

Ofgem's Review of Suppliers' Voluntary Initiatives to Help Vulnerable Customers



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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.

Overview:

With higher energy prices, the number of households in fuel poverty has been rising and now stands at around 4 million. The Government's target to eradicate fuel poverty among vulnerable households by 2010 looks increasingly challenging.

Fuel poverty is part of a wider problem of poverty and social exclusion which is an issue for government and requires a focus on increasing incomes and improving housing. However, suppliers play a part both through requirements placed on them by Government and through their corporate social responsibility (CSR) activity.

The purpose of this review is to shine a light on what suppliers are doing in terms of voluntary measures to help vulnerable and fuel poor customers and in particular on their social tariffs, rebates and trust fund arrangements. This is only one element of the wide range of help that suppliers provide. All of the initiatives offered by suppliers have worthwhile aims and provide assistance to some of their most vulnerable customers. These schemes, which go beyond suppliers' regulatory obligations, should all be welcomed and recognised as valuable but inevitably limited steps to help tackle fuel poverty.

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Context

Ofgem's Social Action Strategy describes how we seek to meet our social responsibilities and help Government to meet its targets for eradicating fuel poverty. This review is one of the deliverables in Ofgem's Social Action Strategy for 2007/08.

The White Paper published in May 2007 reaffirmed the Government's commitment to eradicating fuel poverty and identified a number of areas of work that it was looking to Ofgem to take forward including this review of suppliers' voluntary initiatives to help vulnerable customers.

Associated Documents

- Social Action Strategy - Update (June 2007) Ref 162/07
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=43&refer=Sustainability/SocAction>
- Energy White Paper
<http://www.dti.gov.uk/energy/whitepaper/page39534.html>
- Review of Suppliers' corporate social initiatives: a report by ESP for Ofgem. June 2005
<http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/11023-15505b.pdf>
- Domestic Retail Market Report - July 2007
<http://www.ofgem.gov.uk/Markets/RetMkts/Compet/Documents1/DRMR%20March%202007doc%20v9%20-%20FINAL.pdf>

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Summary

With higher energy prices, the number of households in fuel poverty has been rising and now stands at around 4 million. The Government's target to eradicate fuel poverty among vulnerable households by 2010 looks increasingly challenging in particular given the environmental agenda which may lead to higher energy costs in the years ahead.

The wider problems of poverty and social exclusion are largely for Government and require a focus on increasing incomes and improving housing. The Fuel Poverty Advisory Group (FPAG) estimate that a programme of measures of about £1 billion p.a. is required, slightly above the current spend on Warm Front, EEC and Decent Homes. We have previously stressed the need for these schemes to be properly integrated and for help to be targeted where it is most needed: a 'find and fix' approach. The Ofgem led 2006/07 winter initiative which piloted the use of DWP data for targeting specific customer groups to offer energy efficiency measures, demonstrated the value of data sharing, which Government committed in the White Paper to take forward.

We have also highlighted the need to look in an integrated way at the implications of environmental measures for fuel poverty. For example, further auctioning of EU Emission Trading allowances would provide a revenue stream that could be recycled into fuel poverty programmes. We would encourage Government to maintain its focus on these opportunities in its planned review of its fuel poverty strategy linked to the Comprehensive Spending Review.

While the main responsibility lies with Government, suppliers play a part in helping fuel poor and vulnerable consumers through their corporate social responsibility (CSR) activity, as well as through statutory EEC obligations. The purpose of this review is to shine a light on suppliers' voluntary measures. Our aim in doing this is to inform the debate, to share and recognise good practice and help inform consumer advisers about the range of help available.

The conclusion from the review is that all six of the big suppliers have an extensive range of programmes in place to support vulnerable or fuel poor consumers including both individual and cross-industry initiatives. There is no silver bullet for tackling fuel poverty and developing cost effective schemes to accurately target households suffering fuel poverty is notoriously difficult. The range and variety of different types of initiatives is, in Ofgem's view, a strength of the voluntary approach. Moreover, some suppliers do more for the generality of low income customers by pursuing highly competitive pricing strategies. The review has not sought to "rank" suppliers' performance but we believe the information here will help inform the debate in this important area.

The review compares the social tariffs available against the best offers in the market place. As previous work by Ofgem has highlighted, if a customer is in a position to switch suppliers and to switch payment methods then there are very significant savings to be made, and in some cases these can be greater than the savings to be achieved by taking up a social tariff. Ofgem remains of the view that competition is the most effective way to ensure customers are protected from high prices.

However our analysis shows that for vulnerable consumers who are not able or do not want to switch supplier, the social tariff always offers a rate which is at least as good as the supplier's direct debit rate (though not always as good as the online rate which is typically where the best deals are now to be found).

Different suppliers have taken different approaches as summarised below:

- British Gas' Essentials tariff is available to customers in the EEC priority group and offers prepayment meter (PPM) and standard credit customers a rate equivalent to British Gas' direct debit tariff. British Gas has a relatively high number of customers on the tariff (around 300,000 or 2% of their customers).
- EDF Energy's social tariff applies a 15% discount to customer bills, whether the customer is on its standard, direct debit, or prepayment rate. EDF Energy offers this to around 60,000 customers (1% of their customers) who it considers are at particular risk of fuel poverty.
- SSE has the lowest priced social tariff. The tariff has very specific eligibility criteria and is targeted on an individual need basis. Hence the number of customers on the tariff (around 10,000) is quite low. However SSE is currently one of the most competitively priced suppliers and this offers real benefits to low income customers who are not eligible for the social tariff.
- Powergen has a different type of tariff to the other suppliers. It offers over 60s a fixed bill tariff for one year at a time. This offers customers peace of mind with a fixed bill for that year. Currently Powergen has around 365,000 customers (9% of its customers) on this tariff. As part of an initiative with Age Concern it also provided a £10 cold weather payment to 160,000 gas customers last year.
- Scottish Power does not have any form of social tariff but has lowered its prepayment meter (PPM) rates to below its Standard Credit rate. It also provided a £50 rebate to 5,000 Priority Service Register (PSR) customers last year.
- npower's First Steps tariff is aligned with its best available offer (currently its online tariff). However, the tariff is targeted on an individual need basis and the number of customers currently on the tariff (around 1,000) is very low. It also provided an average £16 rebate to its 43,000 PSR customers last year.
- All suppliers apart from SSE also have some form of trust fund. British Gas, EDF Energy and Scottish Power have each spent £1-£2m on their funds in the last year, which include contributions to third parties working with vulnerable / fuel poor consumers and not simply debt write off (which is effectively recycled back to the company). Scottish Power's fund, which has recently been expanded, is entirely devoted to support for third parties.

In addition, all suppliers have wider CSR programmes and provide support to fuel poor and vulnerable consumers through a range of local initiatives and partnership working. They also work jointly on important cross industry projects such as the 2006/07 winter initiative mentioned above and the Home Heat Helpline. These are summarised in Appendix 1 to this review.

It is difficult to make direct comparisons between these different schemes which all have different aims, from short term help to longer term support for different groups of customers. All of the initiatives offered by suppliers have worthwhile aims and provide assistance to some of their most vulnerable customers. These schemes should all be welcomed and recognised as valuable steps beyond suppliers' regulatory obligations.

1. Introduction

1.1. With energy prices at historically high levels the numbers in fuel poverty have doubled since 2004. This represents a major challenge given Government's 2010 target for the elimination of fuel poverty among vulnerable households.

1.2. Fuel poverty is part of a wider problem of poverty and social exclusion and is caused by high energy prices, low incomes and poor housing conditions. Given the wider social causes of fuel poverty there will inevitably be a limit to the role that the industry and the regulator can play in tackling it. The main focus should be on raising incomes and improving housing, which are jobs primarily for Government. Gas and electricity supply are competitive markets. In Ofgem's view competition is the most effective way to protect consumers from high prices.

1.3. Energy suppliers play an important role in helping tackle fuel poverty through their CSR programmes. In 2004 Ofgem published guidance making clear that there were no regulatory or legal barriers to suppliers offering social tariffs¹. All of the big six suppliers now offer some form of social tariff or rebate as well a wide range of other support for vulnerable customers.

1.4. In 2005 Ofgem published a review of supplier's CSR initiatives which concluded that suppliers between them were spending around £110m per annum on such initiatives². However recent research by Ofgem showed that over two thirds of respondents were not aware of any assistance offered by suppliers³.

1.5. The purpose of this review is to shine a light on suppliers' voluntary initiatives in support of vulnerable consumers and in particular on their social tariffs, rebates and trust fund arrangements. This is only one element of the wide range of initiatives and help that suppliers provide.

1.6. Ofgem's Social Action Strategy identifies four themes for Ofgem's work on social issues:

- Securing compliance with regulatory obligations and effective monitoring and reporting by 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 and helping to promote a joined up and holistic approach; and

¹ Supplying low income and vulnerable customer groups. December 2004
<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/9008-27204.pdf>

² Review of Suppliers' corporate social initiatives: a report by ESP for Ofgem. June 2005
<http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/11023-15505b.pdf>

³ Consumer awareness of suppliers' CSR initiatives: research by Mori for Ofgem. March 2007

- Informing consumers about ways to lower their energy bills.

1.7. This review has a role to play in the last three of these areas by highlighting best practice in how social tariffs are targeted and delivered, informing the debate on the future role of social tariffs and informing consumers about the help available and how that compares with the savings to be achieved from switching supplier.

1.8. This review will also provide information to inform BERR decisions following the White Paper which set out that the Government is looking for suppliers to put in place a "proportional programme" of assistance. If no further action is taken by companies, Government has said it will consider whether to take the opportunity for legislation to enable the Secretary of State to require companies to have an adequate programme of support for their most vulnerable customers.

