

Industry initiatives

Industry initiatives to encourage innovative approaches to tackling fuel poverty supported by Ofgem's Social Action Plan and some suppliers' Energy Efficiency Commitment schemes, are set out in the table below. Many of these are linked to suppliers' Energy Efficiency Commitment schemes.

Industry initiatives aimed at fighting poverty

British Gas	Warm-a-life: aimed at the fuel poor, targets customers who might benefit from energy efficiency grant schemes.
	Jigsaw Account: developed with Bank of Scotland to provide customers without bank accounts the facility to pay bills by direct debit.
	Stockton Warm Zone: targets energy efficiency advice towards those most in need.
London Electricity/SWEB	HelpCo: provides packaged energy services for domestic customers and direct debit prices, whilst maintaining customers' preferred payment method.
	Powerkey Plus: offers customers a prepayment meter without the surcharge meaning they pay the same as those on standard credit terms. Currently being piloted in Newham and Plymouth.
	Newham Warm Zone: targets energy efficiency advice towards those most in need.
npower	Health Through Warmth: links up with NHS health workers to target assistance at people suffering ill health due to their living conditions. Nurses and care workers will be trained to identify people at risk from fuel poverty and refer them to sources of grant aid.
	Sandwell, Northumberland and Hull Warm Zones: targets energy efficiency advice towards those most in need.
Powergen	Age Concern Partnership: targets energy efficiency measures at older people as well as providing free heating when the temperature drops below freezing.
Scottish and Southern Energy	Equigas: charges all customers the same unit price for their gas (with no standing charge), regardless of their payment method.
	Equipower: similar to Equigas but for electricity customers.
	Budget Warmth: targeted at the elderly and those on low incomes and designed to ensure customers have at least one constantly warm room throughout the winter.
Scottish Power	NEStmakers: local advisers offer disadvantaged households advice on grants and offer the potential to reduce their energy bills through the combination of energy efficiency measures and flexible bill payments.
	HACTEnergy: offers a free 'benefits health check' and a freephone advice line. Scottish Power makes a contribution to the HACTEnergy charitable fund per customer that registers.
	HelpCo: provides packaged energy services for domestic customers and direct debit prices, whilst maintaining customers' preferred payment method.
Seeboard/Beacon Gas	EnergyCare Network: develops referral networks in targeted regions, linking fuel poor households with available grants and support services.
Transco	Affordable Warmth: Targeted at local authorities and registered social landlords, this scheme encourages the installation of high-efficiency gas central heating and energy efficiency measures through the means of lease finance.
TXU	Staywarm: Customers over 60 have their houses assessed on size and occupancy. A fixed amount is agreed for payment in instalments over a period of 12 months.

Social Action Plan

Ofgem's Social Action Plan Annual Review can be viewed on Ofgem's website at: http://www.ofgem.gov.uk/docs2002/29sap_review.pdf. Hard copies can be ordered from the distribution centre by telephone: 0116 2772617 or by email: distribution@ofgem.gov.uk. Please quote ref: 29/02 when ordering.

Protecting vulnerable customers

Protecting customers is at the heart of everything Ofgem does and its Social Action Plan is targeted at helping those who have most difficulty paying their energy bills. The plan sets out how Ofgem, working with other relevant groups, fulfils its duties to vulnerable customers. This summary of the plan's second annual review covers the progress made so far and the programme for 2002-2003.

Ofgem's duties to vulnerable customers

Ofgem's principal duty is to protect the interests of consumers, wherever appropriate by promoting competition. It also has a duty to take account of the interests of consumers who are disabled or chronically sick, those of pensionable age, on low incomes and those living in rural areas.

The Social Action Plan makes an important contribution to the Government's Fuel Poverty Strategy, which aims to end fuel poverty for vulnerable households by 2010.

Fuel poverty is caused by low incomes, poor housing conditions and energy costs. Ofgem helps fight fuel poverty in the following areas:

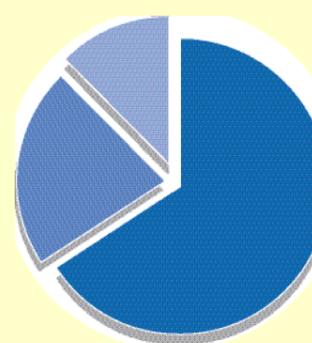
- 1 Competition in gas and electricity supply
- 2 Energy Efficiency Commitment
- 3 Monitoring supplier social obligations
- 4 Developing policy, and
- 5 Funding research on fuel poverty.

Competition in gas and electricity supply

Competition and effective regulation of the natural gas pipeline and electricity distribution monopolies has been the largest contributing factor to lifting customers out of fuel poverty in recent years. Lower energy prices in Britain have lifted 1 million customers out of fuel poverty since

1996. A key part of the Social Action Plan is to ensure that households in fuel poverty are able to benefit from the competitive market.

