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Domestic suppliers' social obligations: 2011 annual report

Report

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Overview:

This report provides a summary of domestic suppliers' performance for January - December 2011 in relation to debt, disconnection, Prepayment Meters (PPMs) and services for consumers in vulnerable positions. The key findings are:

- gas and electricity disconnections in Great Britain (GB) continue to decline and, taken together, are at an historically low level
- the total number of electricity and gas consumers on a debt repayment plan has fallen, including among those paying through a PPM
- the average level of gas debt has risen by around 10%, although the rate of increase is lower than last year. The average level of electricity debt is largely unchanged
- suppliers are allowing electricity and gas consumers, particularly PPM consumers, more time to repay debts
- the number new PPMs installed in 2011 declined compared to the previous year and the majority of those installed were to manage debt
- the number of consumers on suppliers' Priority Services Registers increased
- more consumers in debt received energy efficiency information; however there was a decline in the number of consumers who received more specialist energy efficiency advice.

Ofgem will continue to closely monitor suppliers' performance in these areas and take action where we identify issues.

Context

As part of Ofgem's work to protect consumers in vulnerable positions, we collect information from suppliers on a quarterly and annual basis in relation to debt, disconnection, Prepayment Meters, Priority Services Registers, energy efficiency information and advice and gas safety checks. This information is used to review suppliers' performance in relation to specific obligations, including areas of operation where consumers in vulnerable positions may be affected. By monitoring these statistics, Ofgem can identify areas of suppliers' policies and practices where improvements need to be made.

The data is gathered and published on a quarterly and annual basis and is available on Ofgem's website at www.ofgem.gov.uk. This annual report gives a comprehensive overview of suppliers' performance and practice in these areas for January - December 2011. The report covers suppliers' obligations under their supply licence conditions relating to consumers in vulnerable positions. It does not cover suppliers' activities relating to the Government's mandatory Warm Homes Discount scheme.

Associated documents

All documents listed here or elsewhere in this report can be found on Ofgem's website, at www.ofgem.gov.uk.

- Warm Home Discount scheme annual report scheme year 1, October 2012 (ref. 127/12)

- Proposals for a new Consumer Vulnerability Strategy, September 2012 (ref: 124/12)

- Sustainable Development Focus 2011-12, July 2012 (ref: 86/12)

- Guidance on monitoring suppliers' performance in relation to domestic customers – updated March 2012, April 2012 (ref: 50/12)

- Review of data collected under suppliers' social obligations – decision letter, April 2012

- Domestic suppliers' social obligations: 2010 Annual Report, June 2011 (ref: 78/11)

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Executive Summary

This report explains domestic suppliers' performance in relation to debt and disconnection, installation of Prepayment Meters (PPMs), Priority Services Registers (PSRs), the provision of free gas safety checks and the provision of energy efficiency information and advice. Ofgem monitors these areas in order to identify and address any issues with suppliers' compliance with their supply licence conditions relating to consumers struggling to pay and those in vulnerable positions.

Our monitoring and best practice work around debt and disconnection has delivered a number of results aimed at protecting those struggling to pay. In 2010 we highlighted the need for suppliers to do more to take account of consumers' ability to pay when setting debt repayment levels. To aid this we established some key principles for suppliers to follow. As a result, we have seen a continuing fall in repayment rates as suppliers embed the principles. We have also seen a significant reduction in disconnection rates in 2011 which now stand at 921 electricity disconnections and 331 gas disconnections.

While this report continues to show some improvements, it also highlights that the average level of consumer debt has increased. The data also suggests that some performance improvements are not being made consistently across all of Great Britain (GB). We encourage suppliers to continue to make progress in relation to the management of consumer debt and the fulfilment of their obligations to consumers in vulnerable positions. The following provides more information on our findings.

Debt – The number of electricity and gas consumers repaying an energy debt through an agreed repayment plan fell by 8% and 2% respectively across GB in 2011. At the end of 2011 around 785,000 electricity and 700,000 gas consumers were repaying a debt. The fall in indebted consumers did not occur consistently across all of GB; in England and Scotland fewer electricity and gas consumers were repaying an energy debt in 2011. However, in Wales the number of indebted electricity and gas consumers rose by around 7% and 18% respectively.

The average level of electricity debt was £375 in 2011, largely unchanged from the previous year. However, the average level of gas debt increased by 10% to £371. A higher proportion of gas consumers were also repaying a debt of more than £100, increasing from 55% in 2010 to 60% in 2011.

Encouragingly, the average weekly debt repayment rate for PPM consumers declined compared to the previous year. However, there was a slight increase for both electricity and gas credit consumers. While we do not believe this is symptomatic of a rising trend, we will monitor this closely over the coming months. The length of time to repay both gas and electricity debts increased slightly for credit meter consumers and more sharply for PPM consumers. This is to be expected given the changes in weekly repayment rates.

Disconnection – The total number of electricity and gas disconnections fell by 54% and 59% respectively. This continues a trend of falling disconnection rates and demonstrates that suppliers are continuing to only use disconnection as an absolute last resort once all other mechanisms to recover energy debts have been used.

The fall in disconnection rates did not occur consistently in all parts of GB. Gas and electricity disconnections fell in England and Scotland. However, there were two more gas disconnections and 15 more electricity disconnections in Wales. The majority of these were undertaken by Scottish and Southern Energy (SSE), the incumbent electricity supplier in South Wales.

We are very pleased that EDF Energy and ScottishPower (who both previously had relatively high disconnections) substantially reduced the number of disconnections they carried out. British Gas did not carry out any disconnections and E.ON performed a very small number. npower and SSE continue to have a small number of disconnections but we are concerned to see that they increased their electricity disconnections in 2011 and SSE also increased its gas disconnections.

Prepayment meters – The number of electricity consumers paying through a PPM increased from around 4 million in 2010 to 4.1 million in 2011 – amounting to around 15% of all domestic electricity consumers. Similarly, the number of gas consumers paying through a PPM increased from 2.7 million in 2010 to 2.9 million in 2011, which is 13% of domestic gas consumers.

Around 8% of electricity PPM consumers and 11% of gas PPM consumers were repaying an energy debt in 2011. The number of electricity PPM consumers repaying an energy debt decreased by 15% to around 316,000, while the number repaying a gas debt was largely unchanged.

Priority Services Register – Suppliers are required to maintain a list of consumers, known as the PSR, that have asked to be added and are of pensionable age, have a disability or are chronically sick. Those on a supplier's PSR are entitled to certain free services. In 2011, the number of consumers registered on suppliers' PSRs increased by around 21% for electricity and 24% for gas. This continues a trend of similar annual increases since 2008. We are proposing to conduct a review of suppliers' and distributors' PSRs as part of our work plan under our new Consumer Vulnerability Strategy. The consultation on our proposed Strategy and work plan is open until 3 December 2012.

Help for vulnerable consumers – We are concerned to see that among five of the six big suppliers there was a further reduction in the number of free gas safety checks. This is a continuing pattern of decline and, as a result, we will review the reasons for this with suppliers.

Suppliers continued to offer energy efficiency information to consumers in debt. However, the number that received specialist energy efficiency advice declined by around 25%. We encourage suppliers to offer energy efficiency advice and information as a way to help consumers reduce their energy use, make debts more manageable and avoid them in the first place.

The number of electricity and gas consumers on Fuel Direct increased by 17% and 19% respectively. Fuel Direct is administered by the Department for Work and Pensions (DWP) and allows energy bills to be provided directly from Social Security benefits. It provides a useful mechanism to help consumers repay their energy debts.

1. Introduction

Chapter Summary

This chapter gives an overview of the content and structure of the report.

Target audience

1.1. This report is aimed at suppliers, consumer organisations and other interested parties.

Structure of document

1.2. The structure of this report is as follows:

- Chapter 2 provides an overview of domestic energy debt in 2011. It reports on key trends relating to the number of consumers repaying a debt across England, Scotland and Wales, the size of the debt that indebted consumers are repaying, the average level of debt repayment rates and the average duration of repayment.

- Chapter 3 reports on the level of electricity and gas disconnections during 2011 across England, Scotland and Wales and provides an analysis of the overall disconnections picture, including the performance of each of the six major suppliers in this area.

- Chapter 4 focuses on PPMs in 2011, giving information and analysis on the number of PPM consumers, the reason for the installation of PPMs and information on token PPMs.

- Chapter 5 outlines key trends in relation to suppliers' licence obligations to assist vulnerable consumers through their PSRs, including information on the number of PSR consumers across GB.

- Chapter 6 examines trends in the provision of energy efficiency advice and information to PSR consumers and those in debt, and the provision of free gas safety checks to consumers. It also includes the number of consumers on Fuel Direct.

2. Domestic energy debt

Chapter Summary

This chapter outlines the number of consumers repaying an energy debt across England, Scotland and Wales, the size of the energy debt that consumers are repaying and average weekly debt repayment rates.

Supply licence conditions

2.1. Under their electricity and gas supply licence conditions, suppliers are obliged to offer domestic consumers struggling to pay their electricity and/or gas bill the following payment options:

- payment by direct deductions from social security benefits received by the consumer (known as Fuel Direct)
- payment through a PPM where safe and reasonably practicable to do so
- payment by regular instalments paid through means other than a PPM.

2.2. Suppliers are also required to take into account the consumer's ability to pay when calculating repayment instalments and setting repayment terms. We expect suppliers to adhere to this by ensuring that repayment arrangements (e.g. how much the consumer repays each week) are manageable for consumers on all payment types and circumstances, even where this involves repaying the debt over a longer period of time.

Number of consumers repaying an energy debt

2.3. At the end of 2011, around 700,000 gas consumers and 785,000 electricity consumers were repaying an energy debt through an agreed debt repayment arrangement[1]. This accounts for around 3% of the total number of electricity and gas consumers in GB.

2.4. Tables 1 and 2 below compare the number of consumers repaying an energy debt in 2011 to the previous year across GB and in England, Scotland and Wales.

[1] 'Debt' here refers to those consumers who have had their PPM set to collect a debt or who are on a debt repayment arrangement due to last longer than 91 days/13 weeks. A debt repayment arrangement is a specific arrangement to repay outstanding arrears. It does not therefore capture those consumers who still have outstanding energy bills but have not entered into a repayment arrangement with their supplier. Direct Debit consumers are only included in these figures if they have begun paying by Direct Debit specifically to repay the debt.

Compared to the end of 2010, 8% fewer electricity consumers and 2% fewer gas consumers were repaying an energy debt in GB.

Table 1: The number of electricity consumers repaying an energy debt

	2010		2011		Percentage change between 2010-2011
	Consumers repaying a debt	Percentage of total consumers	Consumers repaying a debt	Percentage of total consumers	
GB	853,556	3%	784,816	3%	-8%
England	691,528	3%	622,423	3%	-10%
Scotland	124,261	4%	122,164	4%[2]	-2%
Wales	37,767	3%	40,229	3%	7%

Source: Ofgem, supplier data

Table 2: The number of gas consumers repaying an energy debt

	2010		2011		Percentage change between 2010-2011
	Consumers repaying a debt	Percentage of total consumers	Consumers repaying a debt	Percentage of total consumers	
GB	711,492	3%	697,157	3%	-2%
England	602,743	3%	577,488	3%	-4%
Scotland	78,111	4%	83,612	4%	7%
Wales	30,638	3%	36,057	4%	18%

Source: Ofgem, supplier data

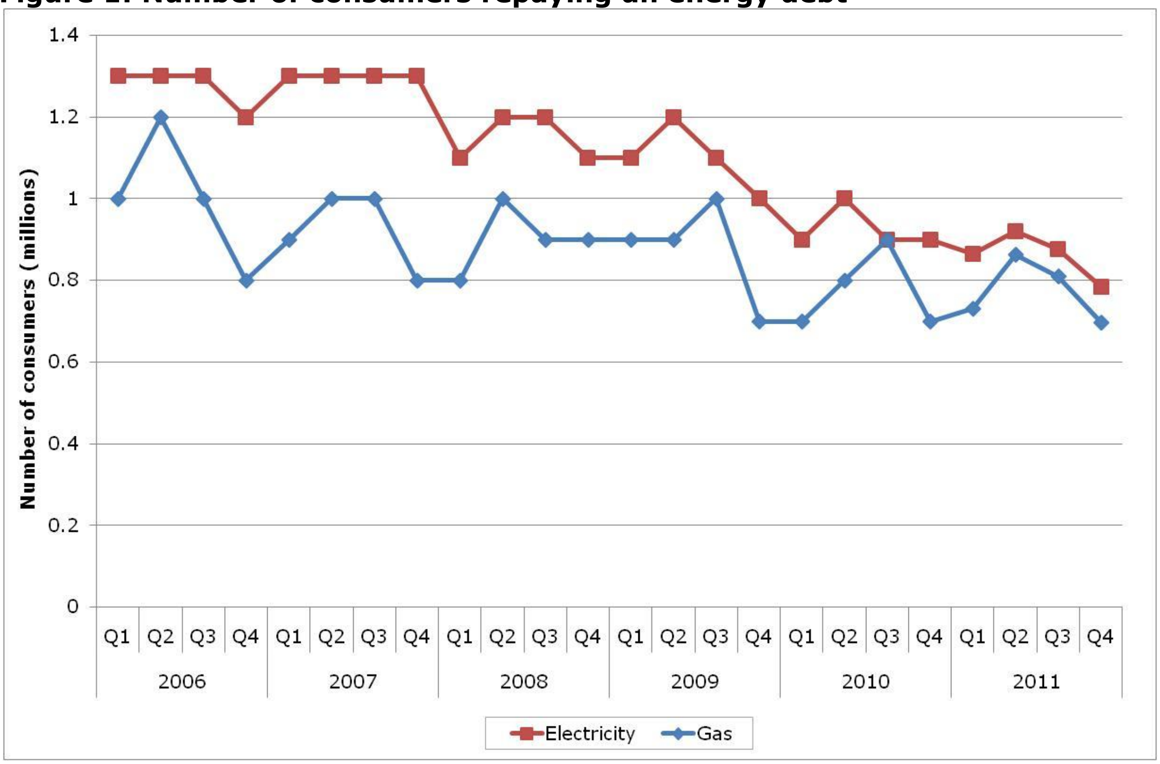
2.5. While there has been a fall in consumers repaying an energy debt across GB, the picture is more mixed when examining the breakdown for England, Scotland and Wales. Around 10% fewer electricity consumers and 4% fewer gas consumers within England are repaying a debt in 2011. It is likely the drop in the number of consumers repaying a debt is driving the national reduction as the overwhelming majority of energy consumers live within England.