1.9. Given the real difficulties that exist in targeting and reaching those in fuel poverty there are real benefits from having a diversity of approaches and from the innovation that suppliers have brought to this area. However we recognise that this may lead to more complexity and potential confusion as to the different sources of help available. This review aims to improve transparency in this important area.

1.10. Ofgem was assisted by the Centre for Sustainable Energy (CSE)⁴ in carrying out this review, though the views expressed in this report are those of Ofgem.

⁴ See www.cse.org.uk

2. Social tariffs and other discounts/ rebates

Introduction

2.1. The social tariffs offered by suppliers have been the focus of much debate among industry, Government and stakeholders in terms of the potential role they can play in alleviating fuel poverty.

2.2. One of the issues raised by consumer and fuel poverty groups is whether social tariffs represent a good deal for consumers. Research published by CSE⁵ in 2006 highlighted that a number of social tariffs were not as good as other tariffs offered by the same supplier. This led to calls from energywatch and other fuel poverty groups for a minimum standard for social tariffs, requiring them to be at least as good as the supplier's best offer.

2.3. Ofgem has concerns about such a standardised approach and does not wish to deter suppliers who may prefer to offer a smaller level of discount to a much wider group of vulnerable customers, from doing so. However we accept that it is important that consumers and consumer advisers can be clear how such tariffs compare with other tariffs available.

2.4. In this section we have looked at suppliers' social tariffs, all of which are at least as good as the suppliers' standard direct debit tariff and other rebates which do not meet that criterion. The issue of how the various social tariffs compare with market rates is considered further below.

The scale of social tariffs

2.5. As highlighted above all suppliers have taken a different approach to the tariffs they offer in terms of the level of discount, who is eligible and how the schemes are promoted. The main social tariffs/discounts offered by suppliers are offered to eligible customers regardless of payment method and take the form of either:

- a set discount off eligible customers tariffs,
- a tariff which is equivalent to a suppliers Direct Debt tariff,
- a tariff which is equivalent to a suppliers current best tariff (for example its on line tariff) or
- a fixed bill tariff for one year regardless of consumption in that year⁶.

⁵ Baker. W (2006): Social tariffs - a solution to fuel poverty? A report to Unison Centre for sustainable Energy and NRFC, April 2006 <http://www.cse.org.uk/pdf/pub1059.pdf>

⁶ This is not necessarily as good as a supplier's direct debit tariff as we were unable to compare this tariff fully. In general the Staywarm tariff offers eligible customers a fixed bill for the year with different tariffs for low, medium or high usage. For those on certain benefits or with certain medical needs the bill is fixed at the low usage rate regardless of actual consumption.

2.6. In **Table 1** below we look at the scale of each supplier's social tariff: what it costs them (in terms of lost revenue) and what the overall savings are to customers.

2.7. In calculating the average saving we have had to make assumptions about the tariffs that those on social tariffs were previously paying. We have assumed for this analysis that they were previously all on PPM or standard credit rates (split as in the population overall). This is likely to be correct for British Gas (given there are no savings over direct debit) but may slightly overstate the savings for other suppliers. This is an area we will look at more closely for our updated analysis in the autumn.

2.8. The table shows what the average bill would be for a customer on the tariff, the total number of customers on the tariff and the average and total saving against the average tariff. Multiplying the average saving by the number of customers gives an estimate of the total saving to these social tariff customers in terms of reduced fuel bills (which is also likely to be the cost to suppliers in terms of lost revenue). The final column shows the supplier estimate of cost which may also include marketing and other costs. **Appendix 2** gives more detail on the methodology used in calculating the average savings and **Table 3** below shows the average savings available to customers on a social tariff compared to their suppliers best tariff.

2.9. The Powergen Staywarm tariff could not be compared on this basis given that the benefits it provides are primarily about providing peace of mind to elderly customers to be able to heat their homes to an adequate level without incurring higher bills.

Table 1: Social tariffs: savings and costs (excluding Direct Debit) as at July 2007

| Company | Tariff name | Social Tariff Yearly | Number of customers on tariff | Total Savings for customers | Average Savings for customers (over weighted tariff) | Suppliers' own cost estimation |
|-----------------------|----------------------------------|----------------------|-------------------------------|-----------------------------|--|---|
| British Gas | Essentials (Gas) | £510 | 237k | £16.4 m | £69 | £16.3m |
| | Essentials (Electricity) | £342 | 141k | £3.2m | £22 | |
| | Total | £852 | | £19.6m | £92 | |
| EDF Energy | Energy Assist (Gas) | £491 | 15k | £1.3m | £87 | £3.4m |
| | Energy Assist (Electricity) | £304 | 45k | £2.4m | £54 | |
| | Total | £795 | | £3.7m | £140 | |
| npower | First Step (Gas) | £496 | 411 ⁷ | £20k | £115 | £135,000 revenue (£400,000 on IT & £140,000 on staff) |
| | First Step (Electricity) | £327 | 760 ⁸ | £47k | £71 | |
| | Total | £823 | | £66k | £186 | |
| Powergen | Staywarm (N/A for this analysis) | | | | | £4.4m |
| Scottish Power | No social tariff offered | | | | | |
| SSE | EnergyPlus care (Gas) | £428 | 4k | £0.52m | £48 | £2m |
| | EnergyPlus care (Electricity) | £285 | 6k | £0.45m | £61 | |
| | Total | £713 | | £0.97m | £110 | |

2.10. Across all suppliers approximately 769,000⁹ customers are on a social tariff highlighting the significant contribution that suppliers are making to support vulnerable households, many of whom are likely to be at risk of fuel poverty.

⁷ In 2006, the tariff was only available to customers on the Midlands billing system so numbers on the tariff are relatively low. In July 2007 the tariff was rolled out across the entire customer base.

⁸ See above.

Rebates

2.11. As noted above, as well as social tariffs, suppliers also offer a range of other one-off rebates and discounts. Rebates are generally offered once a year to specific customers or a specific group of customers. Around 600,000 customers received some form of rebate from their supplier in 2006.

2.12. **Table 2** below shows the overall value of the rebates that were offered by suppliers in 2006.

2.13. The British Gas rebate scheme which operated last winter has now been replaced by the Essentials Tariff covered above. Those customers eligible for the rebate were (where applicable¹⁰) automatically transferred to the Essentials tariff.

Table 2: Rebates offered by suppliers to their customers covering the period 1 January 2006 to 31 December 2006

| Company | Scheme name | Number of customers receiving rebate | Cost to supplier ¹¹ | Average payment to customer |
|-----------------------|--|--------------------------------------|--------------------------------|-----------------------------|
| British Gas | Winter Rebate (for those customers eligible for EEC measures) | 400,000 | £13.8 million | £35 |
| EDF Energy | N/A | | | |
| npower | Winter Warmth Rebate (for customers on their PSR) | 42,675 | £699,870 | £16 |
| Powergen | Age concern cold weather payment (for gas customers over 60 on the Age Concern Tariff) | 160,000 | £1.6 million | £10 |
| Scottish Power | PSR Payments (for customers on their PSR) | 5,400 | £270,000 | £50 |
| SSE | Welfare Payment (ad hoc for customers struggling with debt) | 1,000 | £200,000 | £200 |

⁹ This figure is taken from Appendix one for the tariffs referred to in table one.

¹⁰ Some customers were no longer with British Gas or already on Direct Debit and therefore not eligible for any further discount.

¹¹ To work out the total cost to suppliers, the number of customers receiving the rebate was multiplied by the average payment. This was for all suppliers except BGT. For BGT we divided the cost to suppliers by the number of customers receiving the rebate to give us the average payment to customers.

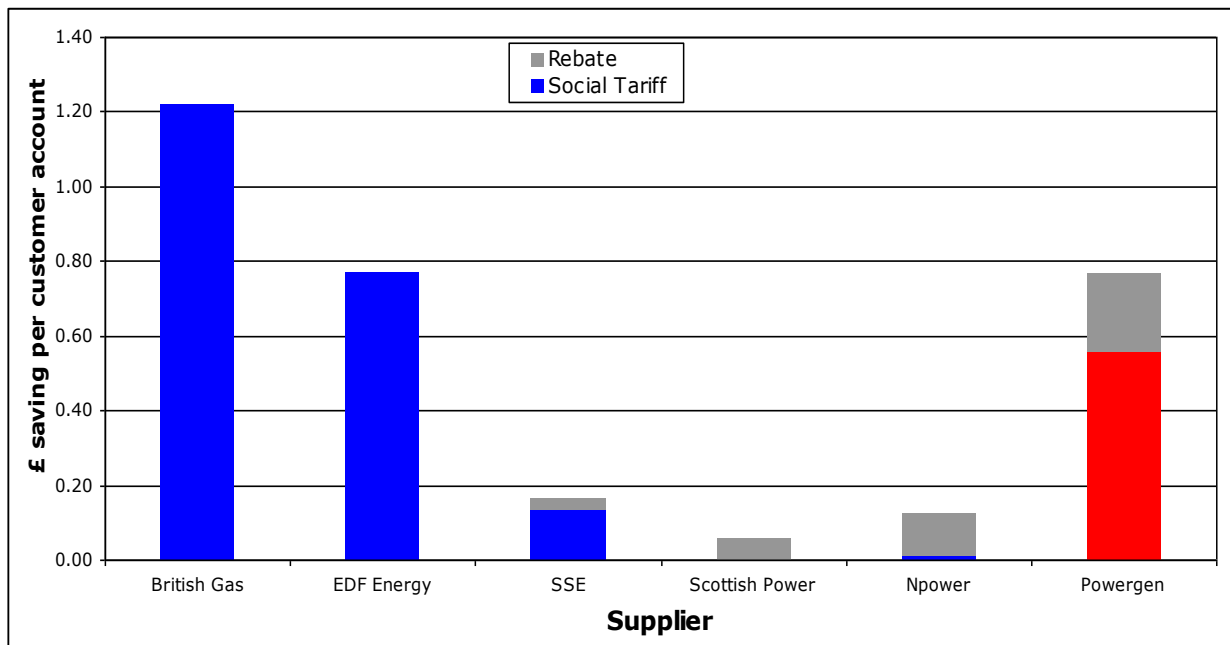
Relative scale of offerings (social tariffs, discounts and rebates)

2.14. In the Energy White Paper BERR talked about looking to all suppliers to provide a “proportional package of assistance”. In looking at the level of assistance provided by suppliers, the size of their overall customer base is clearly a relevant consideration.