Reduction in households in fuel poverty since 1996 (millions)



Number of households in fuel poverty 1996: **5.5 million**

Number of households in fuel poverty 2000: **4 million**

Number of households removed from fuel poverty as a result of reductions in prices 1996-2000: **1 million**

Number of households removed from fuel poverty as a result of other measures 1996-2000: **0.5 million**

- Research by MORI in 2001 for Ofgem shows switching supplier is now fairly even across all social groups.
- Some disadvantaged customers, like single parent households and those on very low incomes, are actually switching at a higher rate than more wealthy customers.
- More work needs to be done to encourage older people to take advantage of the competitive market.

Prepayment meter customers

Although the majority of fuel poor households do not use a prepayment meter, a significant number do. As prepayment meters remain the most expensive way to buy energy, Ofgem has been working on a number of initiatives to help these customers.

More choice

Competition is delivering savings of up to eight per cent for electricity and five per cent for gas prepayment customers. Prepayment customers are also switching at similar rates to customers using other payment methods.

Industry schemes

Ofgem has been working with industry to get a better deal for prepayment customers. This has seen some companies reduce prices for prepayment customers. See the industry initiatives table for examples of this.

Scotland

Ofgem is seeking to reform the Scottish wholesale electricity market so that customers can benefit from Scotland's huge generation capacity - currently 70 per cent more capacity than demand. This is important because wholesale costs make up around half of all domestic customers' bills and lower energy costs help tackle fuel poverty.

Energy Efficiency Commitment

Over the next three years, around £300 million in energy efficiency measures will be targeted at fuel poor households as part of the Government's new Energy Efficiency Commitment, which is administered by Ofgem. Under the scheme some customers could receive 100 per cent grants to improve the energy efficiency of their homes – which could mean savings of up to £100 a year on their energy bills. In 2000-2002, under the Energy Standards of Performance Programme, which has now been replaced by the Energy

Efficiency Commitment, Ofgem ensured that the fuel poor benefited from over £50 million of energy efficiency measures.

Monitoring supplier social obligations

Domestic suppliers also have to publish Codes of Practice on key areas of their service. The Codes of Practice cover payment of bills, dealing with customers in difficulty, provision of energy efficiency advice, services for prepayment meter customers and special help for the elderly, disabled or chronically sick. Ofgem approves the codes, and monitors them to ensure they are operated effectively. Last year Ofgem started to publish information on this monitoring work on its website.

Developing policy

Ofgem is seeking to encourage innovative ways to tackle fuel poverty. It is funding research to understand better the causes of fuel poverty. It has developed the following policies as part of its Social Action Plan in 2001.

Fuel Direct

Guidelines for helping companies ensure that all customers using the Government's Fuel Direct scheme are treated consistently have been issued by Ofgem. Fuel Direct allows people to have fuel bills deducted directly from their benefit payments.

Transfer of customers in debt

Ofgem has worked with the industry on a new process, allowing customers in debt to switch suppliers. Ofgem hopes to introduce licence changes making this process permanent.

New ways to pay/targeting resources

Ofgem has encouraged suppliers to develop new ways for customers to pay for their energy and improve the targeting of resources at the fuel poor. This has led to a number of industry initiatives (See back page).

Funding research on fuel poverty

Working with industry and consumer groups, Ofgem has promoted several research programmes. The main findings are given in the table below:

Prepayment meter customers are content with their payment method

Research shows 86 per cent of prepayment meter customers are satisfied with their payment method. They find this a convenient way to pay because it makes budgeting easy.

Self-disconnection is not a problem for the majority of prepayment meter customers

Research has shown that self-disconnection, which arises when a customer is unable to keep their prepayment meter in credit, does not affect most prepayment users. However, it is a significant problem for a minority of customers.

Poverty and life changes are the most common causes of long-term debt

Customers who get into debt because of low incomes or personal problems can benefit from more contact with suppliers to discuss their needs. They can also be helped by energy efficiency programmes.

Energy efficiency advice should be promoted more effectively, especially to vulnerable groups

Energy suppliers have an obligation to provide energy efficiency advice to their customers. Research has found that energy efficiency advice has failed to make much impact on those on low incomes. This problem is being targeted in this year's Social Action Plan.

The way ahead

Ofgem will continue to ensure that competition continues to work effectively for all domestic customers and especially the fuel poor by monitoring and enforcing compliance with licence obligations, competition and consumer law.

In 2002 the Social Action Plan will focus on:

- **Improving energy efficiency advice** – research is being carried out into the quality of energy efficiency advice. Following the publication of this research, Ofgem will be working on best practice guidelines for the industry on energy efficiency advice.
- **Encouraging older people to take up the benefits of competition** – Ofgem and Age Concern will be working on a joint campaign to encourage more older people to switch suppliers.
- **Helping prepayment meter customers** – working with the industry and energywatch, Ofgem is seeking to improve the information suppliers give to customers about their meters and about alternative methods of payment.
- **Encouraging best practice debt prevention and management** – Ofgem is working with energywatch on a joint project to identify and promote good practice in debt prevention.
- **Tackling fuel poverty in rural areas** – Ofgem will be supporting the Department of Trade and Industry's work on rural poverty, following up their report on extending access to a mains gas supply.
- **Promoting competition** – Ofgem will be working to ensure that people whose first language is not English are aware of the benefits of competition.