2.6. In Scotland, 2% fewer electricity consumers were repaying a debt at the end of 2011 but the number repaying a gas debt increased by 7%. Wales saw the largest increase in consumers repaying electricity and gas debt with increases of 7% and 18% respectively.

[2] In 2011, there was an overall fall in electricity consumers repaying a debt in Scotland compared to 2010. However, the percentage of electricity consumers repaying a debt increased as there was a reduction in the overall number of electricity consumers in Scotland in 2011.

2.7. Figure 1 below shows the total number of electricity and gas consumers repaying an energy debt since 2003. There is a downward trend in the total number of consumers who are repaying an energy debt. Figure 1 also shows the seasonal pattern of energy debt. The number of consumers repaying a debt falls towards the end of the year, ie during the billing period following the warmer months. It then rises in the billing period following winter as consumers fall into arrears following higher energy usage during the winter months.

Figure 1: Number of consumers repaying an energy debt



Source: Ofgem, supplier data

Level of energy debt

2.8. While the overall number of consumers repaying a debt has decreased, especially for electricity, there are signs that the recession and high energy bills are continuing to have an impact on consumers struggling to pay. Table 3 shows the average level of electricity and gas debt in 2010 and 2011. As can be seen, average electricity debt repayments remained largely unchanged. However, the average level of debt held by gas consumers increased by around 10% to £371[3].

[3] During 2011 an error was identified in the data provided by ScottishPower which underestimated ScottishPower's average debt for PPM consumers and the average number of weeks it took PPM consumers to repay a debt. ScottishPower told us the error was due to a technical fault and have corrected their reporting processes. ScottishPower provided revised

Table 3: Average level of consumer debt held by electricity and gas consumers in 2010 and 2011[4]

	2010	2011	Percentage change
Electricity	£360	£357	-1%
Gas	£339	£371	10%

Source: Ofgem, supplier data

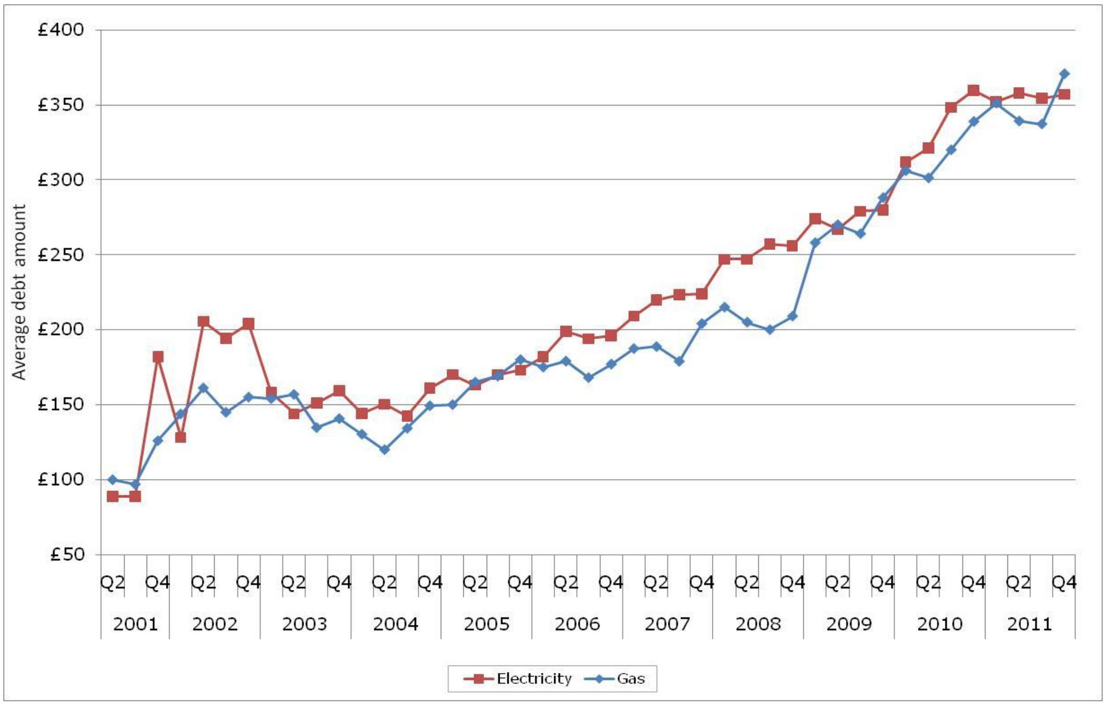
2.9. Figure 2 below shows a marked increase in the average level of electricity and gas debt since 2001. At the end of June 2001, the average debt held by electricity and gas consumers was £88 and £100 respectively. This had increased to £357 for electricity consumers and £371 for gas consumers by the end of 2011.

2.10. A number of factors will have contributed to this increase. Prices for electricity and gas have risen considerably since 2001 - it is likely that increasing energy prices will cause consumers to incur larger debts or make paying existing debts more difficult. Similarly, the economic decline since 2008 will also have had an impact on consumers' ability to pay their bills and repay debt quickly. We have previously highlighted the need for suppliers to proactively identify consumers who are having difficulty paying. We expect suppliers to continue fostering this approach and deal sympathetically with consumers who are struggling to pay.

data on the average debt for PPM consumers for 2011 and quarters 3 and 4 in 2010 but not for previous periods due to the difficulty of revising historic data.

[4] Average gas and electricity debt figures in 2010 are based on the revised average level of debt as a result of ScottishPower's reporting error. See footnote number 3.

Figure 2: Average level of debt held by gas and electricity consumers since 2001[5]



Source: Ofgem, supplier data

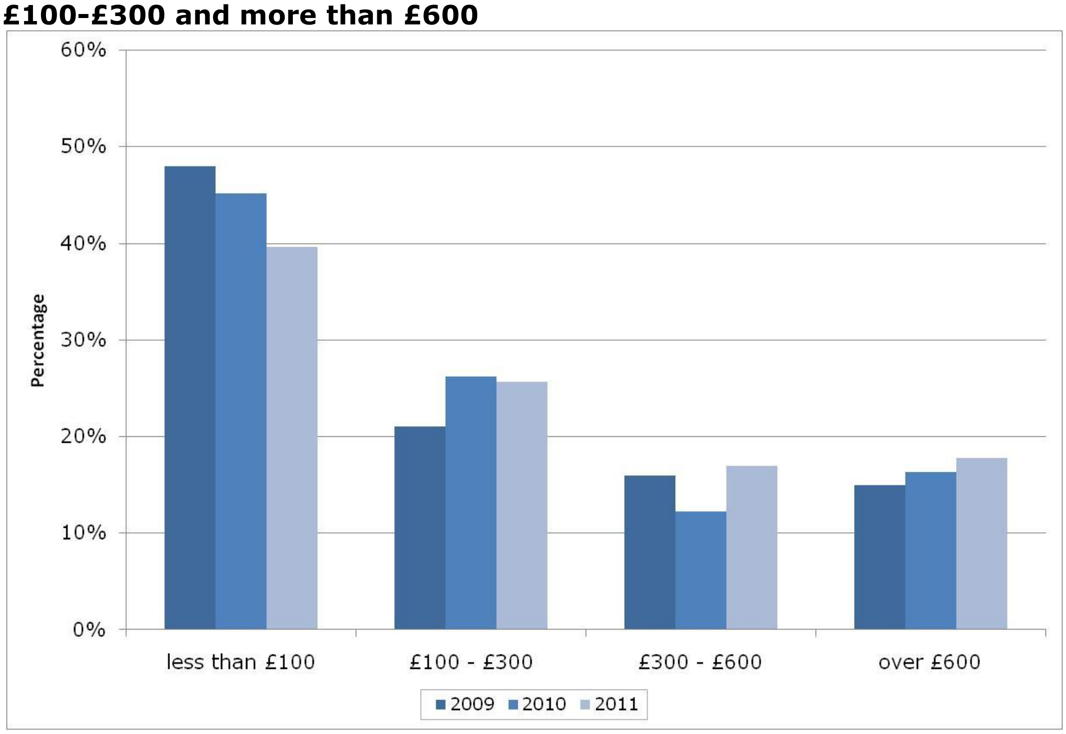
2.11. There is a difference in the average level of consumer debt between consumers of the 'big six' energy suppliers and smaller suppliers. Electricity consumers with the big six suppliers had an average debt amount of £353 while consumer with small suppliers incurred an average debt of £572. Gas consumers with the big six suppliers incurred an average debt of £369 while consumers with smaller suppliers had an average debt of £488. We intend to do more work with small suppliers to understand these differences and ensure all is being done to manage consumer debt appropriately. However, generally, consumers with smaller suppliers are less likely to incur a debt than consumers with the big six. For both electricity and gas, around 2% of consumers with small suppliers had an energy debt compared to around 3% of consumers with the big six.

2.12. The rising level of gas debt is also illustrated by the increase in the proportion of consumers repaying larger debts. Figure 4 shows that in 2011 60% of indebted gas consumers owed over £100; this is an increase compared to 2010 where 55% of indebted gas consumers owed more than £100. The biggest percentage change occurred with consumers repaying £300 to £600. There was no change in the proportion of electricity consumers paying a debt over £100.

[5] See footnote number 3.

Figure 3: Percentage of indebted electricity customers repaying less than £100, £100-£300 and more than £600

Figure 4: Percentage of indebted gas customers repaying less than £100, £100-£300 and more than £600



Source for figures 3 and 4: Ofgem, supplier data

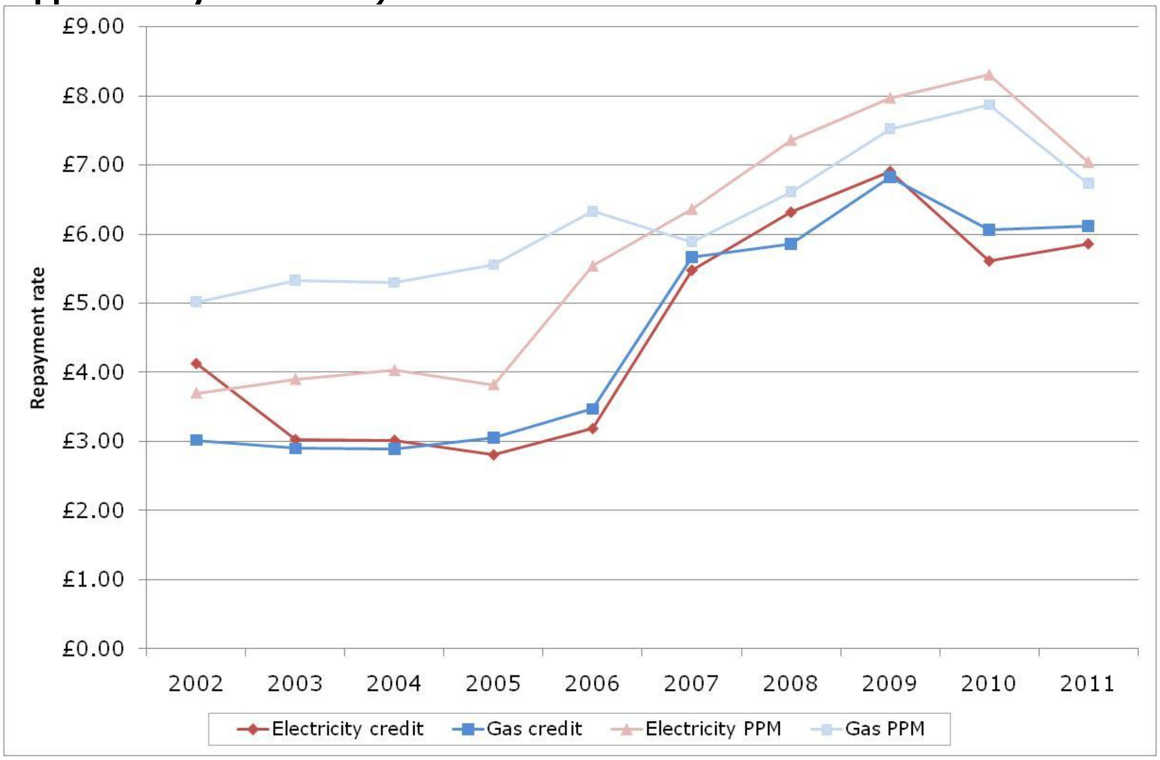
Debt repayment rates

2.13. This section provides information on the average weekly debt repayment rates made to the big six domestic energy suppliers[6]. Figure 5 shows that these continued to decrease in 2011 for electricity and gas PPM consumers to £7.04 and £6.73 respectively – a reduction of around 15% compared to the previous year. This is a positive development and brings PPM repayment rates more in-line with those paid by credit consumers. We would not expect PPM consumers to have higher repayment rates than credit consumers given that PPM consumers are more likely to be on low incomes.