2.15. Clearly some suppliers will have a higher proportion of customers in fuel poverty than others given differences in demographics and geographical mix. It is difficult for suppliers to know how many of their customers are in fuel poverty because of the difficulties and cost of obtaining the household income and dwelling details required to make such an assessment in each individual case. In Ofgem’s view expecting suppliers who have a higher proportion of customers in fuel poverty to do more would place them at competitive disadvantage. We have therefore used total customer base as the basis for comparisons.

2.16. **Chart 1** below shows the total cost to suppliers of their social tariffs (based on July 2007 prices) and other rebates in 2006 divided by the total number of customers accounts they have. This provides an indication of the relative contribution each supplier is making in terms of their social tariffs / rebates. The chart shows one year’s worth of activity for each supplier.

Chart 1: Average savings from social tariff or rebate per customer account (Total savings given to those on the social tariff or rebate divided by all customer accounts)



Note:

- The method for calculating the average saving (i.e. excluding or including Direct Debit) affects the figures slightly and in particular would change the positions of EDF Energy and British Gas relatively.
- Although all suppliers' rebates were for 2006, British Gas's rebate for 2006 has not been included as the chart aims to represent the assistance received by a customer in one year via either a rebate or a social tariff. Including the British Gas rebate in this chart would have led to double counting as the Essentials tariff was only introduced in 2007 and the rebate was discontinued at that point.
- The figures for the Powergen social tariff represent those on the StayWarm fixed bill tariff and cost estimates are based on the company's own calculations.

2.17. While this analysis focuses on social tariffs and other discounts/rebates it is important to also take into account the supplier's overall tariff structure in considering the contribution they make to alleviating fuel poverty. Thus for example while SSE has a relatively tightly defined social tariff it is clear from the following section that in some cases their direct debit tariffs are actually lower than other suppliers' social tariffs. Also in recent years some suppliers have held back price rises which benefited all customers including vulnerable and fuel poor customers.

2.18. The conclusions from this analysis are that:

- British Gas and EDF Energy both have social tariffs providing significant benefits to large numbers of their vulnerable customers;
- Powergen has followed a different approach through their Staywarm fixed bill tariff and also offer rebates across a broad number of customers;
- SSE has the lowest social tariff but it is only available to a very limited number of customers. However their standard tariffs are some of the lowest which therefore provides benefits to all their vulnerable customers.
- Scottish Power does not have a social tariff, instead it gives rebates to its PSR customers and invests in a trust fund.
- British Gas' social tariff is available to around 2% of its customer base. EDF Energy's is available to around 1% of its customers. On this scale social tariffs are being accommodated within a competitive market but Ofgem has concerns that if social tariffs were to be mandated on a more significant scale they could present a significant distortion to competition.

Standard market tariffs and social tariffs

2.19. For a consumer or consumer adviser the critical question in considering a social tariff is how the tariff compares with other tariffs that may be available either from the customer's own supplier or more widely in the market. Given the range of tariffs available it is important that customers can be confident that if they go onto a supplier's social tariff they are getting the best deal available.

2.20. Table 3 below shows the savings that a customer gets from being on a social tariff as against other tariffs available from their own supplier and in the market more widely. **Where the savings are negative (*and in bold italics*) this means that the average customer would be better off on that alternative tariff rather than on the social tariff.**

2.21. Comparisons are made against standard direct debit rates and against the supplier's best tariff which is usually their online rate¹². Online rates require access to the internet and may require customers to undertake all their transactions online which provides the supplier with additional cost savings but may not be suitable for all customers. In looking at best tariffs we have not included fixed rate deals as the attractiveness of these may vary over time and there is often a limited window within which to apply. However in some cases these may provide more attractive options for certain customers.

¹² Some online tariffs are not available to all customers or restricted to certain areas. Such tariffs have not been used in the comparison.

Table 3: Average savings to customers on the social tariff in comparison to the best offer available with that supplier or in the market.

| Company | Tariff name | Social Tariff Yearly | Savings over company best offer (online tariff) | Savings over best market offer (online tariff) | Savings over company best DD offer | Savings over best market DD offer |
|-----------------------|----------------------------------|----------------------|---|--|------------------------------------|-----------------------------------|
| British Gas | Essentials (Gas) | £510 | -£69 | -£69 | 0 | -£4 |
| | Essentials (Electricity) | £342 | -£59 | -£59 | 0 | -£20 |
| | Total | £852 | -£128 | -£128 | 0 | -£24 |
| EDF Energy | Energy Assist (Gas) | £491 | £68 | -£50 | £68 | £14 |
| | Energy Assist (Electricity) | £304 | £45 | -£21 | £45 | £19 |
| | Total | £795 | £113 | -£71 | £113 | £33 |
| Powergen | Staywarm (N/A for this analysis) | | | | | |
| SSE | EnergyPlus care (Gas) | £428 | £61 | £13 | £78 | £78 |
| | EnergyPlus care (Electricity) | £285 | £57 | -£2 | £53 | £38 |
| | Total | £713 | £118 | £11 | £130 | £115 |
| Scottish Power | No social tariff offered | | | | | |
| npower | First Step (Gas) | £496 | £0 | -£55 | £15 | £10 |
| | First Step (Electricity) | £327 | £0 | -£44 | £28 | -£5 |
| | Total | £823 | £0 | -£99 | £44 | £5 |

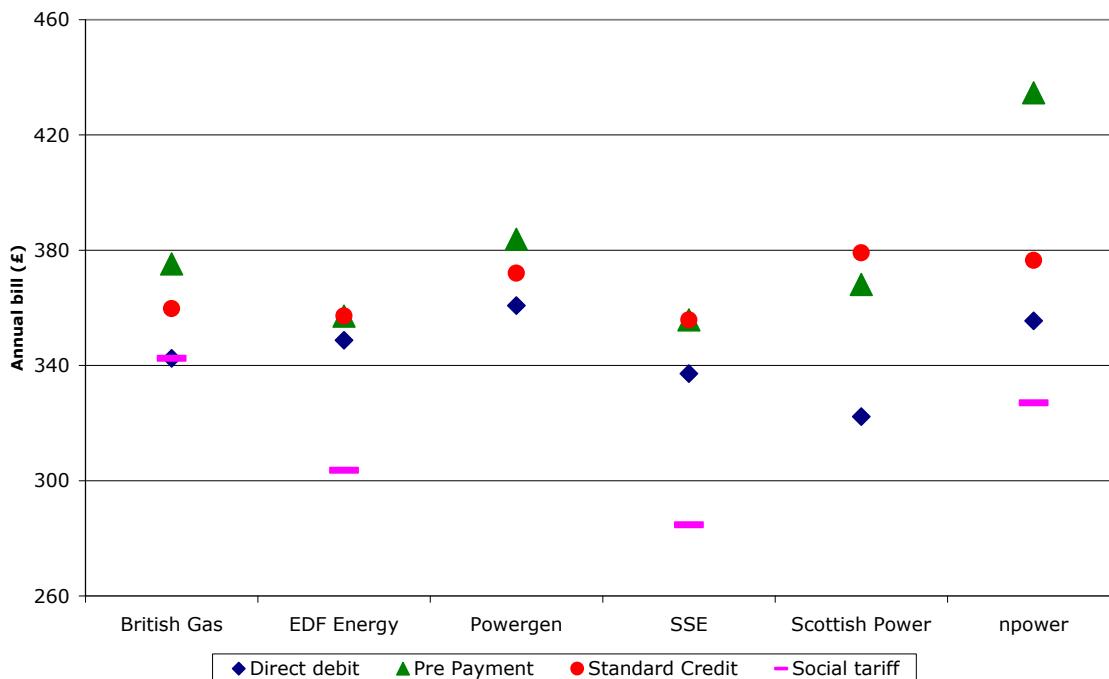
2.22. This shows that for all suppliers the social tariff is at least as good as their own standard direct debit rate, although not necessarily as good as the supplier's best online tariff. Thus for customers who are unable to switch suppliers or who want to stay with their current supplier the social tariff does represent a good deal.

2.23. However if customers are able to switch suppliers and in particular if they are also in a position to move to direct debit rates or take up online tariffs then there are potentially greater savings to be made than are available through social tariffs.

2.24. Further details are provided on suppliers' tariffs by payment method in the charts below for gas and electricity.

2.25. The charts below compare different tariffs offered by suppliers for different payment methods and highlight where prepayment tariffs have been aligned by a supplier. The charts also show the fact that for each supplier, as noted above, its social tariff is at least equal to its direct debit rate.

