

**Social Action Plan:  
A Framework Document**

**October 1999**

**The Office of Gas & Electricity Markets**

## Foreword

In May of this year, Ofgem published its *Social Action Plan: Discussion Document*, to advance the process of identifying: what are the causes of fuel poverty; who it affects; the various bodies and organisations which can contribute to reducing or eliminating it; and what the special contribution of regulation should be.

The response to the document has been tremendous, both in terms of its volume and content. For Ofgem this work is a priority, and the replies we have received reflect similar concern and urgency amongst a wide range of organisations. There is clearly a desire, both on the part of customer groups and the industry itself, to make a worthwhile contribution to assisting the millions of households (and even larger number of individuals) including pensioners and single parent families suffering from the discomfort and ill health caused by fuel poverty.

The Discussion Document described in detail the scale of the problem and what might be done by all concerned to attempt to relieve it. We need now to begin with concrete actions and practical proposals which will make a difference to the people concerned. Having considered all the responses and the hundreds of recommendations and proposals put to us, this document outlines the actions we are taking towards finalising a new Social Action Plan later in the year. It sets out a framework for action by Ofgem, the industry and other interested parties and indicates how this work will link in with the Government's wider remit of tackling fuel poverty. We also propose 12 key indicators against which progress can be measured.

I am grateful to all of you who have contributed so far and look forward to receiving your further comments.

**CALLUM McCARTHY**

**DIRECTOR GENERAL OF GAS AND ELECTRICITY SUPPLY**

October 1999

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# 1. Introduction

## This Document

1.1 This document draws on the more than 70 responses from a wide range of interested organisations to the *Social Action Plan: Discussion Document* (the Discussion Document) which was published in May 1999. It is the next step towards the development of a new joint Social Action Plan (the Plan) for the electricity and gas industries. It outlines a programme of work involving regulatory reforms, practical action and research to improve service to disadvantaged customers.

## Background

1.2 In March 1998, in its Green Paper "A Fair Deal For Consumers"<sup>1</sup>, the Government asked the electricity and gas regulators, in consultation with customer groups and in partnership with the electricity and gas industries, to prepare an industry-wide action plan to ensure efficiency, choice and fairness in the provision of gas and electricity to disadvantaged customers. The Government's objective is to ensure that the economic benefits of liberalisation are spread fairly amongst everyone, including the most vulnerable customers. The Government asked that the Plan establish timescales and identify milestones to be achieved over the next five years so that progress in assisting such customers can be judged against measurable targets.

1.3 Although OFFER and Ofgas published their original plans in June 1998<sup>2</sup>, the appointment of a new combined energy regulator from 1 January 1999, and the merger of the two offices from March 1999, provided an opportunity for review which was announced by the Director General in February 1999.

1.4 The Discussion Document set out issues surrounding fuel poverty, discussed the contribution of regulation and competition and considered a range of possible areas for action. The document was circulated widely amongst the electricity and gas industries, customer and

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<sup>1</sup> CM 3898.

<sup>2</sup> "The Social Dimension: Action Plan, OFFER and Ofgas Proposals, June 1998"

voluntary groups, Government and the finance sector. Dr Gill Owen made a significant contribution to the development of the Discussion Document and also to this Framework Document.

## **Context**

1.5 The original Discussion Document acknowledged that the scale and nature of the problem of fuel poverty calls for a response from many organisations, including Government, local authorities, providers of banking services, voluntary organisations and consumer groups, as well as Ofgem and suppliers of electricity and gas. It is therefore important that this document and the programme of work it sets out be seen in the context of the action by on poverty being taken other organisations, in particular Government.

1.6 In May 1999, in response to an invitation from the then Energy Minister, Mr John Battle MP, to the fuel industries to bring forward initiatives to tackle fuel poverty, the Electricity Association set up a Fuel Poverty Task Force. Membership of the Task Force is drawn from across the electricity and gas industries. The Task Force is due to report on its work by the end of 1999. As an interim step, the Task Force has submitted to Ofgem a paper giving some examples of industry initiatives / practice in serving the needs of the fuel poor, which is reproduced at Appendix 1.

1.7 The Government's Social Exclusion Unit has set out the steps for tackling the problems of social exclusion, faced by deprived neighbourhoods, through new national programmes. As part of this initiative, the Government has put in place a programme of policy development involving a series of 'Action Teams'. One of these, led by Her Majesty's Treasury, has been looking at how to widen access to financial services for people living in poor neighbourhoods. This is an important area, with significant implications for the Plan, and we look forward to the Action Team's Report.

1.8 Plans to improve the service available from Post Offices, described in the Government's White Paper on Postal Reform (Cm 4340) published in July, also have implications for the ways in which low-income customers could access financial services in the future. The Government intends that the Benefits Agency will move from the traditional paper-based methods of payment to a more modern and efficient way of paying benefits, using the existing automated

credit transfer system to make benefit payments into bank accounts accessible throughout the nationwide network of post offices. Ofgem will be following these developments closely as they may help the introduction of payment options for disadvantaged customers.