2.14. Given our previous work to address repayment rates and remind suppliers of their obligation to take into account the consumer's ability to pay we are disappointed to see that repayment rates increased for credit meter consumers at the end of 2011 to £5.86 for electricity and to £6.12 for gas; an increase of 4% and 1% respectively. While the increase is only 4% for electricity and 1% for gas, we will continue to closely monitor and remind suppliers that repayment rates must be calculated according to what the consumer can afford to pay, and not the size of the debt.

[6] Since 2007, we have not included small suppliers repayment rates in our analysis because their inclusion potentially distorts the overall picture. Small suppliers have a very small number of customers repaying a debt and are not necessarily representative of the broader market.

Figure 5: Average weekly debt repayment rates from 2002-2011 (big six suppliers only from 2007)

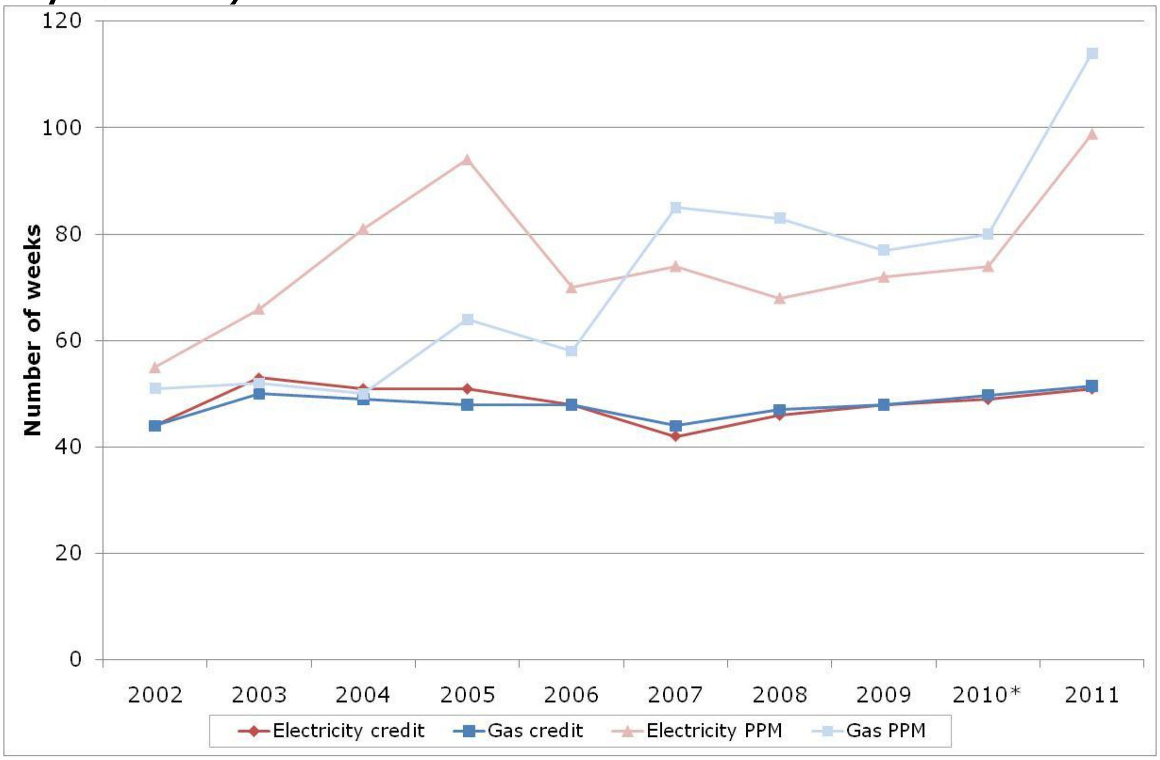


Source: Ofgem, supplier data

2.15. Figure 6 below shows the average number of weeks in which debts are being repaid under agreed repayment plans. The average number of weeks to repay a debt for credit consumers increased by one and two weeks for electricity and gas respectively. There was a much larger increase for PPM consumers - repayment time increased by 17 weeks (a 24% change compared to 2010) for electricity consumers and 28 weeks (a 42% change compared to 2010) for gas consumers.

2.16. This is a positive sign that suppliers are taking into account consumers' ability to pay when setting debt repayment levels rather than recovering debts over set time periods.

Figure 6: Average number of weeks to repay energy debt (big six suppliers only from 2007)



Source: Ofgem, supplier data

*The average number of weeks to repay a debt for PPM gas and electricity consumers in 2011 is significantly different from 2010. This is partly due to a reporting error that was made by ScottishPower. Please see footnote 3 for more information.

Suppliers' approaches to debt management

2.17. In June 2010, Ofgem published a review of suppliers' approaches to debt management and prevention[7]. This review identified that while many examples of good practice existed, there were some concerns in relation to taking each consumer's ability to pay into account when determining repayment levels. As a result, we developed some key principles (provided in Appendix 2) that suppliers should use when assessing a consumer's ability to pay.

2.18. Outlined below are some additional ways individual suppliers have aimed to help consumers over the last 12 months.

- **British Gas** has been trialling with DWP a process to streamline and increase the take-up of Fuel Direct consumers. The trial included British Gas approaching DWP on a consumer's behalf in situations where a consumer had

[7] Ofgem review of suppliers approaches to debt management and prevention, June 2010 reference 69/10. This document can be found on Ofgem's website: http://www.ofgem.gov.uk

difficulty in doing so themselves. The company has also financed and trained Citizens Advice advisors to assist consumers in debt, and has introduced a new specialist team to manage the accounts of their most vulnerable consumers. British Gas is also working with cross-industry experts to find examples of good practice to help consumers in payment difficulty.

- **EDF Energy** created a training package, which has been piloted, helping staff to better identify signs of vulnerability. It also has a partnership with Citizens Advice which aims to make sure consumer income is maximized when a debt resolution package is agreed. This partnership has helped to both reduce indebted consumer outgoings and increase their income by an average of £1,000.

- **E.ON** is undertaking a trial allowing PPM consumers to pay back debt separately from ongoing energy consumption using a number of payment mechanisms including direct debit, standing order and weekly payment card. E.ON is also undertaking an initiative to install PPMs in restricted access areas which do not permit 24 hour access to the meter. Safe disconnection periods will be incorporated into these PPMs to ensure that consumers should not lose energy supply through an inability to access the meter.

- **npower** have started to confirm repayment arrangements in writing with their consumers and introduced a new computer system which allows energy bills to show the repayment amount and the reduction in total debt. The company has explored ways to minimise disconnection for consumers who cannot have a PPM fitted due to the meters location. It has also redesigned its customer service process for dealing with consumers in debt.

- **ScottishPower** has undertaken routine reviews of 25% of PPM consumer debt repayment rates that are over £15 per week to see if these need to be adjusted. These reviews are carried out on a monthly basis and consumers are selected at random. The company suspended debt repayment during winter 2010-11 for 18,000 of its most vulnerable consumers. ScottishPower is also trialling the calling of consumers with low direct debit payments to check if the repayment amount is sufficient to cover their energy use.

- **SSE** introduced a consumer contact strategy whereby they did more outbound calls instead of letters to consumers. This resulted in a 30% drop in the number of consumers who had two or more unpaid bills. To minimise disconnection for consumers who cannot have a PPM fitted due to its location the company now absorbs the cost of moving meters. SSE is also developing better relationships and processes with registered social landlords, agencies and councils to improve identification and communication of tenancy changes.

2.19. During 2011, we developed our relationship with smaller suppliers by introducing regular six-monthly meetings to understand the approaches they are taking to consumer debt and disconnections. Small suppliers have told us they are increasing the action they take to prevent consumers incurring debt. They have also developed their follow-up debt measures to include text messaging. This improved focus on debt follow-up is timely, with some suppliers highlighting backlogs in debt recovery, which has been reflected in average debt levels. We will continue to monitor the progress of small suppliers' debt management activities.

Data review impacts

2.20. Over the past year we have reviewed the data we collect from suppliers on debt, disconnection and other obligations relating to consumers in vulnerable positions. The last data review was carried out in 2007 so we considered it necessary to determine if the data collected was still fit for purpose. We also wanted to be sure that suppliers were reporting each data item consistently. In March 2012 we published a decision letter[8] outlining the changes to data collection that we had decided to make and published revised guidance[9] explaining in detail the reporting requirements we expect suppliers to follow. The main changes that will affect consumer debt and repayment rates are outlined below. The new data will be collected from quarter three of 2012.

2.21. As a proxy for the number of gas and electricity consumers in debt, we currently collect information on the number of consumers on a debt repayment arrangement scheduled to last longer than 91 days or 13 weeks. This means information about those consumers who are in debt to their supplier but have not yet set up a repayment arrangement is excluded. We plan to remedy this by also collecting information on the number of consumers in arrears but not on a repayment plan with their supplier.

2.22. We will also widen the information we collect on repayment rates to separately report on the average weekly repayment rates of those paying by different payment methods, for example, direct debit, payment card and payment on receipt of the bill.

2.23. The key principles suppliers should use for assessing ability to pay highlight the importance of suppliers monitoring failed repayment arrangements. We will now collect information from suppliers on the number of consumers that have failed to make their repayments as part of an agreed arrangement each quarter. This will help provide a clearer picture of whether suppliers are setting realistic repayment arrangements.

[8] Review of data collected under suppliers' social obligations – decision letter, 2 April 2012,
[9] Guidance on monitoring suppliers' performance in relation to domestic customers, 30 March 2012, reference 50/12

3. Disconnection for non-payment of debt

Chapter Summary

This chapter outlines the level of gas and electricity disconnections during 2011 and provides information on the performance of the big six suppliers. It also contains an overview of disconnection trends in England, Scotland and Wales. Ofgem's work to improve performance in this area is also highlighted.

3.1. During winter (October to March) suppliers are prohibited from knowingly disconnecting consumers of pensionable age (where they live alone, with other pensioners or with children). Suppliers must also take all reasonable steps during winter to avoid disconnecting premises where the occupants include a person who has a disability, a chronic sickness or is of pensionable age[10].

3.2. Members of Energy UK[11] also adhere to a voluntary code of practice known as the 'Safety Net'[12]. Among other protections, this prevents the disconnection of vulnerable consumers[13] at any time of year and a commitment to reconnect consumers who are subsequently identified as vulnerable as a priority and usually within 24 hours. Compliance with Safety Net is independently audited.

3.3. During 2012, the six largest suppliers have also proposed improvements to the Energy UK Safety Net, a voluntary initiative which exists alongside the supply licence conditions to provide additional protection to vulnerable consumers. In particular, further safeguards have been proposed to protect households with children from disconnection by committing to not disconnecting households with children under five years old at any time of year, rising to 16 in winter (October to March) to ensure that children are protected at the coldest times of year.

The number of disconnections

3.4. Table 5 shows the total number of electricity and gas disconnections in 2011 and 2010. It also shows the number of disconnections broken down by England, Scotland and Wales.

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[10] Pursuant to licence conditions 27.10 and 27.11 of the standard gas and electricity supply licence conditions.
[11] Energy UK is a trade association for the gas and electricity sector.
[12] The Safety Net is a voluntary code of practice on debt and disconnection run by Energy UK. British Gas, EDF Energy, E.ON, npower, ScottishPower and Scottish & Southern Energy are signed up to the code
[13] The Safety Net defines a vulnerable consumer as "*A customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household".*

Table 5: Number of disconnections for non-payment of debt

	Electricity			Gas		
	2010	**2011**	**Change**	**2010**	**2011**	**Change**
GB	1,988	921	-54%	813	331	-59%
England	1,946	868	-55%	687	282	-59%
Scotland	17	13	-24%	94	15	-84%
Wales	25	40	60%	32	34	6%

Source: Ofgem, supplier data

3.5. The total number of disconnections fell markedly across GB in 2011. Electricity disconnections reduced by around 54% to 921 disconnections and gas disconnections fell by around 60% to a total of 331. This suggests that suppliers are continuing to use other methods of recovering debts and use disconnection only as a last resort.

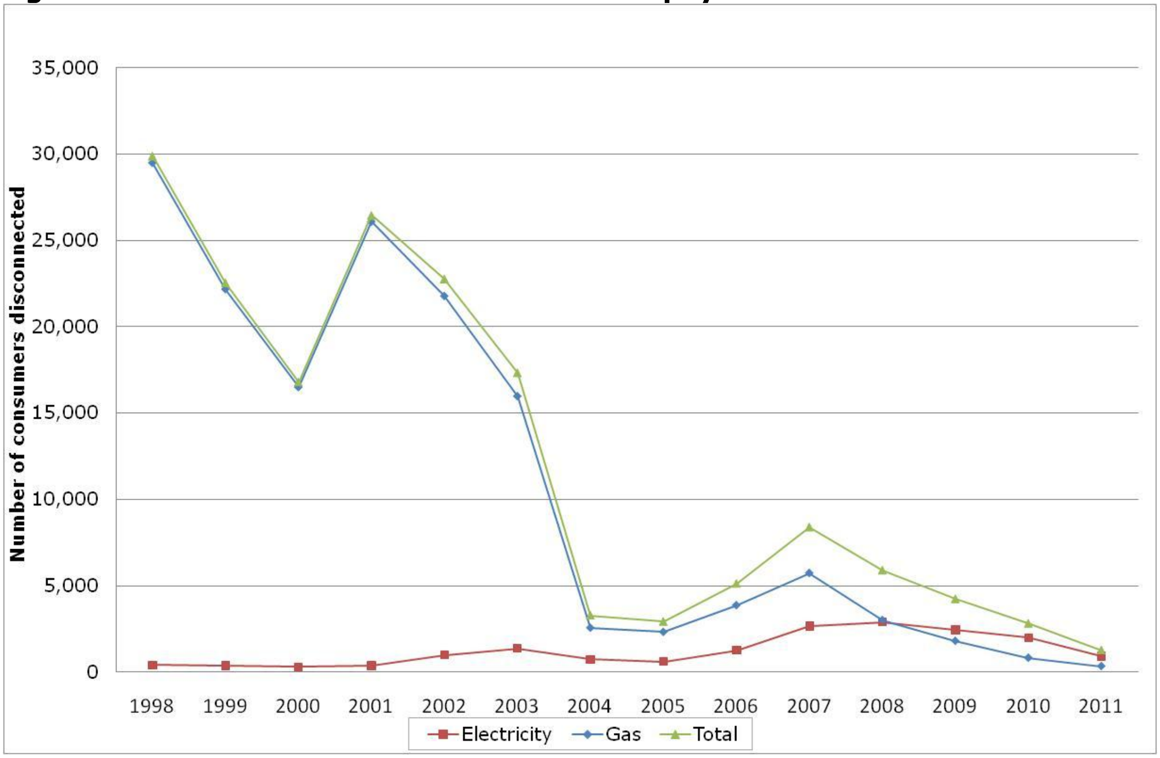
3.6. Despite the overall fall in GB, the figures show that there was an increase in disconnections in Wales. The increase in gas disconnections was marginal – only an additional two were carried out in 2011 compared to the previous year. However, there were an additional 15 electricity disconnections. The majority of these disconnections were carried out by SSE, who is the former incumbent supplier in South Wales. SSE has said that the increase is due to them undertaking more visits to premises to determine the circumstances of the consumer. They have assured us that there has been a reduction in visits and warrant activity and they will only disconnect where it is an absolute last resort.