Chart 2: Comparison of Social, Direct Debit, PPM and Standard Credit tariffs for electricity



Note:

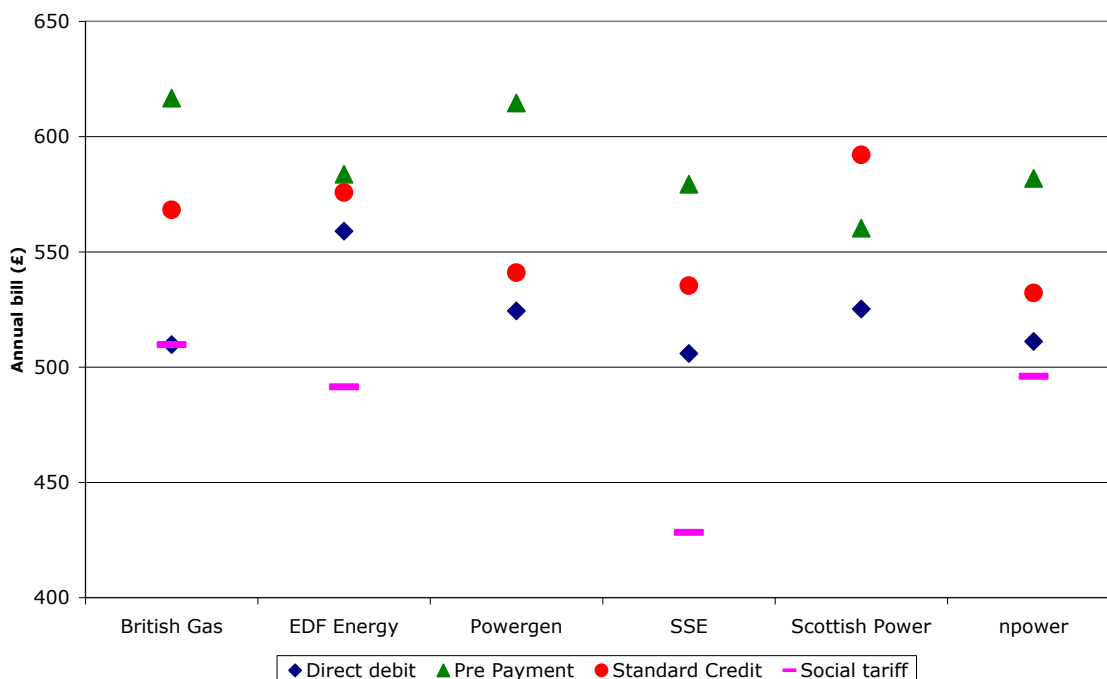
- Tariffs are as at July 2007 and based on an annual consumption of 3,300 kWh.
- Powergen's electricity PPM customers pay standard credit prices. However, the standard credit price illustrated in this chart includes the 3% discount on Powergen's standard credit prices that all its standard credit customers currently receive.

2.26. The above chart shows that in electricity:

- a number of suppliers have aligned their PPM and standard credit rates. Scottish Power has actually set its PPM rate below its standard credit rate. However, npower has a very significant differential between its PPM and other rates;
- SSE and Scottish Power have direct debit tariffs that are below British Gas' social tariff showing that, as noted above, for some customers the savings to be

achieved from switching supplier may be greater than that are available from their supplier's social tariff.

Chart 3: Comparison of social, Direct Debit, PPM and Standard Credit tariffs for gas



Note:

- Tariffs are as at July 2007 and are based on an annual consumption of 20,500 kWh.

2.27. The above chart shows that in gas:

- the PPM differential is typically wider than for electricity. However, EDF Energy has a relatively narrow differential and Scottish Power again has set their PPM rate below their standard credit rate;
- SSE's direct debit tariff is below British Gas' social tariff re-emphasising the benefits that can be gained from switching.

2.28. Ofgem has done further analysis on PPM tariffs and the extent of competition in that part of the market. This is covered in Ofgem's Domestic Market Review¹³ which also provides more information on the regional differences between supplier's tariffs.

Targeting and effectiveness of social tariffs

2.29. As Ofgem has noted previously there are very real difficulties in identifying and targeting the fuel poor. Taking a simple proxy such as single pensioners over 70 on

¹³ Domestic Retail Market Report. June 2007. Available on the Ofgem website.

pension credit, the proportion¹⁴ who are actually in fuel poverty is only 22%. A tariff focused on this group would miss 83% of the fuel poor. Targeting a social tariff on that group would lead to a large number of customers benefiting who are not fuel poor with the costs being borne by customers outside that group, including many who are themselves fuel poor. To target more effectively one must look at a combination of housing, income and other metrics but this becomes difficult in practice without a full and costly house condition survey. This is one reason Ofgem has serious concerns with any move towards a mandated social tariff. Our wider concerns about mandated social tariffs are set out in our response to the energywatch consultation¹⁵.

2.30. As noted above suppliers have all taken different approaches to how they target and market their schemes in an attempt to devise effective ways to reach their most vulnerable customers and/or those customers most likely to be at risk of fuel poverty. In a situation where there is no simple solution, this innovation and variety of approaches is to be welcomed. Some examples of good practice in targeting are as follows:

- EDF Energy has used Mosaic type geographical modelling to identify households at high risk of being in fuel poverty and then migrating them automatically onto their social tariff;
- npower and SSE have a much more narrowly focused scheme but based on a detailed assessment of an individual consumers' needs.

2.31. The other area of good practice relates to how well suppliers' social tariffs are integrated in with energy efficiency advice and/or provision of EEC measures to help further reduce the consumer's expenditure. Examples of good practice in this are SSE and npower who both proactively offer customers on their social tariff energy efficiency assistance in the form of home assessments or energy efficiency measures.

¹⁴ Based on English House Condition Survey 2004

¹⁵ Response available at

<http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/16896-2ndFeb07energywatch.pdf>

3. Trust Funds

3.1. Trust funds refer to a trust run and funded by a supplier, or funded by the supplier and independently run by a third party. The supplier provides a sum of money that is then spent on helping individual customers, or on a number of projects chosen by the company or charitable trust.

3.2. All of the big six suppliers have trust funds, apart from SSE. These are managed externally and offer two forms of help:

- Direct assistance to customers in debt;
- Funding of third party projects aimed at customers in fuel poverty or otherwise with severe financial difficulties.

3.3. There is some scepticism externally about the fact that many of the trust funds are simply a different way of writing off debt. However, in some cases help is provided for debts other than energy and the fund still provides a valuable source of help to those it assists.

3.4. The Scottish Power Energy People Trust is the only trust aimed solely at third parties and they have indirectly helped consumers through supporting voluntary and not for profit organisations. In 2006 the trust funded 57 projects which have helped 44,000 households.

3.5. The table below shows how much each trust fund spent in 2006.

Table 4: Trust funds: spends and customers benefiting

| Supplier | Total amount spent in 2006 | Total number of customers benefiting in 2006 |
|---|--|--|
| British Gas Energy Trust | £1.53 million | 3,800 households |
| EDF Energy Trust Fund | £1.84 million | 3,064 households |
| npower First Step Fund | £475,000 | 914 customers |
| Powergen fund in support of Severn Trent Trust fund | £50,570 | 338 customers |
| The Scottish Power Energy People Trust | £1.81 million (March 2006 to March 2007) | 42,716 households |

3.6. **Appendix 1** to this report sets out more detail on these trust funds.

3.7. As with social tariffs there is no easy answer to targeting help to vulnerable or fuel poor customers. However, some further examples of best practice include:

- Trust funds being widely promoted through advice networks with trained credit and customer service teams and application processes being well supported with simple evidence based requirements. This is evident with British Gas and EDF Energy's trust funds
- How well the trust funds are integrated in with energy efficiency advice and provision of EEC measures to help customers manage and reduce future energy expenditure. This is evident with npower and Scottish Power's trust funds.

4. Next steps

4.1. As noted above one important aim of this review was to help inform debate about the future role of social tariffs. BERR will be taking forward an Energy Bill in the next session and has signalled that if no further action is taken by suppliers it will consider whether to take the opportunity for legislation to enable the Secretary of State to require companies to have an adequate programme of support for their most vulnerable customers.

4.2. We intend to update this analysis in September to reflect any new initiatives introduced by suppliers to provide BERR with as up to date a picture as possible before they have to decide on legislation.

4.3. In the meantime we would welcome any comments on the value of this review and the approach taken to the analysis.

4.4. We will also be discussing with suppliers the scope for building on the reporting framework to help consumer advisors understand the range of help available to customers.

Appendices

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Appendix 1 - Reporting framework summarising suppliers' voluntary initiatives for vulnerable and fuel poor customers.

What is included in the framework?

- It covers the six suppliers with the biggest market shares.
- The initiatives outlined in the framework are some of the initiatives suppliers operate voluntarily in order to help vulnerable customers or those likely to be in fuel poverty.
- Suppliers have various obligations in running their business (including licence requirements) and Ofgem would also expect suppliers to follow good business practice in relation to delivering a competitive pricing framework, provide good customer service and not make mistakes with billing or metering. The framework highlights various initiatives which suppliers offer above and beyond their obligations.
- The framework does not cover all areas of corporate social responsibility (CSR). It focuses on initiatives which are aimed at helping suppliers' more vulnerable customers. All suppliers operate full CSR programmes and publish annual reports. The links to those reports (which give more detail of each company's full CSR programme) can be found at the back of the framework.
- The framework does not include suppliers' work on EEC initiatives, Heatstreets, Warm Zones, fixed price tariffs not aimed at vulnerable customers or debt initiatives/schemes. However, Ofgem recognises the importance of such work and suppliers linking any debt prevention and management strategies and EEC with their voluntary initiatives and we will separately be reviewing suppliers' debt prevention and management strategies later this year as part of our Social Action Strategy programme.
- The framework also does not include individual reference to any joint initiatives carried out by suppliers. For example, the joint initiative between suppliers and Government to reach specific customer groups and offer energy efficiency measures, help and advice during winter using DWP data. Suppliers also fund the Home Heat Helpline (see below). These cross industry projects are important ways to reach vulnerable customers and are recognised as valuable steps beyond suppliers' regulatory obligations.
- The majority of the information contained in this framework is for 2006. The information is sourced from the annual BERR/Ofgem questionnaire to suppliers.