1.9 Through the Department of Social Security (DSS), the Government has introduced the Minimum Income Guarantee for pensioners, together with a number of additional initiatives to help the poorest pensioners. These include extra help with meeting fuel bills. For winter 1999, over seven and a half million pensioner households will receive a £100 Winter Fuel Payment, increased from £20, to help towards their winter fuel bill. The Government is also helping to improve home energy efficiency through the new Home Energy Efficiency Scheme (HEES), which will utilise a £300m budget to help tackle fuel poverty for vulnerable households. The Government will invest a further £5 billion over five years to improve housing which will help make it easier to heat.

1.10 The Secretary of State for Trade and Industry recently announced an additional initiative in association with Transco - the 'Affordable Warmth Scheme' - under which £30m would be available for installing central heating in fuel poor homes.

1.11 The Government has set out a range of indicators against which it will chart progress on eradicating poverty in its report "Opportunity for all - tackling poverty and social exclusion" (Cm 4445). This Plan is intended to contribute to the Government's wider aims.

## **Structure of Document**

1.12 The Chapters in this Framework Document are structured in the following way:

Chapter 2 summarises separately the responses to the Discussion Document from the customer agencies and Suppliers and other industry respondents.

Chapter 3 sets out Ofgem's general approach and priorities. It explains the framework approach being proposed and then sets out in detail the specific actions being suggested, including where further research and/or pilot projects are needed.

Chapter 4 describes the twelve key indicators that it is proposed will be used to monitor the success of the Plan, the timetable and plans for a review group.

Chapter 5 is a summary which briefly covers the main points of this document

## COMMENTS

1.13 Views are invited on the framework set out in this document. In particular, Ofgem would welcome comments on the following issues:

- The general scope of the actions described.
- The proposals for improvements in suppliers' obligations, prior to Ofgem undertaking further formal consultation on these.
- The content and scope of the proposed research / pilot project areas.
- The key indicators, timetable and arrangements for monitoring the plan.

Taking into account comments received, the framework timetable will be finalised and published by Ofgem by the end of 1999.

1.14 It would be helpful to receive responses to this document by Monday 15 November. Responses should be sent to:

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1.15 It is open to respondents to mark all or part of their responses as confidential. However, we would prefer, as far as possible, that responses were provided in a form that can be placed in the Ofgem library. If you have any queries concerning this document Dave Barnes (0171 932 1634) or Gerald Jago (0121 456 6245) would be pleased to help.



## 2. Overview of Responses

### Views

2.1 This chapter gives an overview of the many responses received to the Discussion Document from customer bodies, industry groups and suppliers. The Gas Consumers Council and the National Electricity Consumers Council made extensive and helpful submissions, with a range of specific recommendations. The Consumers' Association have recently published a report, "Final Demand, Ending Fuel Poverty", which also makes recommendations relevant to the Plan. This chapter attempts to draw out some common threads from all the responses. It is necessarily drawn very broadly in order to represent the balance of opinion. It cannot represent all the views we received; several respondents expressed different views. Appendix 2 lists the organisations which sent in non-confidential responses. Unless marked confidential, responses are available for inspection in the Ofgem Library. Appendix 3 gives a more detailed analysis of the responses.

### From Customer Groups

2.2 A number of issues are highlighted by customer agencies. In particular, there is support for further action in the areas set out in following paragraphs.

2.3 Agencies want a new licence condition requiring all suppliers to accept frequent cash payments. Agencies also want more efforts made by the companies in the promotion of low usage / standing charge tariffs to relevant households, although a number caution against equating low use with low income. These agencies stress that it is important that customers are able to make an informed choice about low user tariffs, since for many these may be disadvantageous.

2.4 Several measures are seen as necessary to improve the service given to prepayment meter customers. One area is the development of a Code of Practice covering such matters as the opening hours of charging points, distances customers travel to these, standards for repairing meters, and the availability of emergency credit. There is cautious support for the idea of operating prepayment meters on a time-based method of collection, to even out payments. Given concerns for the welfare of prepayment meter customers, agencies want more in-depth research, and action taken to monitor the incidence of self-disconnection. It is also stressed that

research should extend to credit meter customers who through hardship may also need to ration their usage.

2.5 Agencies want companies to make greater efforts to encourage prepayment meter and other frequent cash payment customers to switch to direct debit where they can. A number of agencies also see a need for greater care by companies to avoid giving prepayment meters to customers for whom these are unnecessary or unsuitable. There is widespread support for the continuation of Fuel Direct, for its wider availability and on the need for improvements to the scheme. Although some agencies see the role of credit unions as limited, there is support for further research and investigation into the potential for these.

2.6 Agencies make a number of recommendations on how information can be improved, both so that customers can make more informed choices on payment method with their existing suppliers and in switching. A number of agencies stress the need for more standardised information to enable meaningful comparisons between tariffs to be made. Improved information for customers in debt, and better use of specialist debt counselling / money advice agencies, is also urged. There is general support for the abolition of the supplier's right to block customers in debt from switching supplier, subject to safeguards to avoid "won't payers" using this as a loophole to skip their bills.

2.7 In order to ensure that suppliers enter an effective dialogue with customers in debt, agencies want more information on how companies' debt and disconnection procedures operate. There are concerns about the use made of warrants of entry to enter customers' homes. There is general support for tightening up debt management procedures by the companies, and for aligning practice in electricity and gas. Action by Ofgem is urged on:

- placing a cap on the rate at which companies can collect debt;
- provision of more frequent meter readings, in order to reduce the number of estimated bills. Estimated bills are seen as responsible for debt build-up by some customers; and
- a more proactive approach to the promotion of energy efficiency advice by the companies, particularly in targeting customers in debt and those with special needs who are likely to benefit most.