3.7. The total number of electricity and gas disconnections fell in England and Scotland – most notably there was an 84% fall in the total number of gas disconnections in Scotland.

3.8. Figure 7 below shows the total number of disconnections for non-payment of debt since 1998. There were around 16,000 electricity and gas consumers disconnected in 2003; this had fallen by around 92% in 2011 to a total of 1,252 consumers. It is clear the main driver for this reduction is the fall in the number of gas disconnections. We have previously given the following reasons for this:

- increased pressure from Ofgem and others on suppliers to disconnect only as a last resort, including Ofgem's work promoting best practice amongst suppliers
- the installation of PPMs as an alternative to disconnection
- the introduction of Energy UK's voluntary Safety Net which barred the disconnection of vulnerable consumers at any time of year.

Figure 7: Number of disconnections for non-payment of debt since 1998



Source: Ofgem, supplier data

Electricity disconnections by supplier

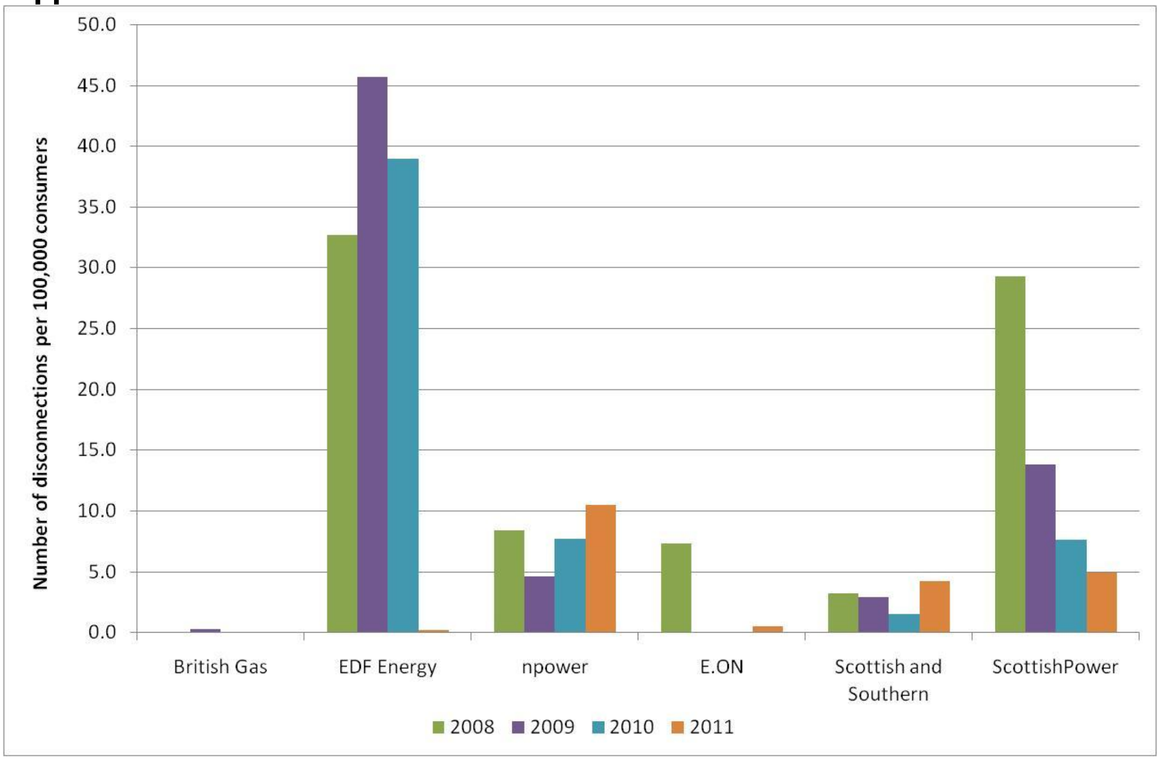
3.9. Figure 8 shows the number of electricity disconnections per 100,000 consumers undertaken by each of the big six suppliers. In total, the number of disconnections carried out by the big six fell by 60% in 2011 compared to the previous year.

3.10. This fall was largely due to the 99% reduction in electricity disconnections carried out by EDF Energy compared to the previous year. Following intervention by us in 2010, including meetings between the Chief Executives of EDF Energy and Ofgem, EDF Energy were able to reduce the number of disconnections by adding further controls and focusing on addressing the safety issues they faced where the meter was located in an in-take room/communal cupboard (which are common in flats in London where EDF Energy is the incumbent supplier).

3.11. There was also a 35% fall in disconnections carried out by ScottishPower in 2011. We also worked with ScottishPower in 2010 to address their relatively high disconnections. ScottishPower has emphasised that focusing on contacting the consumer and only carrying out disconnections as a last resort is the main reason for its fall in disconnections.

3.12. British Gas' disconnection level remains unchanged having continued to not disconnect for non-payment of electricity in 2011.

Figure 8: Electricity disconnections per 100,000 consumers by the big six suppliers



Source: Ofgem, supplier data

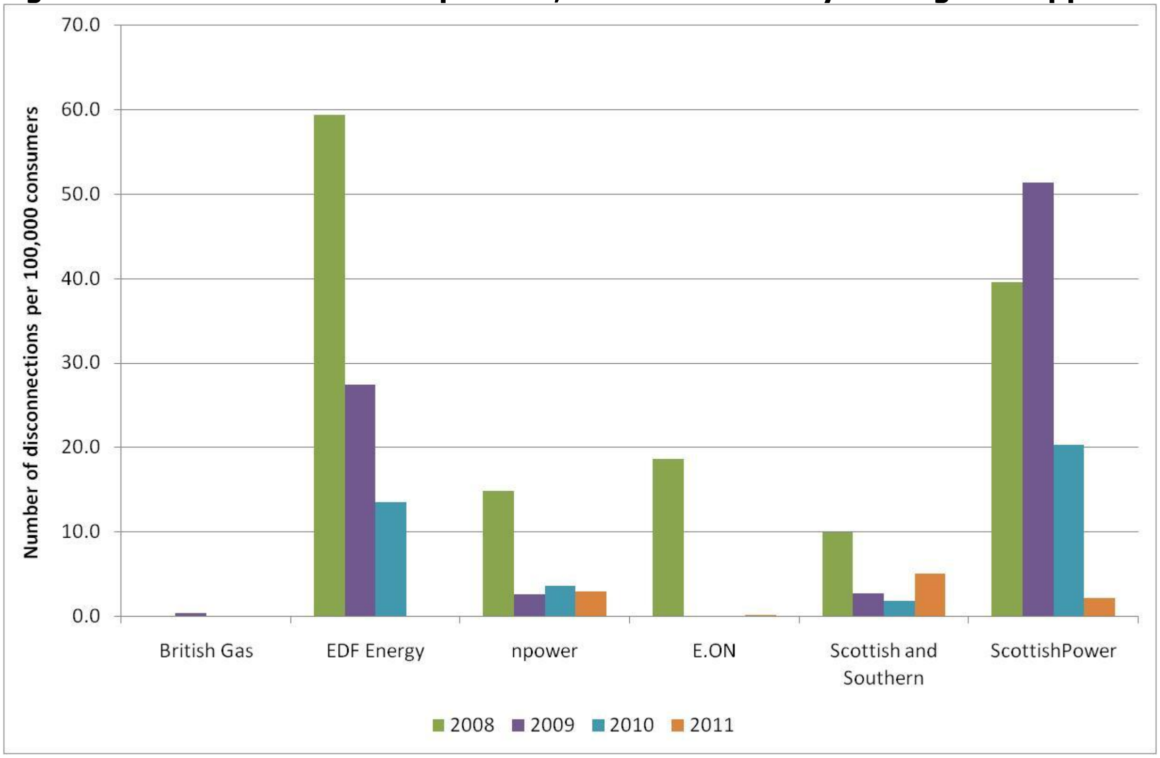
3.13. npower, E.ON and SSE increased the number of disconnections they carried out in 2011 compared to the previous year. The absolute increase in disconnections is marginal – for example, both SSE and npower carried out less than 3 disconnections more per 100,000 consumers in 2011 than 2010. E.ON carried out less than 1 disconnection per 100,000 consumers in 2011. We will continue to monitor these suppliers.

3.14. We will continue to monitor suppliers' disconnections to ensure that those that have carried out more disconnections in 2011 do not continue to do so. It remains our view that disconnections should only be carried out as a last resort by suppliers. Suppliers should maintain the work they have undertaken through the Safety Net and continue to look for alternatives to disconnection.

Gas disconnections by supplier

3.15. Figure 9 below shows the number of gas disconnections per 100,000 consumers undertaken by each of the big six suppliers. All suppliers, with the exception of SSE, reduced the number of gas disconnections they carried out in 2011.

Figure 9: Gas disconnections per 100,000 consumers by the big six suppliers



Source: Ofgem, supplier data

3.16. In percentage terms, SSE disconnected 179% more gas consumers in 2011 than in 2010. However, this equates to a slight increase of an additional 3.3 disconnections per 100,000 consumers. SSE has told us they take every action to avoid disconnecting consumers but sometimes, and as a last resort, disconnection is the only option available. Nevertheless, suppliers should ensure that disconnections are only carried out after all other possibilities to recover outstanding debts have been fully pursued. Whilst the aggregate fall in electricity and gas disconnections is encouraging, it is important that the improvement is continued across all suppliers. We will continue to monitor SSE's disconnections over the coming months.

Data review impacts

3.17. As mentioned in the previous chapter, in March 2012 we published our revised reporting arrangements around suppliers' obligations relating to vulnerable consumers.

3.18. We currently collect information from each supplier on the number of disconnections undertaken each quarter and how quickly the affected consumers were reconnected. In our view, this did not provide us with sufficient information on how consumers were supported by their suppliers when they were disconnected.

3.19. Data from quarter three 2012 will include information on the number of disconnected consumers who were contacted by telephone (regardless of whether those calls were answered or not) or letter within two working days of the disconnection. This additional data will be included in our quarterly and annual reports.

3.20. We will also collect data to monitor what impact the implementation of smart metering will have on consumers. Smart meters will allow suppliers to remotely disconnect consumers and to take new approaches in terms of credit and load limiting. We will collect information about each of these areas.

4. Prepayment Meter consumers

Chapter Summary

This chapter focuses on PPMs installed in 2011, providing analysis on the number of PPM consumers, the reason for the installation of PPMs, the number of PPM consumers repaying an energy debt and information on token PPMs.

4.1. Before disconnecting a consumer, suppliers have a licence obligation to take all reasonable steps to recover outstanding charges by using a PPM where it is safe and reasonably practicable in all the circumstances for the domestic consumer to do so[14]. Previous research by Ofgem has shown that many consumers like PPMs because they provide a useful mechanism for budget management and debt avoidance. However, whilst PPMs can be a valuable alternative to disconnection, paying through a PPM is typically more expensive than paying by direct debit and a relatively high proportion of consumers on low incomes use them. With this in mind, Ofgem monitors their use carefully.

Total number of PPMs

4.2. Table 6 shows the total number of PPMs in GB in 2011 compared to 2010. The table also shows this information broken down for England, Scotland and Wales. The total number of electricity and gas PPMs in GB increased by around 3% and 7% respectively in 2011.