Other sources of help

- The Home Heat Helpline is a help line funded by the six big suppliers. It is a voluntary initiative to give customers and third parties calling on behalf of customers a single point of contact for help with their energy bills. The helpline is a free, central phone number offering practical energy efficiency and other advice for people concerned about paying their energy bills. To get advice call 0800 33 66 99 and speak to one of their specially trained advisors.
- Customers can make savings on their energy bills by switching supplier or payment method. For further information go to www.energywatch.org.uk.

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2. Other social discount tariffs or price support mechanisms
3. Rebates
4. PPM price equalisation
5. Trust Funds
6. Partnerships
7. Benefit entitlement checks
8. Other initiatives/ programmes

1. Ongoing social tariffs (where the tariff is equal to or lower than a company's direct debit tariff)

The offers included in these tables are:

- *Equal to or lower than a supplier's current direct debit tariff.*
- *Targeted at helping vulnerable customers or those most likely to be fuel poor.*
- *Applicable to ongoing charges levied to customers for the provision of energy. It may be delivered alongside other help and support offered to vulnerable customers but should be clearly distinguishable from, for example, energy efficiency measures.*
- *Clear in whether the tariff is open to new and/or existing customers who meet the qualification criteria.*

| Supplier | Tariff Name | Detail of tariff offer | Number of customers on tariff | Qualification Criteria/ who is eligible | How long do customers remain on the tariff? What is the end date of the tariff? | How do customers access this tariff? Automatically or by application? | Suppliers estimate of average annual customer saving achieved through the tariff | Details of how the tariff is marketed to customers |
|-------------|-------------|--|---|--|--|---|---|--|
| British Gas | Essentials | <ul style="list-style-type: none"> • Offers 750,000 eligible customers the equivalent of BGT's monthly direct debit rate which is their lowest standard gas and electricity tariff. • The tariff will be targeted at the supplier's most vulnerable customers. • Those customers in receipt of the winter rebate were automatically transferred to this tariff. | <ul style="list-style-type: none"> • 321,814 (as of July 2007 those who received the Winter Rebate in 2006 and were still with BGT automatically qualified). • Of these 186,037 are gas customers, 89,760 are electricity | <ul style="list-style-type: none"> • Open to any existing BGT customer (regardless of location and fuel type) who meets the prescribed qualification criteria. • To qualify customers must be eligible to claim a range of Government benefits such as Pension Credit, Disability Living | <ul style="list-style-type: none"> • The tariff will remain in place until 2009 when it will be reviewed. • There is no revalidation process so customers remain on the tariff until it is reviewed in 2009. | <ul style="list-style-type: none"> • Automatic for customers who qualified in 2006 for the Winter Rebate Scheme; • other eligible customers access tariff via application | <ul style="list-style-type: none"> • £285 for dual fuel customer on PPM; • £245 for dual fuel customer paying by cash or cheque (comparing PPM to DD rate). | <ul style="list-style-type: none"> • Direct mailing to over 410,000 PPM customers, PR activity, charity referrals, Home Energy Care Line (PSR) and HHH. • BGT has committed to supporting 750,000 customers on |

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|------------|-------------------|---|--|---|---|---|--|--|
| | | | customers and 51,206 are dual fuel. | <p>Allowance or Child tax Credit.</p> <ul style="list-style-type: none"> Customers on DD or Click Energy Tariff would not benefit as they are already on most advantageous tariff. | | | | the Essentials tariff and will continue to raise awareness to ensure those who qualify sign up to the tariff. |
| EDF Energy | Energy Assist | <ul style="list-style-type: none"> Eligible customers receive a discounted tariff, currently at 15% of their prepayment, standard or direct debit tariff. PPM customers receive the tariff via an annual rebate on their standard tariff rates. | <ul style="list-style-type: none"> 59,979 (as of July 2007). Of which 15,764 are PPM customers. 45,154 are electricity customers of which 12,993 are PPM customers. 14,825 are gas customers of which 2,771 are PPM customers. | <ul style="list-style-type: none"> Be supplied by EDF Energy and spend more than 10% of their total net annual household income on their annual household energy costs Or be in receipt of income support and/or in receipt of pension credit benefits. | <ul style="list-style-type: none"> Available until 31 March 2008. Customers will remain of the tariff until it is reviewed in 2008. | <ul style="list-style-type: none"> Originally automatic but customers can now also apply to the tariff and will be referred to the Priority Services team to assess eligibility | <ul style="list-style-type: none"> £147 per dual fuel customer | <ul style="list-style-type: none"> Promoted through Priority Services Team to customers identified as fuel poor; promoted with external stakeholders and partners |
| npower | First Step Tariff | <ul style="list-style-type: none"> Part of npower's First Step programme. Based on nominal consumption, customers on this tariff receive the cheapest npower tariff currently available regardless of a customer's payment method. The programme and tariff are for those customers who are genuinely struggling to pay for energy use and | <ul style="list-style-type: none"> At the end of 2006 a net total of 853 remained on the tariff. Net customers on the tariff at the end of 2006 can be categorised as: 96 gas customers, 349 electricity | <ul style="list-style-type: none"> Open to all customers who are registered on the First Step Programme and who take their heating fuel with npower. To be eligible for the First Step Programme customers will be genuinely struggling to pay for their energy | <ul style="list-style-type: none"> Eligibility for tariff reviewed on an annual basis | <ul style="list-style-type: none"> Referral made by various external/internal sources including the Collections team, Home Energy Efficiency Reps, Health Through Warmth Team; the customer | <ul style="list-style-type: none"> Customers can make significant savings on the tariff up to £244 per year. For dual fuel customers First Step is £51.66 cheaper than | <ul style="list-style-type: none"> npower employs a dedicated and high profile First Step Team within npower's customer services centre which create awareness throughout the |

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|-----|-----------------|--|---|--|--|---|---|---|
| | | <ul style="list-style-type: none"> may have a debt. Advisors work on an individual basis with customers to agree a package of measures to help them manage their account independently. Customers also offered a series of other measures including benefit entitlement checks, home visits by npower's energy efficiency representatives and money management advice. The tariff has a rolling review process. | <p>customers and 411 dual fuel customers</p> | <ul style="list-style-type: none"> consumption. This is regardless of payment method, meter type, geographical location or length of time they have been an npower customer. In 2006 the tariff was only eligible for those customers on the Midlands billing system (so numbers on the tariff are relatively low) and in July 2007 the programme will be rolled out across the entire customer base. | | <p>then needs to complete an application form</p> | <p>standard monthly D/D, £135.66 cheaper than standard quarterly cash/cheque and £243.59 cheaper than standard PPM rates.</p> | <ul style="list-style-type: none"> organisation. The tariff is mainly promoted through internal teams such as collections team and customer services. Roll out of programme will include promotion to all internal staff and external stakeholders through communications and partnerships |
| SSE | Energyplus Care | <p>Three parts to tariff:</p> <ol style="list-style-type: none"> Price - 20% discount on a customer's existing tariff. Energy efficiency - offer a home visit, free fridge or discounted fridge-freezer and other energy efficiency measures. Welfare - offer a benefit entitlement check. <p>Gas PPM customers who are eligible for the tariff will have their PPM tariff aligned with gas standard credit before having the 20% discount applied. Therefore gas PPM customers on the tariff receive a double benefit.</p> | <ul style="list-style-type: none"> 10,500 as of mid March 2007. Of which 6,321 are electricity customers and 4,491 are gas customers. | <p>Available to all customers in acute fuel poverty, customers with a disability or other extenuating circumstances, and not restricted by area or fuel type.</p> | <ul style="list-style-type: none"> A customer's eligibility will be reviewed after 2 years. SSE will contact the customer to re-apply for the tariff. If eligible, the tariff will continue. | <ul style="list-style-type: none"> Application; third-party referral | <ul style="list-style-type: none"> £200 in comparison to standard quarterly tariff for dual fuel customers | <ul style="list-style-type: none"> Mail shots; website; Home Heat Helpline; network of agencies make referrals where appropriate; staff advice |

2. Other social discount tariffs/ price support mechanisms

The offers included in this table are:

- *any other price support mechanisms a supplier may have in place to assist vulnerable customers, for example fixed price tariffs or discounted tariffs.*
- *delivered alongside other help and support offered to vulnerable customers but should be clearly distinguishable from, for example, energy efficiency measures.*
- *clear whether the tariff is open to new and/or existing customers who meet the qualification criteria*

| Supplier Name | Tariff Name | Detail of tariff offer | Number of customers on tariff | Qualification Criteria/ who is eligible | How long do customers remain on the tariff? How long is the tariff in place for? | How do customers access the tariff? Automatic or by application | Supplier's estimate of the average annual customer saving achieved through tariff | How is it marketed? |
|---------------|----------------------------|---|-------------------------------|---|--|---|---|--|
| British Gas | British Gas' Price Promise | Joint initiative between BGT and Help the Aged providing assistance to customers in receipt of Pension Credit; offered a range of measures including free home insulation, a benefits "health check" and free access to BGT's Priority Services Register; incorporated capped energy rates that ensure no price increase until 1st October 2007 | 6300 | Required to be in receipt of Pension Credit | Protected from price increases until 1st October 2007 | Application; referral by a third party | £321 p.a. and avoided three price rises | The scheme was a joint collaboration with Help the Aged. Promotion targeted at Help the Aged's network and channels to ensure targeted campaign. |
| Powergen | StayWarm General | Fixed price energy tariff for over 60's; complete peace of mind in the year to use as much energy as required with no additional bills. | 365,220 (as of July 2007) | Must be over 60; consumption less than threshold set by region, number of | No time limit set. Annual renewal. | Application via dedicated UK call centre | Varies by consumption, number of bedrooms and occupancy. | Marketing material sent to several hundred thousand |

