or persons authorised by exemptions to carry on any activity.

⁸ Council Regulation (EC) 1/2003