2.8 The need to align electricity and gas requirements on special needs is stressed by a number of agencies. Ofgem is advised to consult more with specialist organisations in this field. A number of agencies express concerns about the low take-up of special services, and want Ofgem to monitor suppliers' activities more closely.

2.9 Customer groups are optimistic that advances in new metering technologies will result in reduced costs, and improved service to customers. They urge the regulator to support these developments. On energy efficiency, consumer agencies support the continuation of the Energy Efficiency Standards of Performance scheme on electricity, and the extension of this to gas. Agencies also hold the view that there is the need for continuing price regulation in some form until it is clear that competition is effective for all types of customer. The need for Ofgem to continue to monitor the effects of competition on different groups of customers is a common theme.

2.10 Other areas mentioned relate to arrangements for resale of electricity and gas, and meter damage / tampering and theft.

### **From Suppliers and Other Industry Respondents**

2.11 Many suppliers express their willingness to be involved in the Plan, although they believe that they are already doing a great deal to help the fuel poor. They also see a major role for Government in solving the problems of the fuel poor. New suppliers are particularly concerned about the effect that additional obligations could have on costs and consequently on their future in the competitive market; conversely public electricity suppliers are strongly of the view that any additional social obligations should be placed on all suppliers. In general, suppliers say that they should be recompensed through the price control for any additional regulatory requirements. In the long term suppliers generally believe that competition will bring further benefits to all customers, including the disadvantaged. Any actions therefore should not distort competition because that would lead to loss of anticipated benefits.

2.12 Most suppliers are of the view that they are doing enough to make available frequent payment methods to their customers – a number point out that theirs are free of charge to the customer – but there is some support for more information being made available on payment methods. Generally, they feel that there should be no amendment to the licence.

2.13 There is general support for measures to encourage customers to access cheaper payment methods through bank accounts, and a willingness to explore the credit union model. However, the responsibility for these is seen to rest with the financial institutions. Many suppliers already encourage customers to switch to lower cost payment methods where possible, but a cautious approach is necessary to prevent some customers returning to debt.

2.14 Suppliers do not feel that there is a need to improve the information available to customers about competition and the regulator should not intervene to standardise information on tariffs – this will inhibit competition.

2.15 The present rules on debt transfer in the competitive market are felt to be about right to avoid debt escalation and increased recovery costs, but there is some support for simplifying the assignment rules. Similarly, additional regulatory requirements with regard to meter reading are not thought to be necessary. Companies already have in place procedures to avoid customers building up debt.

2.16 For those who nevertheless experience difficulties, debt counselling is best done by independent organisations. A number of companies support local organisations of this sort financially, but this provision and the funding of charitable trusts should be voluntary. There is no support for the capping of debt repayment levels.

2.17 In general, suppliers think they are doing enough to help customers with special needs; consequently, no further licence requirements are warranted.

2.18 The development of competition will encourage the development of a wider range of tariff options to help the fuel poor. However, the abolition of standing charges would cause hardship for some customers and would put up prices by exposing the suppliers to additional risk.

2.19 Suppliers generally recognise that prepayment customers are not benefiting as much from competition as other customers. However, any change in arrangements for prepayment meters needs to recognise the real additional costs involved. The coming together of electricity and gas will offer clear opportunities for unbundling and improvements through competition, but these opportunities will be constrained while subsidies exist and the true costs of prepayment meters are not visible.

2.20 Overall, suppliers support further research into self disconnection, but no extension to standards covering prepayment meters. Electricity suppliers consider that prepayment meter customers are already adequately covered under existing arrangements. Many electricity suppliers already operate a Code of Practice for prepayment meter customers. Further, there is no need to introduce a standard level of emergency credit. However, there is some interest in looking at measures to enable prepayment meter customers to even out their payments over the year.

2.21 Some Suppliers consider their licence conditions to be too restrictive to allow the development of Energy Service Companies (ESCOs) and question the appropriateness of these for low income customers who generally do not have sufficient capital to fund the measures.

### **3. PROPOSED ACTIONS**

#### **Scope of the Plan**

3.1 The potential scope of the Plan is wide. The approach we proposed in our Discussion Document was generally supported. Accordingly, we have adopted the definition of disadvantaged proposed, namely:

“Disadvantaged customers include any customer who for any reason is unable to access, or has significant difficulties in accessing or maintaining, the electricity or gas supplies and services they require to meet their household needs, including reasonable access to the benefits of the liberalised energy market”.

3.2 The Discussion Document explained that a revised Plan cannot stand in isolation from other initiatives by the Regulator and other developments in the industry. To be effective the Plan would need to be fully integrated with all the Regulator’s work and developments in the industry.