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|-----|--|---|--|--|---|--|--|--|
| | | Price based on PES area, number of bedrooms and occupancy. Different tariffs for low, medium and high usage. | | bedrooms (max 3) and occupancy (max 4). Available to new and existing customers who are dual fuel and have electric heating. | | | Average saving is £14 compared to monthly DD; £64 compared to standard dual fuel credit. | households per year encouraging inbound call for advice and sign up |
| | <i>StayWarm For benefit recipients or customers with special medical needs</i> | As above, except a lower price for medium and high users on benefits or those with special medical needs. | 10,373 (as of July 2007) | Those on benefits (as CERT) or with special medical needs | No time limit set. Annual renewal. | Previous application to StayWarm, then response to renewal letter. | £360 | Renewal letter invites call for individual assessment. |
| SSE | 1) Easy Warmth 2) Equipower and Equigas | 1) Easywarm is a preserved tariff. Originally targeted at older people, customers pay a set amount each month for fuel bills regardless of how much they use. 2) SSE's partnership with EBICo offers 2 standard tariffs, equipower and equigas. Customers do not pay standing charge and are on equalised tariffs regardless of payment method. EBICo is a not for profit company which aims to tackle issues of social concern. | 1) 34,600 electricity and 34,500 gas 2) 21,400 electricity and 22,600 gas | 1) Customers were eligible if they were over 60 2) Anyone is eligible to become an SSE customer through EBICo. | 1) Customers remain on the tariff until they choose to leave. 2) It is a permanent arrangement where gas and electricity customers pay the same tariff regardless of payment method. | 1) Originally by application 2) By application | 1) Varies very significantly depending on consumption 2) Overall the scheme is revenue neutral with DD customers paying a slight premium in order for PPM rates to be equalised | 1) These tariffs are no longer marketed 2) The EBICo tariff is marketed by EBICo themselves. SSE pays EBICo a fee for each customer gained. |

3. Rebates (targeted at vulnerable customers)

- A rebate is any one off payment or refund of part of a fuel bill targeted at vulnerable customers.
- It may be delivered alongside other help and support offered to vulnerable customers but should be clearly distinguishable from for example energy efficiency measures.
- It does not include refunds or discounts given to all customers such as dual fuel or direct debit payments.
- The reporting period for this section is 1st Jan 2006 to 31st Dec 2006.

| Supplier | Detail of rebate/scheme name | Number Of Customers who received a rebate in 2006 | Qualification Criteria | Is it automatic or have to be applied for? | Average payment to customer | How is it marketed | How often is the rebate made? |
|----------|--|---|--|--|--|--|-------------------------------|
| npower | Winter Warmth Rebate; to provide degree of shelter from Jan 2006 price rise to Warm Response customers (npower's Priority Services Register) | 42,675 | <p>Required to be registered on the Warm Response Service (WRS) by 31 March 2006.</p> <p>Customers were actively encouraged to join the WRS to take advantage of the rebate.</p> <p>Offered to both single fuel and dual fuel customers.</p> | Automatic (for all customers on Warm Response Service) | <p>Around £700,000 in funds were paid to customers via the rebate.</p> <p>Customers were offered a rebate of up to £35.</p> <p>Average payment was £16.40.</p> <p>A credit of £35 was allowed for dual fuel customers.</p> <p>£10 for electricity and £25 for gas customers.</p> | <p>The WRS was proactively marketed both internally and externally through the Internet, intranet, on the back of customer's bills and various promotional activities.</p> <p>All customers on the WRS were notified that the rebate would be paid prior to winter heating season.</p> <p>Contact centre staff were briefed to actively encourage registration onto the Service.</p> | Once in March 2006 |

| | | | | | | | |
|-----------------------------------|---|---------|--|--|--|--|-----------------------|
| Powergen | Age Concern Cold Weather Payment; in partnership with Age Concern; consumption based product. May receive additional payment based on number of days temperature is below freezing between Dec & Feb. | 160,000 | To be a gas customer over 60 on the Age Concern tariff | Automatic | Average payment made of £10 per gas customer | Both Powergen and Age Concern market the product and thereafter the product is run by Powergen, but Age Concern receives benefit from each sale and each year the customer remains with Powergen. | Annually |
| Scottish Power | Priority Services Register Payments | 5,400 | Required to pay by prepayment or weekly card and be registered on the Priority Services register | Automatic | £50 for PP customers and £50 to Weekly card customers | Press releases; letters sent to eligible customers to inform them of their entitlement to a rebate | one-off payment basis |
| SSE | Welfare Payment | 1,000 | Required to be struggling with debt as well as to keep up ongoing payments | The rebate is made on an ad-hoc case by case basis | Average payment made of £200 | Not marketed; customer service advisors trained to identify eligible customers on a case by case basis | Ad-hoc |
| British Gas - No longer available | During 2006, British Gas' Winter Rebate Scheme was designed to give a rebate to most vulnerable customers at a time of high consumption and to offset the impact of recent price rises. This product was available until the end of 2006. BGT now has the British Gas's Essentials Tariffs (which was introduced in 2007). | 400,000 | During 2006 only. Essentially mirrors the government benefits prescribed for Fuel Poverty/EEC measures | Application; referral by third party | Average payments made are £60 per gas customers, £30 per electricity customers and cumulatively £90 per dual fuel customer | Charity referrals; direct mailing to 120,000 Motability clients and other third parties e.g. CAB, Home Heat Helpline, the British Gas Energy Trust; here to HELP; Priority Service Register; direct marketing to customers; general marketing using targeted media campaigns | Q1 and Q4 of 2006 |

4. PPM Price Equalisation

- *PPM price equalisation refers to PPM tariffs which are aligned to be equal or lower than the price paid by customers on other payment methods such as standard credit.*

| Supplier | Discount Offered | Number Of Customers Benefiting? | Qualification Criteria | Is it automatic? | Average annual customer saving | How is it marketed? |
|----------------|--|---|---|---|---|---|
| EDF Energy | Electricity PPM price alignment with standard credit tariff; the removal of the prepayment surcharge on electricity tariffs (where the infrastructure allowed), brought tariffs down to the same level as credit customers. | 581,693 | Having an electricity prepayment meter | Automatic | Estimated at £15 a year | Changes were communicated to existing customers from 2004. Since then customers informed as part of the sales process |
| Powergen | Standard electricity PPM tariff is equal to the standard credit tariff. | | | | | |
| Scottish Power | As of June 2007 SP's electricity PPM alignment became a Domestic electricity price reduction below standard credit (PPM & Standard quarterly credit tariff). As of June 2007 the price reduction also applied for gas PPM. For the average customer, SP is now cheaper for PPM than SC for both gas and electricity. | Any customer paying by prepayment (currently approx 10% of customer base) | Any customer who pays by PPM is able to benefit from the reduction. | Automatic; from June 2007, the prices are automatically built into the company's billing system | c. £11 in electricity and £30.63 in gas. Average customers saving based on average domestic customer consumption. | Through the company's sales and customer service channels |
| SSE | Electricity PPM alignment with standard quarterly credit tariff | 580,000 | Having an electricity prepayment meter | All customers with electricity PPMs qualify automatically | Just below £17 per customer per year | |

| | | | | | | |
|-----------------------------------|--|-------------|-------------------|----------------------------|--------|--|
| British Gas – no longer available | In 2006, British Gas' standard tariff for prepayment customers remained equalised to British Gas' standard gas cash/cheque tariff. | 1.3 million | Gas PPM customers | Automatic during 2006 only | c. £40 | Gas prepayment marketed as a standard British Gas tariff |
|-----------------------------------|--|-------------|-------------------|----------------------------|--------|--|

5. Trust funds

- Trust funds are financed by suppliers
- They are either run and funded by a supplier or funded by the supplier and independently run.
- The trust may operate by providing financial assistance to individual customers or to projects chosen by the company or charitable trust.
- The table shows the amount of funding committed by a supplier in 2006 and how much the trust spent in 2006. It does not reflect the total value of the fund.

| Supplier Name | Name of trust fund | Company run or charitable trust | Third party or own customers | Qualification Criteria for funding | Automatic /application process | Number of customers benefiting | Total amount committed at the beginning of 2006 | Total amount Spent During 2006 | How is it marketed? |
|---------------|--------------------------|---------------------------------|------------------------------|--|--------------------------------|---|---|--|---|
| British Gas | British Gas Energy Trust | Charitable trust | Own customers | An existing customer of British/Scottish Gas with an energy debt | Application | 3,800 households - total number of customers assisted by trust irrespective of whether they have been referred by BGT or third parties. | £3 million | £1.528 million to both individuals and organisations | Direct targeted promotion by BGT; direct mailing to customers; third party referrals; website |
| | | | Third party organisations | Organisations invited to submit a bid/business case for funding. The | Application | | | | |

| | | | | | | | | | |
|------------|--|------------------|---------------------------|---|---|---|------------------------|---|--|
| | | | | decision on how grants are awarded is taken by the Trust independently. | | | | | |
| EDF Energy | Trust Fund | Charitable trust | Own customers | Existing domestic EDF Energy customer who is in need, poverty, hardship or other distress, and are struggling to pay their debts | Application by account holder or by somebody on their behalf (providing explanation can be given) | 3,064 households. | £1.5 million | £1.5 million | Marketing through Charis (management agency) and EDF Energy as well as partnerships with third party debt agencies |
| | | | Third party organisations | Awards focused on voluntary organisations who i) establish, extend or develop the provision of debt counselling/ money advice services and/or ii) provide education in the prevention of debt | Application | unrecorded | £338,000 | £338,000 | |
| npower | Part of First Step Programme, the First Step Fund is | Company run | Own customers | Open to all customers who are registered on the First Step Programme and | Application. The customer must demonstrate commitment | 375 customers benefited from partial or full accounts | £1.5 million per annum | During the phased roll out in 2006, over £475,000 of debt was put | npower employs a dedicated and high profile First Step Team within npower's customer service |