Table 6: Total number of PPMs in 2010 and 2011 (millions)[15]

	Electricity			Gas		
	2010	**2011**	**Change**	**2010**	**2011**	**Change**
GB	3.95	4.09	3%	2.72	2.91	7%
England	3.19	3.32	4%	2.29	2.45	7%
Scotland	0.52	0.53	1%	0.28	0.30	6%
Wales	0.23	0.23	1%	0.14	0.15	7%

Source: Ofgem, supplier data

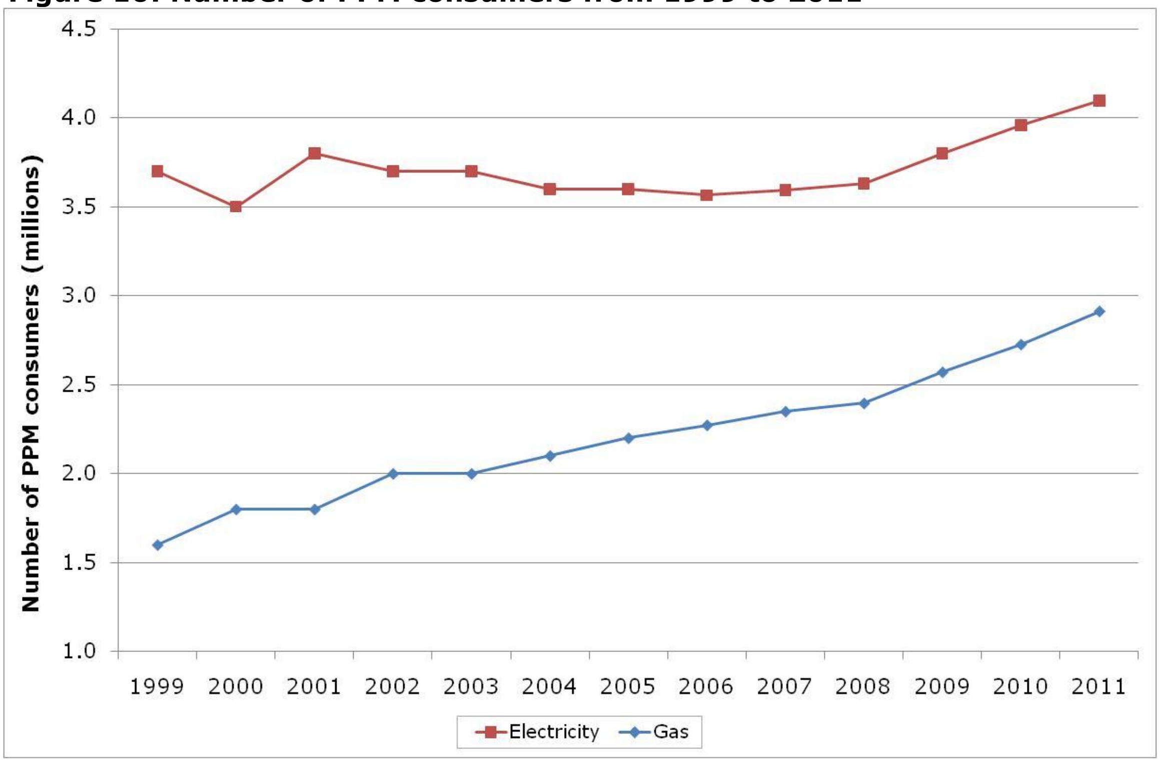
4.3. As can be seen in Table 6, the installation of PPMs at a regional level broadly follows the national trend, although the installation of electricity PPMs grew at smaller rate in Scotland and Wales in comparison to England. The installation rate of gas PPMs is higher than that observed for electricity PPMs. The reasons for this are discussed below.

[14] Pursuant to licence condition 27.9 of the standard gas and electricity supply licence conditions.
[15] The percentage change figures are rounded to the nearest whole number

4.4. Figure 10 below shows the total number of electricity and gas PPM consumers since 1999. There is a long term upward trend in the number of both electricity and gas PPMs. In 1999 there were around 3.7 million PPM electricity consumers; this increased by around 10% to 4.1 million PPM consumers in 2011. The number of gas PPMs has increased even more - in 1999 there were around 1.6 million but this had increased by around 82% to 2.9 million by 2011.

4.5. Historically, the number of gas PPM consumers has always been lower than in electricity due to safety issues associated with fitting gas PPMs. However, these issues have been gradually addressed by suppliers with an increased willingness to install gas PPMs as a more common alternative to disconnection.

Figure 10: Number of PPM consumers from 1999 to 2011

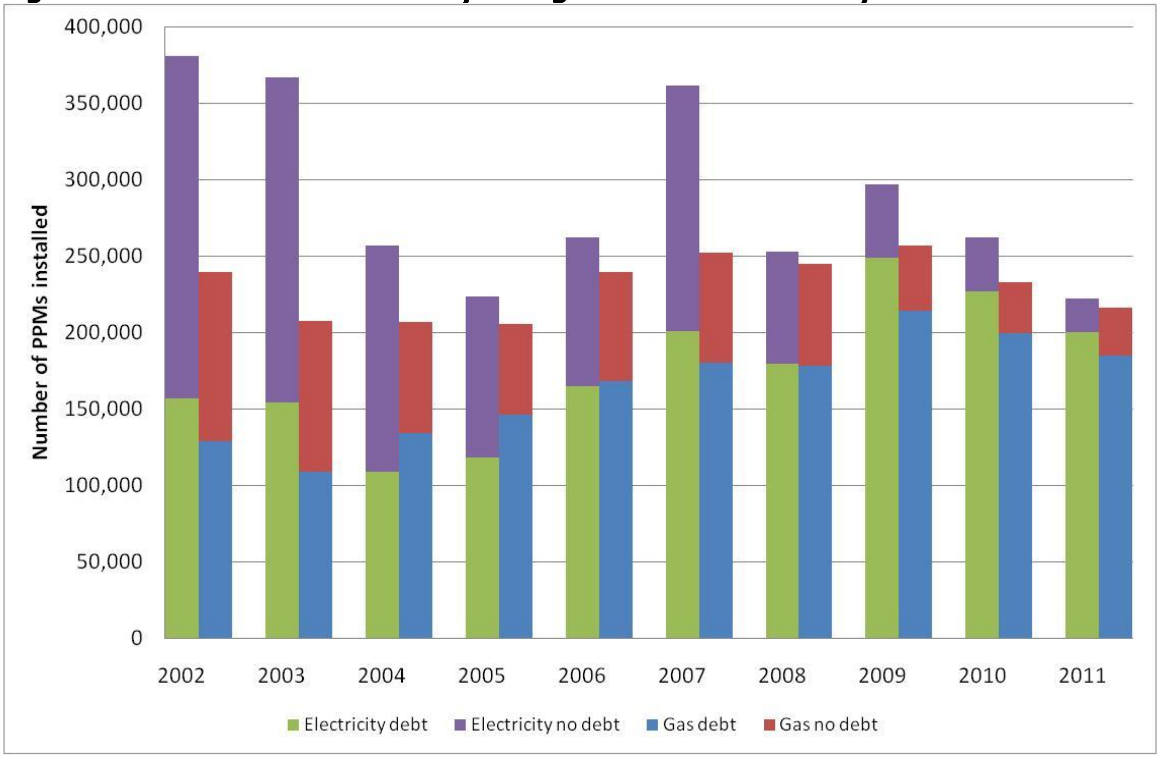


Source: Ofgem, supplier data

PPM installation rates

4.6. Figure 11 shows the total number of electricity and gas PPM installations in each year since 2002, split by those that were installed for a reason other than debt and those because of a debt. There has been a considerable increase over time in the proportion of PPMs that are installed for debt – in 2002 around 40% of electricity PPMs were installed due to debt; while this figure had increased to 90% in 2011.

Figure 11: Number of electricity and gas PPMs installed by reason



Source: Ofgem, supplier data

4.7. As can be seen in Figure 11, PPM installation rates declined for both fuel types in 2011. The largest declines occurred for indebted and non-indebted electricity consumers; the installation of PPMs for these consumers declined by around 12% and 38% respectively compared to 2010. The number of PPMs installed for gas consumers also decreased by around 8% for those consumers who have a debt and 4% for consumers with no debt.

4.8. The declining PPM installation rates may not be unexpected given the fall in the total number of consumers who are entering into new debt repayment arrangements. As discussed above, the main reason for installing PPMs is to manage debt issues. As fewer consumers enter debt arrangements the rate of PPM installation will decrease.

4.9. There has been a decrease in the total number of consumers switching from PPMs to credit meters in 2011. The number of PPM electricity consumers changing to credit meters fell by 26% in 2011 compared to the previous year. The number of gas PPM consumers changing to a credit meter fell by 31%. Suppliers reported that they did not refuse any requests to change from a PPM to credit meter for consumers without a debt. This was with the exception of E.ON who refused 3,830 consumers in 2011. E.ON stated these refusals were a result of tightening their credit checking policy. However, it should be noted that other suppliers may have strict policies, such as charging for a PPM to credit exchange, which prevents consumers going ahead with the meter switch but does not amount to an actual refusal.

Number of PPM consumers repaying a debt

4.10. Table 7 shows the number of electricity and gas PPM consumers repaying an energy debt in 2011 compared to 2010. Around 8% of electricity PPM consumers and 11% of gas PPM consumers were repaying an energy debt in 2011. This is marginally lower than the previous year where 9% and 12% of electricity and gas PPM consumers respectively were repaying an energy debt. In total, around 15% fewer electricity consumers repaid a debt compared to 2010. The number of gas PPM consumers repaying a debt fell by less than 1%.

Table 7: Number of electricity and gas PPM consumers repaying a debt

	2010	2011	2010	2011
	Number in debt	**Number in debt**	**Percentage in debt**	**Percentage in debt**
Electricity	372,516	315,714	9%	8%
Gas	321,898	320,998	12%	11%

Source: Ofgem, supplier data

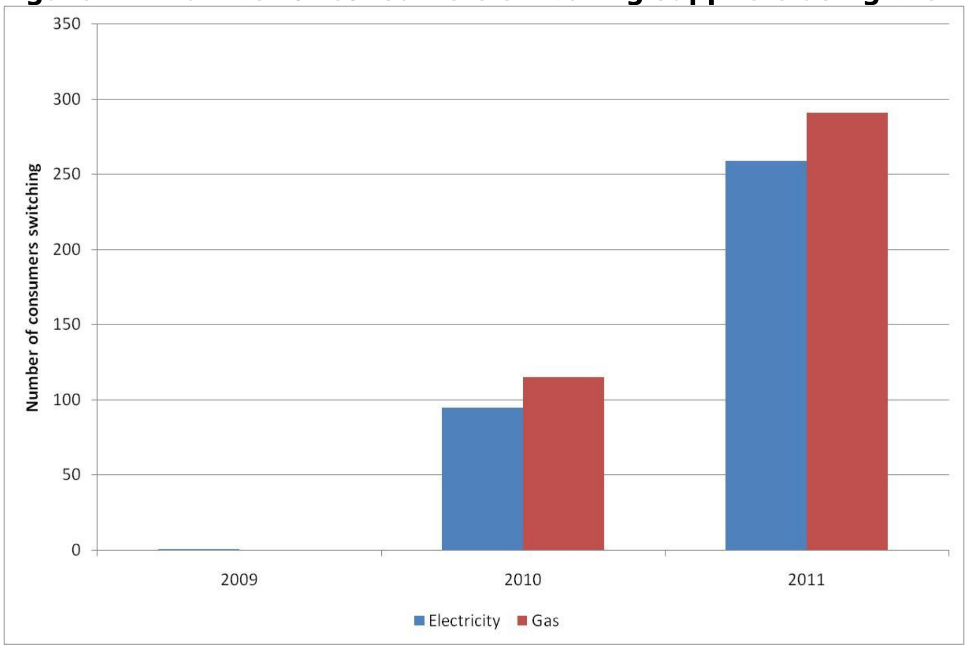
Debt blocking and the debt assignment protocol

4.11. The Debt Assignment Protocol (DAP) allows PPM consumers who owe up to £200 to switch supplier and transfer their debt to their new supplier. This can help consumers get a cheaper energy deal and, as a result, potentially repay their debt quicker.

4.12. Figure 12 shows the number of PPM consumers who have transferred to another supplier with a debt[16]. As can be seen, the number of electricity and gas consumers who successfully transferred their debt to a new supplier increased from 210 in 2010 to 550 in 2011. However, when compared with the number of PPM consumers with a debt that attempted to switch (178,000 did so in 2011), the number that are successful is still extremely low.

[16] Total number based on D/G0309 reference code

Figure 12: Number of consumers switching suppliers using the DAP



Source: Ofgem, supplier data

4.13. To help improve these woeful figures, in September 2012 we reached an agreement with suppliers to increase the debt threshold from £200 to £500 by 1 November 2012. The higher threshold will allow thousands of additional consumers, who previously could not switch because their debt was more than £200, to switch to a cheaper deal. We have also reached agreement with suppliers that they will improve the promotion of the ability to switch with a debt and the process for performing the switch. We expect these actions to improve the experiences of PPM consumers that attempt to switch with a debt and increase the number of successful switches with a debt.

Token PPMs

4.14. Token PPMs are older technology meters which need to be recalibrated manually at the consumer's premises following a price change. Since 2006, suppliers have undertaken programmes to replace these older meters with newer technology PPMs. Ofgem worked with suppliers to ensure they had appropriate arrangements in place as part of their phase-out programmes, and that consumers were not left off supply. As part of this work we developed principles detailing the minimum steps that we expected to be included in their token PPM withdrawal programme. These can be found in our previous updates published on our website.

4.15. There were several thousand token meters still installed at the end of December 2011. Most of these token meters were in vacant properties or difficult to reach properties which suppliers cannot access. Suppliers are continuing to review the remaining token PPMs with a view to replacement with a more modern type of meter.

Data review impacts

4.16. From quarter three 2012 we will collect more detailed data on the repayment rates of PPM consumers. In particular, we are aware that consumers on Independent Gas Transporter (IGT) networks have been unable to have a gas PPM installed because some suppliers consider the installation, servicing and operating costs to be prohibitive. We will collect data to understand how many PPMs are being installed on IGT sites as a debt recovery mechanism.

4.17. We will also collect data to monitor what impact the implementation of smart metering will have on consumers. Smart meters will allow suppliers to remotely switch consumers from credit to prepayment mode. We want to understand the development of this; therefore we will collect information on the number of consumers remotely switched between payment modes, split by those repaying a debt and those that are not.

5. Priority Services Register

Chapter Summary

This chapter outlines key trends identified in relation to suppliers' licence obligations to identify and assist vulnerable consumers through suppliers' PSRs. The chapter identifies the total number of consumers listed on suppliers' PSRs, and shows a breakdown of the number of consumers on PSRs in England, Scotland and Wales and the number of each supplier's PSR. The chapter also identifies what help has been offered to PSR consumers.