#### **General Approach**

3.3 The views received from consumer bodies and industry confirm that the agenda for action is significant, and that there is no single measure or action which will resolve the problems faced by disadvantaged customers. In our Discussion Document, we set out our objectives and a general approach as follows:

“The Plan needs to be focussed on areas where assistance is most needed and where action taken by the Regulator and the industry can have best effect. The Plan needs to take full account of the actions expected by others, including Government, and set out clearly the contribution of the industry and of regulation. The revised Plan will need to be fully integrated with all of the regulator’s work and developments in the industry. In particular, it will need to work effectively against the background of increasingly effective competitive markets. Measures taken as part of the Action Plan should not deter or distort competition. Rather the Plan needs to focus on areas where specific measures to protect customers and the development of competition can work together to bring benefits to the disadvantaged.”

3.4 In the responses to the Discussion Document there are some differences in overall views between some customer groups and the industry. The industry believes that the new Plan must work with the market, with the focus on removing barriers to competition and innovation, rather than imposing unnecessary constraints. While acknowledging the contribution which competition is making, many customer groups are more cautious about the benefits of competition for low-income customers; accordingly, they want Ofgem to be more proactive by enhancing licence obligations and strengthening Ofgem's licence monitoring and enforcement work. There is some common ground over the need to trial new initiatives or approaches to establish whether they are effective before attempting more widespread adoption.

3.5 We conclude that the approach we described in the Discussion Document strikes the right balance in present circumstances. We have used it in developing the proposed framework of actions set out in this chapter.

### **Priorities**

3.6 To be effective the Plan will need to address a range of issues. It is clear from the responses that the potential range of action is very wide. We proposed a prioritisation of actions in the Discussion Document. Although there are inevitably various issues of emphasis between the action areas we described, we conclude from the comments we have received that on balance the priorities described suitably reflect the scope for action. However, we have decided that the proposed priorities should be supplemented by reference to services to the elderly, disabled or chronically sick, reflecting the Director General's special duty in this regard. Accordingly, we have concluded that the initial priorities for action under the plan should be to:

- Ensure that customers using expensive payment options have an informed choice of alternatives and a better means of accessing cheaper methods.
- Overcome barriers to disadvantaged customers participating more actively in the competitive market through better information and a reconsideration of rules on customers' debt.
- Ensure that suppliers enter an effective dialogue with customers in debt.
- Encourage the development and availability of new, alternative and cost effective payment methods and tariffs which meet the particular needs of vulnerable customers.

- Overcome barriers to suppliers' access to cost effective prepayment meter systems and other regular payment methods.
- Encourage and develop innovative schemes to improve energy efficiency in disadvantaged households.
- Cut costs to customers through price controls and ensuring greater competition in generation.
- Put in place measures to resolve the difficulties encountered by prepayment meter customers.
- Ensure that the special needs of the elderly, disabled or chronically sick customers are taken fully into account.
- Ensure companies report on their activities under the plan.

### **Framework for Action**

3.7 In developing proposals for action under the Plan we have worked within the general approach and objectives set out above. We have also endeavoured to make significant contributions across the range of priority areas we have identified.

We propose three strands of activity. The first relates to licence changes designed to enhance the protection for disadvantaged customers. In essence this involves a revision of both gas and electricity licence conditions. Principally those dealing with payment terms, customers in debt, energy efficiency and special services to the elderly, disabled and chronically sick to update existing licence conditions in the light of experience, identify best practice and produce a standard list of requirements across both industries. In particular, we propose the introduction of new conditions requiring companies to offer frequent payment schemes and to produce enforceable codes dealing with their services to prepayment meter customers. Specific proposals for licence changes are made in this document on which we would welcome detailed comments.

3.8 Second, we propose a set of initiatives in related policy areas designed to drive down the cost of keeping warm for disadvantaged customers through price reductions and energy efficiency measures and to ensure that wherever possible barriers to these customers playing a full part in the competitive supply market are removed. In addition to action through price controls and improved trading arrangements we have recently proposed further action through energy efficiency standards of performance to assist disadvantaged customers. We will also be



taking action to review the present restrictions on customers in debt switching supplier, and to ensure that suppliers provide customers with accurate and meaningful information on prices.

3.9 Third, we want to explore in more detail a number of issues and positive suggestions that have been made during the consultation process. We are proposing seven major project areas to be undertaken by the industry in consultation with customer groups and other interested parties. In some cases these will involve further research with customers. Others will involve large scale pilot projects in order to gain a better understanding of the practical issues associated with implementing schemes to assist disadvantaged customers on a larger scale.

3.10 In all these areas it will be important to monitor progress carefully. We are therefore also proposing enhanced monitoring arrangements with data published wherever possible to enable wider review. The specific actions under each strand of activity, in terms of:

- A. Supplier Obligations,
- B. Structural Changes; and
- C. a Research Programme and Pilot Projects

are set out in detail below.

## **A. SUPPLIER OBLIGATIONS**

3.11 It is proposed to revise the existing electricity and gas licence provisions on social obligations. This will give affect to proposals contained in responses to the Discussion Document. A further overall aim is to level up to best practice between electricity and gas in order to provide a similar regime for the operation of social obligations across the two industries. This will enable companies supplying both gas and electricity to prepare single Codes of Practice for their customers. Revision of the licence conditions will be consistent with the Government's objective to provide for full consultation with the new Energy Consumers' Council. Once established, new licence arrangements will provide a clearer and more consistent basis for monitoring the Codes of Practice between the electricity and gas industries, and for the enforcement of them.