| | | | | | | | | | |
|--|--|--|--|---|---|------------------|--|---|--|
| | <p>financed and run by npower's dedicated First Step team.</p> | | | <p>who take their heating fuel with npower. To be eligible for the First Step Programme customers will be genuinely struggling to pay for their energy consumption. This is regardless of payment method, meter type, geographical location or length of time they have been an npower customer. In 2006 the fund was only eligible to those customers on the Midlands billing system (so numbers benefiting from the fund are relatively low) and in July 2007 the programme will be rolled out across the</p> | <p>to pay by staying with agreed plan - after an agreed period of time some or all of the debt may be written off</p> | <p>credited.</p> | | <p>on hold or written off during the year. Of the amount around £370,000 of debt was put on hold with the majority expected to be written off whilst around £115,000 was written off during 2006.</p> | <p>centre which creates awareness throughout the organisation.</p> <p>The fund is mainly promoted through internal teams such as collections and customer services.</p> <p>Roll out of programme will include promotion to all internal staff and to external stakeholders through communications and partnerships</p> |
|--|--|--|--|---|---|------------------|--|---|--|

| | | | | | | | | | |
|----------------|---|--|--------------------|--|---|---|------------|----------------------------------|--|
| | | | | entire customer base | | | | | |
| Powergen | Fund in support of Severn Trent Trust Fund and United Utilities | Company run (in partnership with Severn Trent Trust Fund and United Utilities) | Own customers | Required to be an individual customer who is eligible for a STTF or UU fund and also has Powergen debts | Assessment criteria as with STTF and UU fund | 338 | £50,570 | £50,570 | Through various sources including customer service team, the STTF and UUTF and other third party referrals such as the CAB |
| Scottish Power | The Scottish Power Energy People Trust | Charitable trust | Third Parties only | Voluntary and not for profit organisations only. Grants assessed on providing assistance to help alleviate fuel poverty through: Crisis Funding, Benefits Entitlement Checks/Income Maximisation, Energy Efficiency Measures or Research. Individuals benefiting do not need to be Scottish Power customers. | Applications are accepted for eligible projects made from not-for-profit organisations and voluntary groups | 51 projects have helped 42,716 households or 74,436 individuals | £1 million | £1.81 million (up to March 2007) | Website; listing on Charity Fund Database; various presentations to organisations; events sponsorship; promoted via SP's Winter Warmer Integrated Media campaign |

6. Partnerships

- Partnerships are schemes run by suppliers in partnership with other organisations for the benefit of vulnerable customers. There is likely to be some cross over with a suppliers EEC commitments with these schemes.

| Supplier Name | Name of partner(s) involved | Name of scheme(s) | Role of supplier | Brief description of what was offered by scheme | Total spent on scheme by supplier in 2006 |
|---------------|--|--|--|--|---|
| British Gas | UK charities including Help the Aged, Scope, Save the Children, RNIB, NEA REECH and National Debt Line | Here to HELP | Funding; refers individuals in need of support to charity partners and provides British Gas customers with additional services | A fuel poverty initiative that aims to provide energy efficiency measures combined with quality of life support. Customers are given direct access to services, products and support from a number of UK charities; free benefit assessment (provided to all); free products advice and support from our 'here to HELP' charity partners (provided to all); British Gas additional services provided to BGT customers only. | Around £1.2 million in support of Here to Help programme and Help the Aged. |
| EDF Energy | 1) WRVS 2) National Energy Action (NEA) 3) Citizen's Advice Bureaux and social welfare agencies 4) Macular Degeneration Society 5) Meaningful Occupation/Creative Resettlement Projects Exeter 6) Bristol Debt Advice centre 7) SSAFA – The soldiers, Sailors Airmen and Families Association 8) My Devon/ Care | 1) Safe Warm and Well 2) NEA support 3) Dedicated CAB and social welfare helpline 4) Macular Degeneration Society 5) Meaningful Occupation/Creative Resettlement Projects Exeter 6) Bristol Debt Advice centre 7) SSAFA – The soldiers, Sailors Airmen and | 1) Funding and joint work 2) Funding 3) Provide dedicated resource 4) Providing information, advice and referral points 5) Providing information, advice and referral points 6) Providing information, advice and referral points 7) Providing information, advice and referral points 8) Mutual referral | 1) EDF Energy has established a long term strategic partnership with the national charity WRVS who provide a range of practical services to support older people. WRVS volunteers are trained to carry out "Safe and Well" checks when visiting people to deliver meals etc. They work together to ensure that any vulnerable older people are "Safe, Warm & Well" throughout the winter and this extends to incorporating energy related products and services. 2) Fund NEA to develop fuel poverty strategies and affordable warmth action plans with Local Authorities 3) Provides case workers with direct assess to an energy professional who can provide advice and support 4) Assisting partially sighted customer with E/E advice Grants etc – giving talks to any groups requesting them 5) Providing information and advice on energy | 1) £72,500 2) £43,000 3) £10,677 |

| | | | | | |
|--------|---|--|--|--|--|
| | Direct | Families Association 8) My Devon/ Care Direct | partnership | efficiency, as well as CFL light bulbs. 6) Providing information and direct contact promoting EDF Trust fund, energy efficiency advice etc. 7) Providing information, advice and direct contact to assist when signposting for mutual customers in need of assistance 8) Referral system – both organisations aware of products available and where to signpost when necessary | |
| npower | npower has a range of ongoing relationships and referral pathways with a large number of external agents including: 41 local authorities, 42 Primary Care Trusts, Care, Repair Services across 17 areas of England and Wales, NEA and Christians against Poverty. | 1. npower Health Through Warmth (HTW) 2. NEA e.g. affordable warmth, West Midland Fuel Poverty Forum 3. Christians against poverty | 1. To facilitate a programme identifying vulnerable customers, providing training and accessing external and/or internal funding. 2. Financial support and presentation. 3. Financial donation | 1. Operates local partnerships that seek to identify vulnerable people of any age whose health is adversely affected by cold/damp domestic conditions; aims to facilitate the installation of appropriate energy efficiency and heating measures through the training of community workers (e.g. nurses, police officers, occupational therapists etc) who refer those in need of help to the local HTW co-ordinator; financial support may then be offered from the npower HTW Crisis Fund depending on circumstances 2. Award scheme organised by NEA with Defra and npower to highlight successful initiatives by local authorities, health and social care agencies and other key organisations as examples of good practice to implement the government plan for action (fuel poverty in England). Also a regional forum to discuss new policy and practice in tackling fuel poverty. 3. Agency liaises with npower customers and collects customer payments on our behalf. | 1. £1.2 million 2. £28,000 3. £6,000 |

| | | | | | |
|----------|---|--|---------|---|--|
| Powergen | National Energy Action (NEA) and Energy Action Scotland (EAS) | 1. Fuel Poverty Monitor 2. NEA Affordable Warmth Strategy Development 3. Warm Homes Campaign and Annual Conference | Funding | 1. Campaigning initiative by the NEA and EAS to develop and promote energy efficiency services to low-income households 2. Provides Local Authorities with a service which aids the development of a Affordable Warmth Strategy and this model process promoted to Local Authorities 3. Raises awareness of help offered by Powergen in improving the comfort of homes and reducing energy bills through better energy efficiency | 1. £7,000 2. £90,000 (over three years) 3. £90,000 |
| SSE | 1. Numerous partnerships with community agencies, local authorities and other agencies (such as CAB, Age Concern). 2. Support NEA and EA | | Funding | SSE partners with advocacy organisations in order to target fuel poor and vulnerable customers. Examples of other partnerships include: 1. New technology trials to investigate improving more efficient source of heat to rural fuel poor 2. A pilot project on micro generation technologies for hard to heat rural properties. 3. Sponsoring a number of events and publications of EAS and others on an ad hoc basis. | At least £1 million a year |

7. Benefit entitlement checks

- A benefit entitlement check assesses whether a customer is receiving all the benefits they are entitled to. The table below sets out the number of checks a supplier has carried out or funded in order to determine whether a vulnerable customer is receiving the correct level of income support.
- There will be some cross over with a supplier's EEC activities.

| Supplier Name | Number of customers that received benefit entitlement check service in 2006? | Number of customers that were found to be eligible for additional benefits as a result of checks? | What is the trigger to being offered a check? | Checks carried out 'in-house' or externally? | How are checks marketed? |
|---------------|--|---|---|---|--|
| British Gas | 3019 + 3,900 via Help the Aged scheme | 1235 + 2,785 via Help the Aged scheme | The results from the Quality of Life survey; through the Help the Aged Benefits Advice programme | External | Marketed as part of Here to HELP programme and also promoted by BGT's charity partners; specific targeted programme in collaboration with Help the Aged to promote BECs to older people by providing assistance in local community centres and home visits |
| EDF Energy | 920 | 327 | Energy Assist (Social tariff) customers offered a BEC as part of the registration process; may also be offered on home visits by agents for other reasons such as debt; London warm zone customers also offered a BEC as part of their household assessment | External | Promoted through Energy Assist agents, home visits by agents of a general nature and through all marketing and customer communications to London Warm Zone customers |
| npower | 6,000 | 715 | Customers are offered a check through doorstep assessment, either through customers calling npower's Energy Efficiency line or Warm Response Line; customers on the First Step Programme and eligible customers referred via Health Through | Potential eligibility checked in-house and then referred externally for | Checks are promoted through various routes: Warm Zones, Health Through Warmth, First Step and Spreading Warmth Winter Campaign. |

| | | | Warmth advisors | completion | |
|----------------|-------|---------------------------|---|------------|---|
| Powergen | 1,254 | 76% | When they call the CaringEnergy Team | Internal | CaringEnergy leaflet, Powergen website, Stakeholder brochure and through internal customer service teams |
| Scottish Power | 39 | 18 | Leaflets distributed via ScottishPower insulation scheme or on request when customer contacts SP energy efficiency helpline | External | Leaflets distributed via ScottishPower insulation scheme or on request when customer contacts SP energy efficiency helpline. (Note: This does not include BECs carried out as part of initiatives or under projects supported by the Energy People Trust or BEC figures carried out on behalf of ScottishPower under the Birmingham Energy Efficiency Partnership. BECs carried out on behalf of ScottishPower under BEEP are separately funded by ScottishPower. |
| SSE | 250 | Information not available | Customers are offered a health benefit check by customer service advisors who are trained to identify eligible customers | External | Customer advisors trained to identify eligible customers |