Priority Services Register

5.1. Domestic suppliers have a licence obligation to maintain a PSR. The PSR is a list of consumers who are of pensionable age, have a disability or a chronic sickness and have made a request to be added to their supplier's PSR, either in person or via someone asking on their behalf. Suppliers must provide advice and information, free of charge, on the free services available to PSR consumers and they must take all reasonable steps inform all their consumers at least once a year of the existence of the PSR[17].

5.2. The free services that suppliers must provide to PSR consumers on request, include:

- quarterly meter readings where the consumer is unable to read the meter;
- a password to be used by any person acting on behalf of the supplier;
- the relocation of a PPM to ensure it is accessible; and
- the provision of bills and information relating to the consumers account in an accessible format for blind, partially sighted, deaf or hearing-impaired consumers.

5.3. In addition, some suppliers use their PSRs to help target other forms of assistance, such as extra help with bills during winter.

5.4. We have recently published a consultation on our new Consumer Vulnerability Strategy and proposed annual workplan for 2013/14. As part of the annual workplan we are proposing to review the effectiveness of PSRs and understand the extent to which eligible consumers are aware of the registers.

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[17] Pursuant to licence conditions 26.4 to 26.6 of the standard gas and electricity supply licence conditions.

Number of consumers on PSRs

5.5. Table 10 shows the total number of consumers on suppliers' PSRs in GB at the end of 2011 compared to 2010. The table also shows this information broken down for England, Scotland and Wales.

Table 10: Number of consumers on suppliers PSR (millions)[18]

	Electricity			Gas		
	2010	**2011**	**Change**	**2010**	**2011**	**Change**
GB	1.73	2.10	21%	1.35	1.68	24%
England	1.51	1.82	21%	1.17	1.45	24%
Scotland	0.13	0.17	29%	0.09	0.12	30%
Wales	0.09	0.11	26%	0.07	0.09	24%

Source: Ofgem, supplier data

5.6. In 2011, the number of electricity consumers on suppliers' PSRs increased by around 21%, while the number of gas consumers on PSRs increased by 24%. Around 8% of all gas and electricity consumers were listed on suppliers' PSRs in 2011.

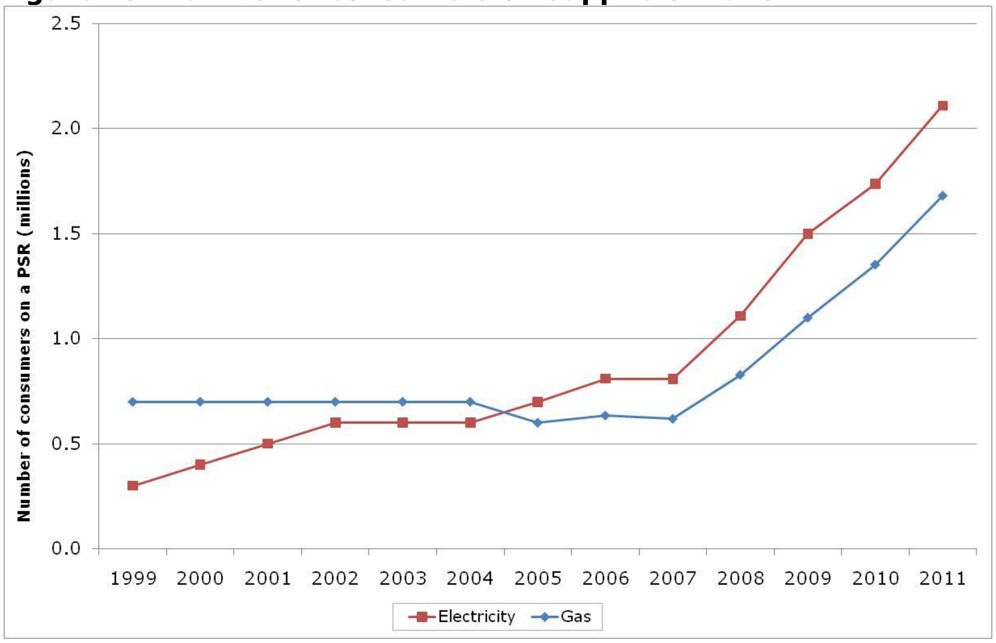
5.7. The number of consumers on PSRs in England and Wales is proportionally greater than the number in Scotland. In England around 8% of consumers are on a PSR, in Wales it is around 10% and in Scotland it is only 6%. However, the increase in the number of consumers on suppliers' PSRs was greatest in Scotland. Around 29% more electricity consumers and 30% more gas consumers were added to suppliers' PSRs in Scotland in 2011.

5.8. Despite the big increase in Scotland, there is still a significant difference between proportion of consumers on a PSR in Scotland compared to England and Wales. We are concerned that this is denying some consumers in Scotland access to advice or help in the energy markets. We encourage all suppliers in Scotland, but especially those with a significant market presence, to continue to make improvements to the promotion of their PSRs and identification of vulnerable consumers for inclusion on a PSR.

5.9. Figure 13 shows that the total number of electricity and gas consumers listed on suppliers' PSRs has increased over time. This increase is most pronounced and consistent over the last 5 years during which time the number of consumers registered on a PSR has increased by around 160% for electricity and 170% for gas.

[18] Percentage change figures based on precise customer numbers and rounded to nearest whole number

Figure 13: Number of consumers on suppliers' PSRs



Source: Ofgem, supplier data

5.10. Figures 14 and 15 show the number of electricity and gas consumers per 1 million on the big six suppliers' PSRs since 2006.

Figure 14: Number of electricity consumers on suppliers' PSRs per 1 million consumers

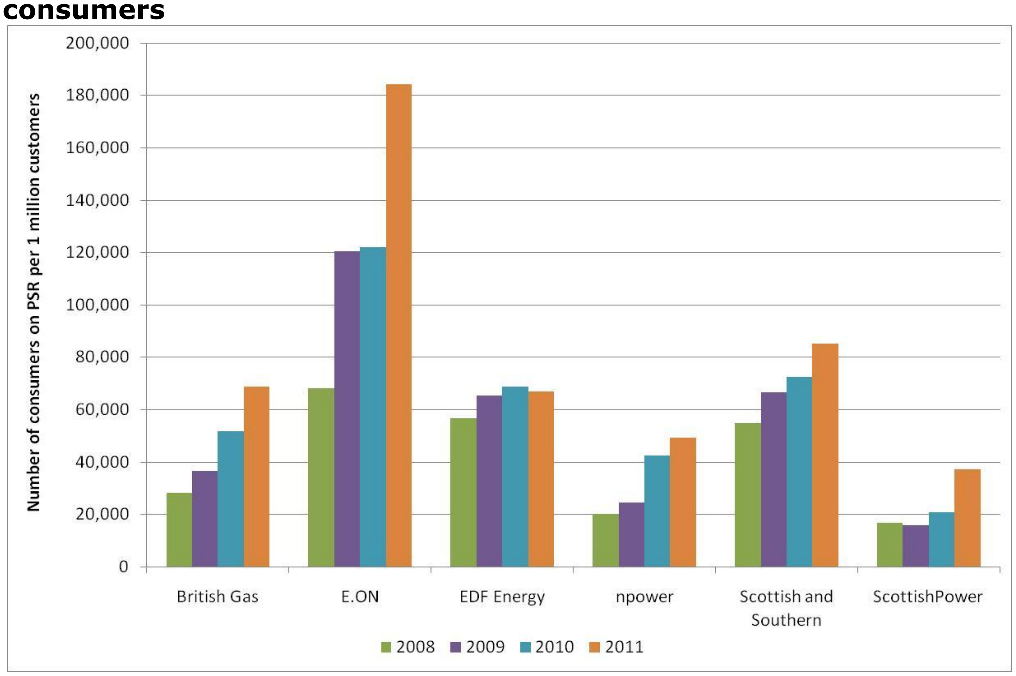
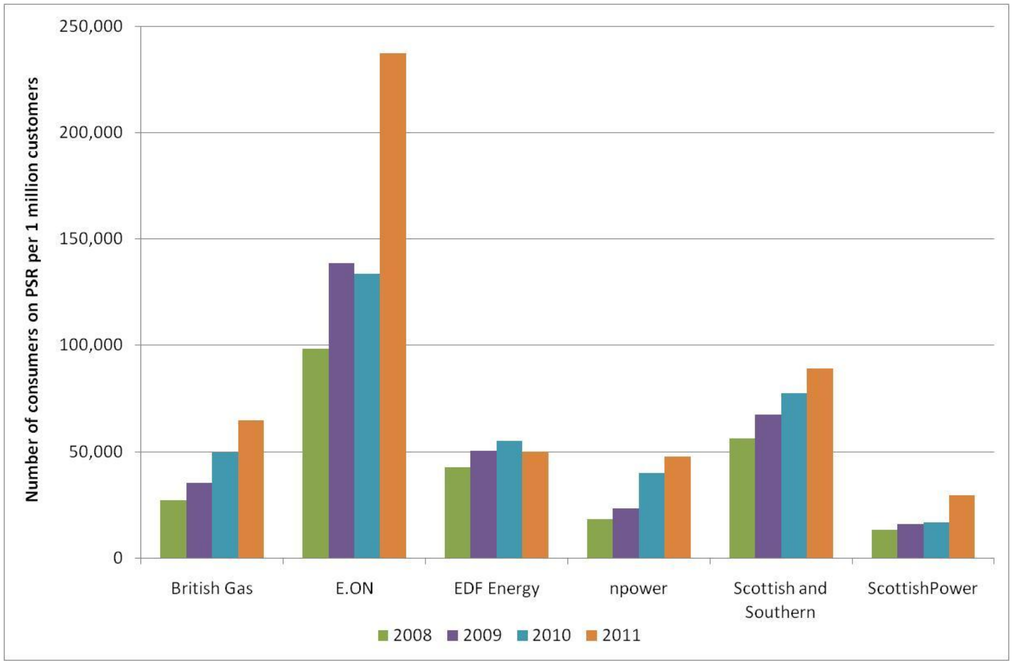


Figure 15: Number of gas consumers on suppliers' PSRs per 1 million consumers



Source for figures 14 and 15: Ofgem, supplier data

5.11. Five of the big six suppliers increased the number of electricity and gas consumers on their PSRs per 1 million consumers in 2011. While EDF Energy saw a fall per 1 million consumers, it did actually increase the number of gas consumers on its PSR by nearly 20,000. E.ON has the largest number of electricity and gas consumers registered on its PSR with more than double the number registered than the next largest. E.ON also saw a significant increase in the number of electricity and gas consumers registered in 2011 – 51% and 78% respectively. E.ON states this increase is due to making use of other initiatives to promote its PSR, such as the Warm Homes Discount.

5.12. ScottishPower also saw a large increase in the number of consumers on its PSR in 2011: 74% in electricity and 78% in gas. However, ScottishPower still has the lowest number of consumers (per 1 million) registered on its PSR of all the major suppliers. This may help explain why the number of consumers registered on PSRs in Scotland, where ScottishPower is a former incumbent supplier, is lower than the rest of GB. We encourage ScottishPower to continue its positive efforts to promote the PSR and identify those that may be eligible and want to be added.

5.13. British Gas has seen a moderate increase in the number of consumers on its PSR, which it said was due to informing eligible consumers about the PSR through a bill message. They have also actively promoted the PSR to all consumers identified for the Warm Homes Discount.

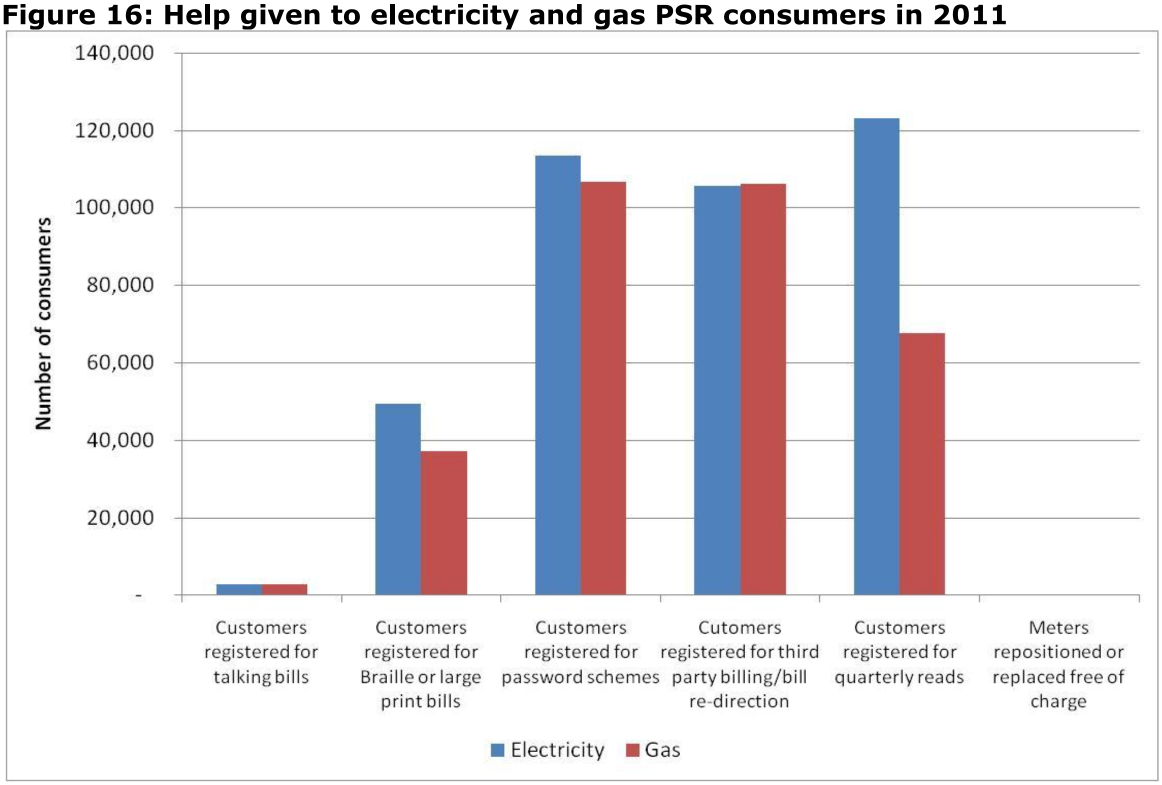
5.14. Other suppliers to see increases are npower and SSE. npower has said that they actively sought information to help identify consumers that may be in a vulnerable position. While SSE said their increase was driven by collections staff attending internal road shows which reinforced the principles around consumer vulnerability and ability to pay. This resulted in an increased number of referrals to the PSR in 2011.