3.12 A new text of the licence conditions concerned is contained at Appendix 4 (see the Discussion Document for details of the existing licence conditions on social obligations). Ofgem will be consulting further on the changes, but significant amendments include:

### **Methods of Payment**

3.13 Although many suppliers provide frequent cash payment methods when requested, and suppliers need to do so to meet licence requirements to provide instalment plans to customers in debt, there are concerns about the availability and promotion of frequent cash payment methods. Ofgem considers that the situation needs to be made clearer given the importance of frequent cash payment to many low-income customers. Accordingly it is proposed to make it a requirement that suppliers' offers of contractual terms include provision for the payment of agreed sums in cash on a fortnightly or more frequent basis. For the purposes of consistency with electricity, it is also proposed to make it compulsory for gas suppliers to offer contractual terms on prepayment meters to all customers requesting this method of payment.

### **Prepayment Meters**

3.14 In order to ensure that customers using prepayment meters are given better information and advice about the services available to them, Ofgem proposes to require suppliers to publish codes of practice specifically for their prepayment meter customers. This is an area where many customer organisations express concerns about inadequate service, although companies generally point out that their prepayment meter customers are on the whole satisfied with their meters and the service they receive. Ofgem will be issuing guidance on acceptable minimum levels of service (e.g. opening hours of charging points, repairs, emergency credit) . It will not in Ofgem's view be appropriate to make mandatory standards on for example access to charging facilities, given the range of different circumstances, rural and urban, in which prepayment meters are provided.

### **Energy Efficiency Advice**

3.15 The licence changes proposed will extend to gas suppliers the requirement to prepare and make available free of charge statements setting out information and advice

on energy efficiency, including sources outside the licensees organisation, and to operate a telephone information service. Ofgem proposes to undertake greater monitoring of suppliers' activities in this area. The proposed licence conditions also provides for Ofgem to give directions requiring Suppliers to alert customers to information on energy efficiency. It is for consideration whether in addition to alerting customers annually to the availability of advice under the Code, Suppliers should be obliged to go further. One option would be to give customers energy efficiency advice when moving home.

### **Services for Pensioners, or Disabled or Chronically Sick Persons**

3.16 Concerns are raised about the availability of special services and the promotion of these. Ofgem proposes to require that all customers be notified annually of the facility to register their special needs, subject to them being eligible. It is also proposed to adopt the Royal National Institute for the Blind's (RNIB) proposal that the register be newly designated as the "Priority Service Register". It is hoped this change will help make the register more attractive and thereby boost take-up by customers.

### **Publicity**

3.17 An important new obligation is a requirement on suppliers to bring customers' attention to the existence and availability of all the codes of practice at least once a year.

### **Monitoring**

3.18 Ofgem acknowledges concerns from consumer organisations about the need for more effective monitoring of supplier obligations. It is proposed to align, through the licence conditions, the monitoring requirements in electricity and gas. There are differences in the data which is currently collected and published across the two industries. Data requirements need to be rationalised, both to ensure the data collected is meaningful and useful, and that its provision by the companies is cost effective. In addition, monitoring of the social obligations has to date been largely quantitative. Ofgem will be considering the use of additional qualitative methods to monitor how suppliers are performing their social obligations, for example to assess the quality of energy efficiency advice given by suppliers.

3.19 Among concerns raised is the proper treatment of customers in debt. Ofgem will ensure that debt repayments are kept at appropriate levels. Given the requirement on suppliers to take into account customers' ability to pay, Ofgem believes that flexibility to meet individual customers' circumstances is a better approach than mandatory caps on debt repayment levels which many consumer bodies advocate. It is the intention that Ofgem will include guidance on this issue in its guidance on Codes of Practice.

### **Involvement of Consumer Councils**

3.20 Supplementary to these changes will be requirements on electricity and gas suppliers to consult with their respective statutory Consumers' Committee / Council on the preparation of Codes of Practice. There is already a requirement for consultation on Codes of Practice between electricity suppliers and Electricity Consumers' Committees, but there is currently no formal route for consultation between gas suppliers and the Gas Consumers' Council. Although much consultation has taken place informally, a statutory requirement will secure for the Council equal status in terms of the right to be consulted to the Electricity Consumers' Committees. This change will also pave the way, subject to proposed legislation, for new arrangements for consultation between electricity and gas suppliers and the new Energy Consumers' Council.

### **Guidance**

3.21 It is proposed to issue revised guidance notes describing the levels of service which the Director will accept in approving the Codes of Practice. This is for the assistance of Suppliers preparing such Codes, and to facilitate consultation on them. The guidance notes previously issued by OFFER will need revising and extending to gas.

3.22 Licence conditions have not on their own been seen as sufficient by customer groups for describing all the issues which the companies need to take into account. In revising the guidance notes, Ofgem will consider suggestions made in response to the Discussion Document. Ofgem will also need to allow for some flexibility for companies to adjust practice to local circumstances and to allow for innovation. Comments will be invited on the revised guidance before it is finalised.

## Next Steps

3.23 Subject to views on the licence changes described in this document, it will be necessary to undertake a further consultation exercise and to obtain the agreement of gas and electricity suppliers before the licences can be modified. Sections 11 and 23 respectively of the Electricity and Gas Acts concern the arrangements for modifying licence conditions. This document represents the first step in the formal consultation exercise on licence changes. Draft guidance notes will be published for comment later. It is anticipated that the process of approving revised Codes of Practice will take place during Spring next year.