8. Other Initiatives

➤ The table below sets out any other products aimed at vulnerable customers that do not fit into the above categories.

| Supplier Name | Brief description of other initiatives/ programmes which are in addition to EEC and licence obligations and not mentioned elsewhere | Total amount spent in 2006 on these additional initiatives/programmes |
|---------------|--|--|
| EDF Energy | Winter risk campaign - providing advice and information to older and vulnerable customers on staying warm and signposting them to our support through a high profile media campaign, events and a mail out leaflet to 2.3 million customers. | £200,000 |
| npower | <ol style="list-style-type: none"> 1. Spreading Warmth - a targeted winter awareness campaign to deliver relevant products and services to . 2. Warm response line for vulnerable customers to avoid them having to call a call centre. 3. Energy efficiency Home advisors service where trained staff help vulnerable customers to achieve affordable warm homes by visiting homes and conducting community talks. | <ol style="list-style-type: none"> 1. £1 million annually 3. c. 400,000 annually |

| | | |
|----------------------|--|---|
| <p>Powergen</p> | <p>1. Powergen Hardship Fund - launched in Feb 06 as part of CaringEnergy; fund of up to £2 million established to provide sustainable help to customers suffering extreme financial difficulty; offers financial assistance with regard to installing insulation, repairing/installing heating measures and essential household appliances. 2. Test, You Rest - initiative in partnership with Age Concern which offers electric blanket testing and advice to over-60s; replaced 4,134 electric blankets in 2006</p> | <p>1. £300,000 (Powergen) 2. £219,000 (E.ON)</p> |
| <p>ScottishPower</p> | <p>1. Community Liaison Officers - 12 officers undertake customer visits to deal with customer account issues and provide heating, debt and PSR advice. 2. CAB - dedicated phone line for all CAB advisors throughout Great Britain to call their collections team for specialist advice on accounts in debt. SP also provided full sponsorship for a number of separate CAB initiatives such as:</p> <ul style="list-style-type: none"> • employing a full time specialist advisor to advise clients in debt, helping reduce consumption, fuel bills and prevent disconnection. • an income maximisation programme to identify additional income for young families, young people under 16, people with mental health problems and lone parents through outreach work in community locations. • Fuel Advice & Benefits Project to establish and develop a specialist service to actively engage low-income families, lone parents and other hard to reach groups to maximise their income and reduce fuel/household poverty. • Reaching Out Project employing a full time worker to develop and deliver an advice service to families in Sheffield who are living in fuel poverty and who need assistance with fuel and other debts as well as advice regarding income maximisation. <p>3. Fieldcall - a trial designed to communicate with vulnerable customers where disconnection is not an option.</p> | <p>1. The cost of 12 full time dedicated staff. 2. The CAB line took 920 calls and 3691 customers received written advice in 2006. Total cost of dedicated contact lines and support staff will be confirmed. The specific projects funded by the Trust equates to about £232,000. 3. Annual costs of Field call will vary as this is on a 'per job' basis and will be dependent on the job type and volume of jobs carried out in the month. 4. Winter Warmer Campaign spend (including cost of prizes).</p> <p>Total costs of the above initiatives equates to almost £900,000</p> |

| | | |
|-----|---|--|
| | <p>Agents will visit the customer with the aim of maintaining dialogue and assisting customers in managing repayment of their accounts.</p> <p>4. Winter Warmer Campaign - ScottishPower ran an integrated radio and press advertising campaign aimed to raise the profile of ScottishPower's work to assist young families and pensioners during the cold winter months.</p> | |
| SSE | <p>1. Oil boiler subsidies direct to manufacturer - SSE promoting and subsidising more efficient models of oil fired boilers with the aim of transforming the market for oil fired boilers</p> <p>2. DIY loft insulation - promoted by special offers in retailers leaflets, advertising and store promotions</p> <p>3. Funded a leaflet targeted at fuel poor customers (in partnership with EAS).</p> | |

Links to suppliers full CSR reports

BGT: Latest Report: www.centrica.co.uk/files/reports/2006cr/index.asp and www.centrica.com/cr

EDF Energy: EDF Energy's CSR information is included as a subsection of a larger report:
www.edfenergy.com/ourvisionandperformance

npower: 2006 Report: www.rwenpower.com/cr

CSR Web page:
http://www.npower.com/about_npower/our_responsibility.html

Powergen: Printed report: www.eon-uk.com/images/csr_2006_printed_review.pdf
Website: www.eon-uk.com/csr
Email: CSRReporting@eon-uk.com

ScottishPower: 2007 Report:
<http://www.scottishpower.com/CorporateResponsibility.asp>
Instead of a formal report, interested parties can navigate this section of the website which contains information about CSR.

SSE: 2007 Report (Available July 2007):
www.scottish-southern.co.uk/SSEInternet/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=7556

Appendix 2 – Methodology for social tariff analysis

1.1. The analysis in chapter two quantifies the cost and benefit of social tariffs and rebates to suppliers and customers. It also compares the social tariffs of each of the suppliers against the supplier's best offer tariff and the market best offer tariff.

1.2. There are several assumptions on which this work is based that are set out in the text below.

Average saving made by customers moving to the social tariff

1.3. The estimated cost of the supplier's social tariff is based on information provided by the relevant supplier. However, we have also calculated the estimated saving made by customers moving to the social tariff.

1.4. Where a supplier has indicated that its social tariff is based on a discount to a qualifying customer's current tariff, we have used the average tariff, based on the supplier's standard credit and prepayment tariffs and weighted for the number of customers on each of these payment methods. The social tariff discount is then applied to this figure.

1.5. To calculate the saving a customer makes by being on the supplier's social tariff, a weighted average bill based on the supplier's standard credit and prepayment tariffs for non social tariffs is calculated. The suppliers' average annual social tariff is then subtracted from the weighted average bill to give the saving offered by the supplier on a per customer per year basis. This value can then be multiplied by the total number of customers on the social tariff in order to estimate the total saving to a supplier's customers. For comparison, the benefit to customers was also calculated using each supplier's best offer and the market best offer (including internet tariffs).

1.6. Annual bills have been calculated assuming an annual consumption of 3,300 kWh for electricity and an annual consumption of 20,500 kWh for gas.

1.7. Powergen's Staywarm tariff has not been compared with the other social tariffs because of difficulties in judging both annual bills and consumption levels. However, we have made use of Powergen's estimate of how much the scheme costs them and how many customers are on the tariff. We have published all suppliers' cost estimations alongside our calculation of the savings offered by the social tariffs.

Best offer prices

1.8. The best offer price is drawn from Ofgem's tariff database, with data from The Energy Shop. For "best offer" we have selected the lowest (non-fixed) price tariff available to new customers as of July 2007. The tariff must be available in all 14 ex-PES regions. If the lowest tariff varies by region we have taken an average. In

some cases, standard credit and PPM customers would have to switch meter/payment type in order to take advantage of the best offer tariff. Customers may face a charge to change the meter if they switch payment type from PPM. This potential cost to a customer accessing a best offer price has not been taken into account in the analysis.

Rebates

1.9. Information submitted by suppliers on the number of customers on their rebate scheme and the average available rebate have been used to estimate the total benefit of the rebate to consumers.

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.¹⁶

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 accordingly¹⁷.

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 them¹⁸; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.¹⁹

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:

¹⁶ entitled “Gas Supply” and “Electricity Supply” respectively.

¹⁷ 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.

¹⁸ 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.

¹⁹ The Authority may have regard to other descriptions of consumers.

-
- Promote efficiency and economy on the part of those licensed²⁰ 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 Regulation²¹ 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.

²⁰ or persons authorised by exemptions to carry on any activity.

²¹ Council Regulation (EC) 1/2003

Appendix 4 - Glossary

B

[BERR](#)

(Department of) Business, Enterprise and Regulatory Reform

C

[CAB](#)

Citizens Advice Bureau

[CSR](#)

Corporate Social Responsibility

D

[DWP](#)

Department of Work and Pensions

E

[EEC](#)

Energy Efficiency Commitment - requires gas and electricity suppliers to achieve targets for the promotion of domestic energy efficiency in Great Britain

[energywatch](#)

energywatch is the gas and electricity consumer council set up under the Utilities Act 2000 to represent the interests of gas and electricity consumers.

P

[Prepayment meter \(PPM\)](#)

Prepayment meters currently use electronic tokens, keys or cards to enable an amount of energy to be bought by the consumer to be used. The consumer needs to be provided with a network of outlets where tokens can be purchased or card and keys can be charge up. This network of outlets needs to be linked to a payment settlement system for suppliers.

[Priority Service Register \(PSR\)](#)

Suppliers are required by their licence to establish and maintain a list of those domestic customers who by virtue of being of pensionable age or disabled or chronically sick require information and advice in respect of services specified in the licence.

Appendix 5 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

- Does the report adequately reflect your views? If not, why not?
- Does the report offer a clear explanation as to why not all the views offered had been taken forward?
- Did the report offer a clear explanation and justification for the decision? If not, how could this information have been better presented?
- Do you have any comments about the overall tone and content of the report?
- Was the report easy to read and understand, could it have been better written?
- Please add any further comments?

1.2. Please send your comments to:

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