5.15. Ofgem welcomes suppliers' efforts in this area and encourages suppliers to continue to use innovative ways to promote their PSRs and identify those that may be eligible for inclusion on their PSRs. This will help ensure that help is targeted appropriately at those most in need.

Help offered to PSR consumers in 2011

5.16. Figure 16 shows some of the assistance suppliers have given to PSR consumers during 2011.

Figure 16: Help given to electricity and gas PSR consumers in 2011



Source: Ofgem, supplier data

5.17. We propose to review the effectiveness and awareness of suppliers' PSRs with the aim of promoting best practice and improving the services offered to consumers. The review will consider if improvements can be made to the promotion of PSRs and how PSR data can be better utilised across suppliers and distributors.

6. Help for vulnerable consumers

Chapter summary

This chapter discusses the actions suppliers have taken to help vulnerable consumers. In particular, the chapter looks at trends in the provision of energy efficiency advice and information, particularly to PSR consumers and consumers in debt, and the provision of free gas safety checks. It also examines the uptake of Fuel Direct, a budgeting payment method administered by the DWP that enables energy bills and debt to be paid directly from Social Security benefits.

Free gas safety checks

6.1. Suppliers are obliged under their licence conditions[19] to provide a free gas safety check upon request to households with children under 5 years old, and domestic consumers who are of pensionable age, have a disability or a chronic sickness, living alone or living with others of pensionable age, disabled, under 18 or chronically sick, when they are:

- living in households where the landlord is not responsible for arranging a gas safety check
- in receipt of means tested benefits and
- have not had a gas safety check in the last 12 months or such longer period as may be directed by the Authority.

6.2. Table 11 shows the number of free gas safety checks carried out in GB, England, Scotland and Wales in 2011. The total number of free gas safety checks provided in 2011 was 9% lower than the previous year. The reduction in the number of free gas safety checks was not consistent across GB. The smallest fall was in England which saw a 3% reduction. The largest reduction was in Wales where around 39% fewer free gas safety checks were carried out in 2011 compared to 2010.

Table 11: Total number of free gas safety checks

	2010	2011	Change
GB	38,966	35,315	-9%
England	27,772	26,885	-3%
Scotland	8,208	6,602	-20%
Wales	2,986	1,828	-39%

Source: Ofgem, supplier data

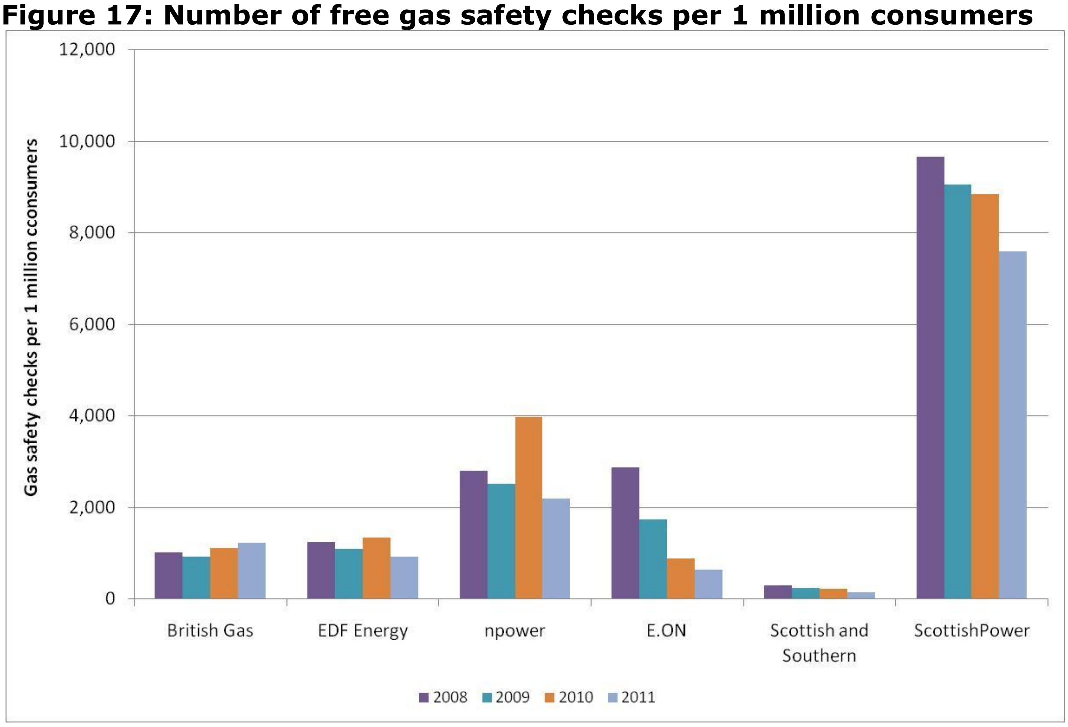
[19] Pursuant to licence condition 29 of the standard gas supply licence conditions.

6.3. Figure 17 shows the number of free gas safety checks carried out by the big six suppliers per 1 million consumers. Despite a fall in 2011, ScottishPower continues to perform more than double the number of free gas safety checks per 1 million consumers than the next largest.

6.4. All other suppliers, with the exception of British Gas, performed fewer free gas safety checks in 2011. The number of free gas safety checks carried out by British Gas increased by 11% in 2011. British Gas stated that this was due to the increased number of consumers joining their PSR and taking up the offer of a safety check.

6.5. We are concerned about the fall in the number of free gas safety checks, particularly because this is a continuing trend for the majority of suppliers. We will investigate the reasons for this further and look to understand the mechanisms suppliers are using to inform consumers about the potential for a free gas safety check if they meet the eligibility criteria. Suppliers have an obligation to publish a statement on their websites that sets out its obligations to provide free gas safety checks to certain consumers. They also have to take all reasonable steps to inform consumers at least once a year of that statement and how to obtain it. We will look to understand the extent to which suppliers are doing this and consider how the process can be improved to increase the awareness of this freely available service.

Figure 17: Number of free gas safety checks per 1 million consumers



Source: Ofgem, supplier data

Energy efficiency

6.6. Energy efficiency advice and information can lead to the installation and adoption of energy efficiency measures in the home, which help to reduce consumers' bills by lowering their energy use.

6.7. Suppliers are required to deliver on carbon reduction targets under the government's Carbon Emissions Reduction Target (CERT) and the Community Energy Savings Programme (CESP). Both schemes are due to close at the end of 2012. They will be replaced by the Green Deal and the Energy Company Obligation[20] (ECO), through which government will place obligations in relation to the latter on energy companies to deliver energy efficiency measures.

6.8. Under CERT, energy suppliers are required to deliver on carbon emissions reduction targets through the promotion of, amongst other things, energy efficiency measures. At least 40% of the carbon emissions reduction target must be achieved through the provision of measures to the priority group. That group comprises consumers who are in receipt of specific income related benefits or tax credits, or who are over the age of 70. Since April 2011, suppliers are also required to deliver an additional 15% of the savings through a subset of low income households (a Super Priority Group) considered to be at high risk of fuel poverty. Under CESP, gas and electricity suppliers and electricity generators are required to deliver energy saving measures to domestic consumers in specific low income areas of GB.

6.9. It is important that suppliers make every effort to provide consumers with energy efficiency advice and information which can help consumers reduce their bills. Energy efficiency information and advice can help to alleviate fuel poverty, assist those in debt and help to avoid fuel rationing. This is particularly important in the current economic climate which may have an especially adverse impact on vulnerable consumers and those struggling to pay.

Energy efficiency information

6.10. Under the gas and electricity supply licences, suppliers are obliged[21] to provide information about the efficient use of gas and electricity to domestic consumers that request it. This information can be provided through a telephone service or through a website publication. It must include information to enable domestic consumers to make an informed judgment about measures to improve the efficiency with which they use gas and electricity and also other sources of information and assistance about measures to improve the efficiency with which they use gas and electricity. This includes information about financial assistance available through government schemes to improve energy efficiency in the home.

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[20] For more information on Green Deal and the Energy Company Obligation please see the Department of Energy and Climate Change's website (www.decc.gov.uk)
[21] Pursuant to licence condition 31 of the standard gas and electricity supply licence conditions

6.11. Suppliers are also required to provide debt management and energy efficiency advice to consumers if the supplier objects to the consumer switching supplier on the grounds of debt.

6.12. Ofgem specifically collects data on suppliers' provision of energy efficiency information to certain groups, such as those on suppliers' PSRs and those in debt, who may gain particular benefit from this information. They are more likely to have high consumption levels where perhaps, because of their age or disability, they need to spend longer periods in the home and/or need to heat their homes to a higher temperature. These consumers may, for the same reasons, be more likely to be in fuel poverty and may ration fuel consumption to try to avoid getting into debt. We ask suppliers for detail on their initiatives to proactively target these groups of consumers. For the purposes of reporting this data we include oral or written information, including general information given by consumer service staff to consumer enquiries, but not website downloads.

6.13. Figure 18 shows the number of consumers in debt or on a suppliers PSR who received energy efficiency information[22] in 2011. The number of consumers in debt who have received energy efficiency information more than doubled in 2011. This increase was driven by EDF Energy who provided information to three times as many indebted consumers in 2011 than 2010. EDF Energy explained that this was due to more proactive promotion of energy efficiency information to consumers.

6.14. npower provided energy efficiency information to 88% more consumers with a debt in 2011. npower has explained that this increase is due to sending an energy efficiency information leaflet to more consumers in 2011 than they did in 2010.

6.15. The number of PSR consumers who received energy efficiency information in 2011 fell by around 5%. Some of the big six suppliers increased the number of PSR consumers who received energy efficiency information, including npower who increased it from around 15,700 in 2010 to 113,500 in 2011. ScottishPower also gave energy efficiency information to 46% more PSR consumers in 2011. This is due to ScottishPower increasing the number of energy efficiency information letters sent to PSR consumers from around 1,000 letters per month in 2010 to around 1,500 per month in 2011.

6.16. Of the big six suppliers, E.ON had the largest reduction of PSR consumers who received energy efficiency information; around 70% less. They stated that this was due to a recording error which underestimated the actual number of consumers who received energy efficiency information. This error has since been resolved. Both SSE and British Gas also offered energy efficiency information to significantly less PSR consumers in 2011; around 60% and 47% less respectively. SSE has explained this is due to a delay issuing information to customers who joined the PSR in 2011.

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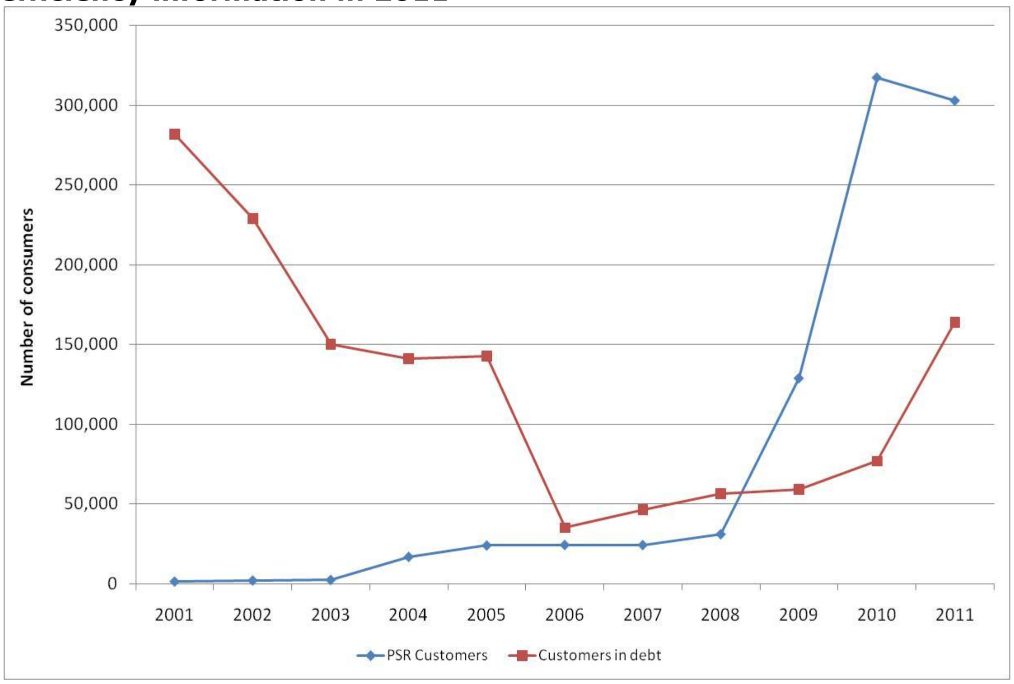
[22] British Gas figures for 2010 and 2011 are not included in this chart for consumers in debt due to a difference in interpretation of guidance. This has been rectified in the revised social obligation guidance which will come into effect from October 2012.