## B. STRUCTURAL CHANGES

3.24 Work in a range of policy areas has a direct bearing on the Plan. Relevant action areas are as follows:

- (i) Price Controls

Ofgem is in the process of reviewing the price controls of the PES distribution and supply businesses, and the supply business of BGT. A number of consultation documents have already been issued, and views on these are being considered. Ofgem's proposals for tightening the distribution price controls on the PESs have already been published. The precise impact of these in terms of price cuts for individual customers will be dependent on the outcome of these reviews.

Particular concerns have been raised about prices for prepayment meter customers. We have already proposed capping the additional distribution charge at £15 a year and further analysis of all the relevant costs for electricity prepayment meters will be published shortly. Ofgem will ensure that any higher charges to PPM customers are fully justified by the costs and that pressure continues to bear on reducing any extra costs of PPMs. In 2000/01 Ofgem will be reviewing Transco's transportation charges as part of a continuing programme of price control work. Action in all these areas will continue to place strong downward pressure on electricity and gas prices to the direct benefit of all customers.

(ii) Improved Tariff and Service Options

For many customers prepayment meters are popular because they provide a unique means of budgeting. Ofgem recognises this and has no wish to prevent customers from using prepayment meters. However, customers who can change to a credit meter should be encouraged to consider this in order to benefit from discounts on their bills, particularly if paying by direct debit. Some pilot projects are proposed to test out how this can be done effectively. Suppliers should not impose a prepayment meter on customers in circumstances where an alternative payment method would be a better option. In the context of the price controls, Ofgem will ensure that there are no distortions which incentivise suppliers to promote prepayment meters in preference to other payment options. These steps, and greater efforts to promote the exchange of prepayment for credit meters where appropriate, should in Ofgem's view enable suppliers to curtail the rapid growth in use of these meters.

Technical improvements have the potential to give prepayment meter customers a better and cheaper service. A recent report by the National Electricity Consumers' Council, highlighted the potential importance of introducing new technology into prepayment and other metering areas. Ofgem sees the introduction of effective competition into metering and meter reading as necessary to open the way for cost reduction and innovation. Work on creating separate price controls on Transco's metering and meter reading activities, and for the full separation of these potentially competitive businesses from Transco's main gas transportation business is proceeding. Discussions are also underway with PES's and second tier electricity suppliers over steps to introduce competition into electricity metering.

Although good progress is anticipated, it is not expected that the adoption of new technology into metering will be sufficiently advanced within the timescale of this plan to make a significant impact on service to disadvantaged customers. This is, however, an area that will need to be kept under close review, particularly in relation to prepayment metering.

(iii) Energy Efficiency –EESoPs, HEES & ESCOs

A particular problem for many families experiencing fuel poverty is the fact that that they live in energy inefficient homes. Improving energy efficiency is therefore a vital step in providing warmer homes.

Ofgem's proposals for the continuation of the Energy Efficiency Standards of Performance (EESOP's) on electricity, and their extension to gas, have been widely welcomed, and consideration is currently being given to the comments that have been received to Ofgem's consultation document on this subject. Among the issues being considered is the proportion of funding which is devoted to disadvantaged customers, which to date has been around 60%. Further proposals on this and other relevant questions will be published by Ofgem shortly.

A range of views have been submitted on ESCOs. Ofgem is considering two issues: whether any change should be made to the current licence requirements for electricity and gas for energy packages (including the right of customers to terminate the supply part of their contracts on 28 days notice), and the rules within EESOP's for supporting ESCO projects. Ofgem will be publishing views on these points in its next Energy Efficiency document. We are also considering the relationship between the new HEES scheme and EESOP's and will be taking steps to ensure that these schemes are complimentary in operation.

Ofgem also proposes work to improve the provision of energy efficiency advice. See paragraphs 3.15 and 3.28.

(iv) Prepayment meter services

At present the quantum service in gas and the equivalent infrastructure services operated on behalf of the local PESs in electricity, hold an effective monopoly on the provision of prepayment meter support services (i.e. collection of cash and dissemination of cards to customers). Competing Suppliers have expressed concerns about the service provided.

Opening this area to competition could bring worthwhile benefits for prepayment customers. From April 2000 any legal restrictions on competition in these areas will be lifted. Ofgem will continue to monitor services in these areas. Depending on how the

market develops after liberalisation it may also be appropriate to review the way in which these services are delivered to see if any changes need to be made.

(v) Provision of Information

It is clear to Ofgem that there is customer uncertainty about the range of offers in the market, and that difficulty in making meaningful comparisons is a barrier to customers switching supplier, particularly lower income customers and the elderly. The industry believes that it has taken steps to clarify the offers it is making, and beyond this sees responsibility for publishing comparative data as resting with the Regulator. Customer groups see responsibility in this area falling both on industry and the Regulator. Ofgem believes it is now time to clarify its responsibilities, and that of the industry.

Accordingly, Ofgem will shortly be publishing, in a separate consultation document, proposals for improving the provision of pricing information in the market. This will enable customers to get better access to the market.