Figure 18: Number of consumers in debt or on a PSR who received energy efficiency information in 2011



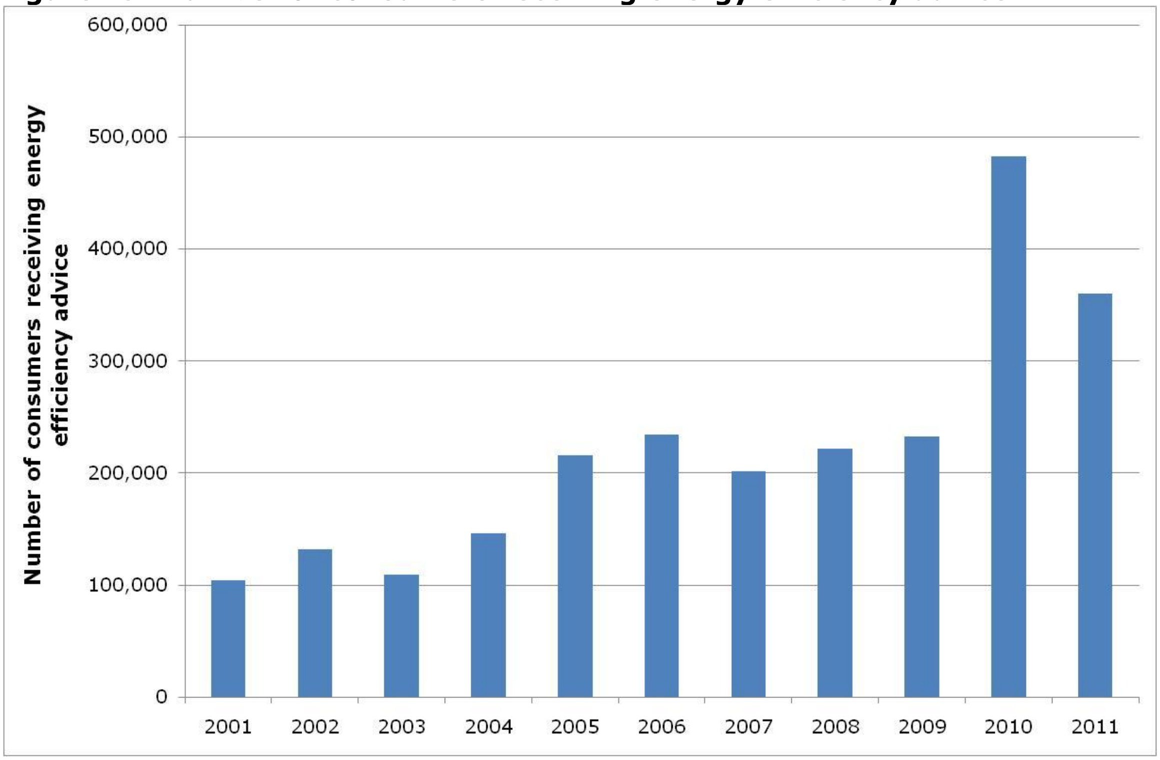
Source: Ofgem, supplier data

Energy efficiency advice

6.17. Ofgem also collects data on suppliers' provision of energy efficiency advice. This refers to specific advice given by a specialist energy efficiency advice line or by a qualified staff member. Provision of general information by non-qualified consumer service staff is excluded.

6.18. As seen in figure 19, there was a 25% fall in the number of consumers who received energy efficiency advice in 2011.

Figure 19: Number of consumers receiving energy efficiency advice



Source: Ofgem, supplier data

6.19. Of the big six suppliers, EDF Energy and npower registered the biggest increases in the provision of energy efficiency advice: 89% and 32% respectively. Most notably from the small suppliers, First Utility also provided energy efficiency advice to nearly three times as many consumers in 2011 compared to 2010. Other suppliers provided energy efficiency advice to fewer consumers in 2011. British Gas and E.ON registered the largest decreases amongst the big six suppliers with falls of 50% and 43% respectively. E.ON stated that their decrease was due to an error where not all consumers who received energy efficiency advice were recorded. British Gas has explained their decrease was a result of Home Energy Assessments (HEA) being withdrawn.

Fuel Direct

6.20. Suppliers have an obligation under their licence conditions23 to offer, amongst other things, Fuel Direct where they become aware or have reason to believe that a domestic consumer is having difficulty (or will have difficulty) paying all or part of their energy bills.

[23] Pursuant to licence conditions 27.5 and 27.6 of the standard gas and electricity licence conditions

6.21. Fuel Direct (also known as Third Party Deductions) is a scheme administered by DWP to facilitate direct, fixed amount payments for energy debt and ongoing consumption from specific social security benefits. The scheme is generally considered by suppliers and DWP to be a 'last resort' prior to disconnection for consumers who are in payment difficulty, receive social security benefit and have no other suitable method of repaying the debt.

6.22. Fuel Direct has a number of benefits for consumers, including automatic access to a low repayment level and an alternative method of repayment where other methods have not been successful and a PPM is not suitable. It can be a valuable means of facilitating regular payment and assisting vulnerable consumers on low incomes who are struggling to budget effectively.

6.23. To be eligible consumers must usually have an energy debt of over £67.50 and be on qualifying Social Security benefits. The consumer can choose to stay on Fuel Direct after the debt has been repaid. If a consumer meets these eligibility criteria, Ofgem considers that Fuel Direct will normally be the most suitable payment option where:

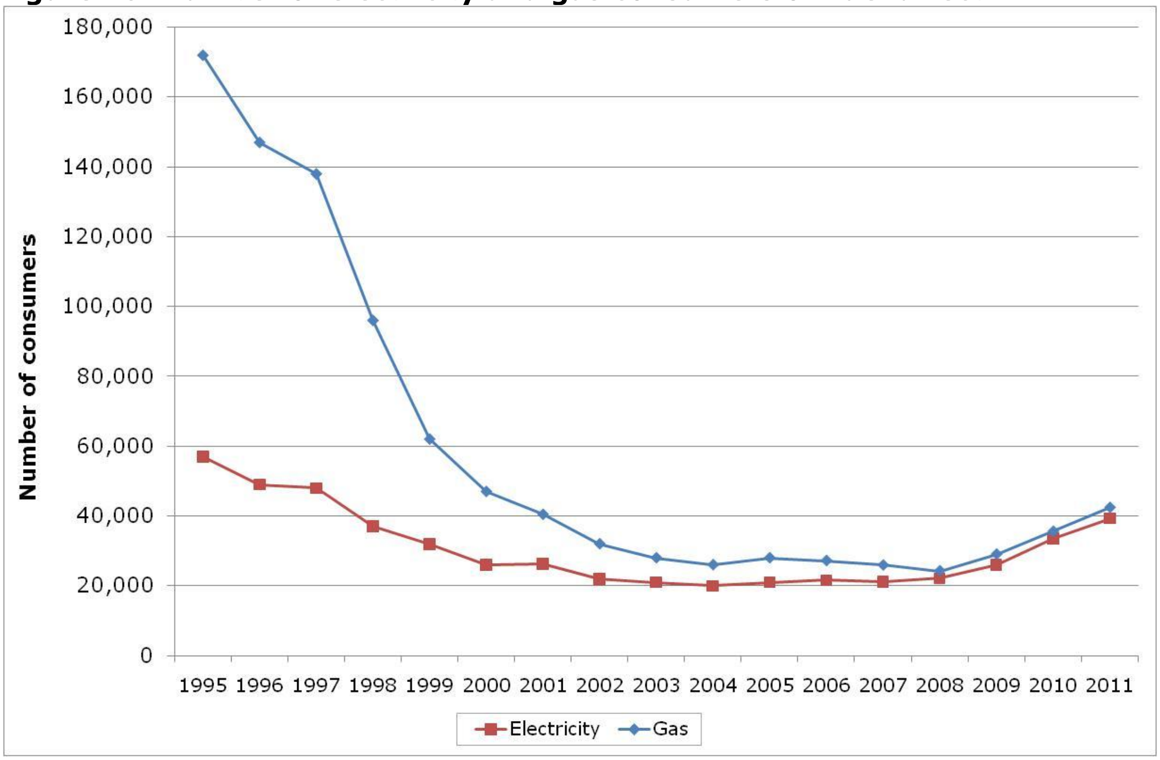
- repayment of debt through a PPM is not a suitable option because: a PPM cannot be installed due to safety reasons; access to crediting facilities is inconvenient or difficult because of additional travelling time or expense, or the consumer suffers from mobility problems; those living in the premises include the elderly, disabled, long-term sick or people with mental health problems; there is a strong likelihood that the consumer will self disconnect due to a shortage of funds, and/or

- other methods of repayment have been tried at least once and failed.

6.24. Ofgem has also asked suppliers to proactively consider putting their Fuel Direct consumers on to their cheapest tariff, which may be their social tariff.

6.25. Figure 20 shows the total number of electricity and gas consumers on Fuel Direct since 1995. In 2011, the number of electricity and gas consumers paying by Fuel Direct increased by 17% and 19% respectively. This continues an increasing trend since 2008.

Figure 20: Number of electricity and gas consumers on fuel direct



Source: Ofgem, supplier data

Introduction of Universal Credit

6.26. The introduction of Universal Credit will make significant changes to the welfare payment system. We are aware that some suppliers have concerns about how the introduction of Universal Credit will impact on existing schemes – such as Fuel Direct - to assist vulnerable consumers.

6.27. Placing a consumer on Fuel Direct is perceived to be a time consuming process; some suppliers are concerned that the introduction of Universal Credit will increase this administrative burden. We believe Fuel Direct is a useful tool to resolve debt situations and to help prevent consumers falling back into debt. In our view, it would not be in consumers' interests for Fuel Direct to be made more difficult to access or stay on it. We will continue to work with the DWP and suppliers to ensure that the interests of consumers are taken into account with regard to any changes to Fuel Direct in the future.

Data review impacts

6.28. We currently collect information on the number of consumers provided with energy efficiency advice, and the number of consumers on a debt payment arrangement or on the PSR that are provided with energy efficiency information. While this data is helpful, it does not provide detailed information about which consumers are seeking advice, and which consumers are being proactively provided with information.

6.29. From quarter three 2012, we will collect data on the number of consumers on a debt repayment arrangement, and the number in arrears, that receive energy efficiency advice or information. We will also receive qualitative information describing the debt position the consumer is in when they are given energy efficiency information and information about the content of energy efficiency website pages.

Appendices

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Appendix 1 – Data sources

1.1. The data used in this report are collected from suppliers on a quarterly and annual basis. The statistics and reports are published on the Ofgem website at http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Pages/SocObMonitor.aspx

1.2. Suppliers submitted the data presented in this report in line with the Guidance on Monitoring Suppliers Performance, November 2007[24]. The data presented in this document should be read in conjunction with this guidance to guard against misinterpretation.

1.3. Once submitted and prior to publication, Ofgem analyses the data submitted. Where trends or statistics are of concern to us, we enter into dialogue with suppliers to qualify these. We then monitor trends closely and take action as required in order to ensure best practice or to encourage a change of practice, where necessary.

1.4. From quarter three 2012 we will collect additional data from suppliers to improve our monitoring of suppliers performance in relation to domestic consumers. The additional data we will collect is set out in revised Guidance on monitoring suppliers performance in relation to domestic consumers published in March 2012[25]. Our first annual report using data collected under the revised data will be issued in 2013.

[24] Guidance on monitoring suppliers' performance in relation to domestic customers, 28 November 2007. This document can be found on Ofgem's website: http://www.ofgem.gov.uk

[25] Guidance on monitoring suppliers' performance in relation to domestic customers, Reference 50/12. This document can be found on Ofgem's website: http://www.ofgem.gov.uk

Appendix 2 – Key principles for ability to pay

1.5. In accordance with their supply licence conditions[26], suppliers must take domestic consumers' ability to pay into account when calculating instalment amounts to repay a gas or electricity debt. As part of Ofgem's review of suppliers' approaches to debt management and prevention, published in June 2010, we developed the following key Principles that suppliers should use when assessing ability to pay. These key Principles reflect considerations which the Authority will look for and take into account, along with any other relevant factors, when assessing suppliers' adherence to their supply licence conditions.

Having appropriate credit management policies and guidelines

- Allowing for consumers to be dealt with on a case-by-case basis
- Linking staff incentives to successful outcomes not repayment rates

Making proactive contact with consumers

- Making early contact to identify whether a consumer is in payment difficulty
- Regularly reviewing methods of proactive contact to ensure they meet the needs of consumers
- Using every contact as an opportunity to gather more information about the consumer's situation

Understanding individual consumer's ability to pay

- Providing clear guidance and training for staff on how to elicit information on ability to pay and monitoring the effectiveness of this
- Making it easier for consumers to raise concerns
- Making full use of all available information
- Proactively exploring not only payment amount but appropriate payment methods

Setting repayment rates based on ability to pay

- Where default amounts are set it should be made clear that these are guidelines only and in any event the levels should be reasonable
- Ensuring all available information is obtained and taken into account including the consumer's circumstances identified on the warrant visit or when installing a PPM on a warrant
- Not insisting on substantial upfront before reconnection.

[26] Pursuant to standard licence condition 27.8 of the gas and electricity supply licences.

Ensuring the consumer understands the arrangement

- There must be clear communication with the consumer which allows them to understand:
    - how much they are repaying each week;
    - when the debt will be repaid; and
    - what to do if they experience difficulties.
    - For PPM consumers this includes explaining that debt will be recovered regardless of usage (eg over the summer).

Monitoring of arrangements after they have been set up

- Individual arrangements must be monitored:
    - for credit consumers' broken arrangements;
    - and for PPM to check whether it is being used initially and on an ongoing basis.
- There should be monitoring of agreed repayment rates across staff using call listening and other techniques to encourage a consistent approach
- Monitoring of failed arrangements to understand whether inappropriate rates are being set
- Monitoring of overall repayment rates and recovery periods to understand trends.