(vi) Customer Transfers: Debt Blocking and Assignment

A further area of concern on which there are differences of view is on the suppliers' right to block customers with debts from switching to another supplier. There are clearly justifiable concerns about safeguarding the position of the supplier to whom money is owed. However, the right of the incumbent supplier to object is clearly a bar to some disadvantaged customers gaining access to cheaper prices, and the present rules merit re-examination to establish whether they are too prohibitive. A number of suppliers comment on the related issue of the transfer of final bill debts. This is permitted under the assignment process in the electricity and gas licences, but has not worked well.

This is an area where there have been some marked differences in views. Suppliers suggest that reform is likely to increase risk, with the consequence that more use will be made of security deposits and prepayment meters in order to safeguard the industry against the build up of debt, and that this would not be in customers' longer term interests. Customer groups point to practice in other markets where the freedom to purchase from different sources is not constrained by the existing provider. Ofgem will be publishing a separate consultation document in November, setting out the issues on



debt transfer and assignment in more detail, and seeking views on improvements to remove unnecessary barriers to disadvantaged customers entry to the market.

(vii) Market Research

Ofgem will continue to monitor the development of competition closely, including the impact on different types of customers. Field work for a new study by MORI on electricity and gas competition was underway in September, and the research results are expected to be published by the end of 1999. Ofgem is also currently undertaking a further competition review into the domestic gas market, with a view to establishing, through an extensive qualitative and quantitative survey, whether there are any remaining barriers to entry for new suppliers into the market, and if so, ways of overcoming these. The review will be published in November.

(viii) Fuel Direct

Ofgem has discussed Fuel Direct with the DSS which, together with the Benefits Agency which operates it, has responsibility for the scheme. Both customer organisations and suppliers are widely supportive of Fuel Direct, although there are concerns about its future and a general consensus that it needs to be reviewed and modernised. DSS point out that it is a last resort form of protection, which is costly to administer in its current (largely manually operated) form. The DSS believe that any major changes to the scheme need to be considered in the context of wider reforms in the ways benefits are paid and administered. A range of options for benefits reform are being considered by DSS.

Ofgem have told DSS about the weight of opinion in favour of Fuel Direct and its improvement. DSS have undertaken to keep Ofgem informed about its thinking on longer term benefit reforms which may affect Fuel Direct. Pending further developments, Ofgem will establish a small review group with DSS, industry and customer representatives to examine the operation of the current scheme and identify areas for improvements for customers and suppliers.

(ix) Low User Tariffs / Standing Charges

Some observers have suggested that action should be taken under the Plan to abolish standing charges and introduce low user tariffs. However, both customer groups and suppliers have expressed caution. The increase in unit rates which is usually the consequence of changes in traditional tariff structures is likely to cause hardship for many low-income customers who are higher than average fuel users.

Ofgem intends to update previous research on standing charges to establish how low-income customers fare under a range of tariff scenarios. The previous work suggests that, for the majority of low-income customers, there is no advantage in no standing charge tariffs – indeed, many low income customers would pay more. The results of a survey by Ofgem of current tariff offers by suppliers suggests that to secure the best deal, customers should shop around. As the examples shown at Appendix 5 indicate, the standing charge element of tariffs is only one indicator of value. This is among issues which Ofgem will cover in its forthcoming document on price comparisons but it seems that requiring the general abolition of standing charges would not be in the interests of disadvantaged customers.

It is clear, however, that some customers would welcome greater choice of tariffs, including those without standing charges or which otherwise are helpful to low users. There is evidence that suppliers are responding to such demand; Several companies have now introduced low user tariffs, for example Powergen, in association with Age Concern, has recently announced a new tariff with a low standing charge.

Providing customers with such choices will be a useful indicator of the extent to which suppliers are responding to the interests of the full range of their customers.

### **C. RESEARCH PROGRAMME AND PILOT PROJECTS**

3.25 The responses to the Discussion Document have thrown up a range of issues about which more research is needed to determine future action. In some areas practice will differ from one supplier to another, so carefully targeted work from one or more practitioners is needed to establish best practice which can be shared across the industry. In other areas more research is needed to help guide Government and regulatory policy on Fuel Poverty. Some areas involve totally new ground, thus pilot projects are needed to demonstrate whether new ideas are feasible.

3.26 Outline proposals are made below for research and pilot projects in seven areas, drawing on views and concerns that have been received. Subject to initial comments on the areas proposed and basic criteria outlined, Ofgem proposes to discuss these project areas with electricity and gas suppliers, with a view to agreeing detailed project design and sponsorship arrangements. The Electricity Association Task Force has indicated a willingness to be involved in research and pilot projects. Some initial discussion with individual companies indicates a willingness to be involved in research and pilot projects, although concerns about the extent to which commercially valuable data can be shared have to be recognised. Ofgem is confident that research can be conducted in a way which allows sponsors to benefit but allows others in the industry to learn from the feasibility of projects.

3.27 Ofgem will recommend that sponsors involve outside parties in their projects, through representation on Steering Groups. Representatives from customer groups, practitioners and other interested parties such as financial institutions will be important in guiding the projects. Comments are invited on the outline research projects listed below.

### **Energy Efficiency Advice**

3.28 There is concern that although the availability of energy efficiency advice is publicised, those customers who can best benefit from it do not request it. Customer agencies believe that suppliers should be more proactive in trying to reach low-income customers, and in providing the sort of information these customers need. There is debate about whether advice is best delivered by external agencies experienced in provision of assistance to low income households. Customers can benefit in various ways from good advice, for example referral to sources of financial help such as HEES. Research is needed to determine best practice in provision of energy efficiency advice to low-income customers, in particular:

- The reasons low-income customers do not seek advice.
- The ways in which low-income customers prefer to access advice.
- The extent to which the advice that is currently given is appropriate, and how advice can be improved for low-income customers.
- The role of external agencies, and face-to-face opportunities for contacting low-income customers.

- The effectiveness of advice in enhancing the efficiency with which these customers use electricity and gas.

This project may best be achieved through a series of local pilot schemes, perhaps in liaison with local energy advice agencies.

### **Self-Disconnection And Rationing**

3.29 There are differences of opinion over the extent to which customers self-disconnect or ration their supplies and over the reasons for this. Research to date has tended to be limited in scope and regionally based. New research is needed in order to:

- Determine on a national basis the extent of self-disconnection and the reasons for it.
- Compare “self-disconnection” through prepayment meters, with “self-rationing” among credit customers.
- Determine the extent to which self-disconnection can be linked to payment method, as well as other factors.
- Determine appropriate policies to detect self-disconnection, and appropriate responses on the part of fuel suppliers to assist customers in need.

3.30 Other issues for consideration on self-disconnection and rationing include:

- The use of emergency credit as a proxy for the identification of problems with self-disconnection.
- The extent to which self-disconnection / rationing is caused by
  - Permanent financial problems such as lack of income / poverty / regularly or frequently run out of money to meet everyday costs of living.
  - Temporary financial problems (e.g. family crisis, extra cold weather, change of circumstances, other unexpected demands on household budget).
  - Fuel poverty arising from energy inefficient homes and low household incomes.
  - Difficulty in getting to the meter charging point due to household circumstances e.g. elderly / disabled / sick.
  - Difficulties in getting to the meter charging point due to its distance and / or cost of transport.
  - Breakdown of meter or meter charging point.

- What form does rationing take and the extent to which this is harmful e.g.
  - Thermostat on heating set low
  - Some rooms unheated
  - Heating switched off for significant periods when house is occupied
  - Limited use of hot water, e.g. number of baths / showers taken
  - Living in colder temperatures than is desirable.
- Ways of minimising customer reliance on call-out services to re-set meters.

3.31 This new research would be best done with different prepayment meter technologies, across a range of areas and suppliers, with support from an expert steering group.

### **Switching From Prepayment Meters To Other Payment Methods**

3.32 Many companies report that it is difficult to get customers using prepayment meters to switch to other methods, although some experience to date indicates that a personal approach can be more effective. There is also concern that when customers do switch, they get into debt again. Pilot research is needed to determine:

- How to get customers to switch, e.g. potential for provision of incentives (e.g. store vouchers), mail shots, telephone calls, personalised information on savings.
- Role for advice on optimal alternative payment methods to ensure customers benefit from switching, e.g. direct debit, early payment discounts, and extent to which customers can take these options up.
- Role for provision of assistance to enable customers to avoid getting into further debt e.g. provision of budgeting advice, regular meter readings, energy efficiency advice, etc.

Research here may best be done by pilots with suppliers.

### **Scope For Better Debt Management (Prevention And Cure)**

3.33 Both companies and agencies agree that debt problems can be avoided if contact can be made with customers early on before difficulties are allowed to escalate. Once alerted to problems, companies need to provide appropriate assistance to help customers effectively. Research is needed to determine:

- How households can be encouraged to contact suppliers as early as possible when they are having difficulties.
- Whether more regular consumption information can help reduce debt build-up and how this can best be provided, e.g. by showing customers how to read their meters; reading meters more frequently; and provision of customer friendly information.
- The role offers of energy efficiency grants and other help can play in reducing “no contact” cases, e.g. would this act as a “carrot” for the customer to contact the supplier?
- The advice needed to help households to repay debt in a manageable way and to avoid future debt, including the role of broader debt counselling and money / benefits advice.
- The role of energy efficiency (HEES / EESOP) grants in helping to reduce the likelihood of further debt build-up.

Both customer research and pilot projects may be of value. Research with customers who have failed to seek help until they have been disconnected would be useful in understanding reasons for “no contact”.

### **Identification and Help to Vulnerable Customers**

3.34 Customers who get in to debt and /or who have prepayment meters are readily identified and hence easily targeted, but there may be other customers with problems – notably elderly people at risk from hypothermia who tend not to get into debt or to have prepayment meters – who need help. Research is needed on the role of suppliers in identifying and helping customers potentially at risk:

- In identifying customers:
  - Use of Priority Customer (formerly special care) registers as a means of identification
  - Role of frontline staff, such as meter readers.
  - Role of external organisations working with suppliers e.g. charities, Local Authority Social Services Departments, health care staff.
- In providing effective help:
  - Offer of cheaper or more suitable tariffs and payment methods.

- Offer of safety checks and other special services.
- EESOP grants.
- Energy advice.
- Links to HEES grants and benefits / money advice.
- Affinity deal bank accounts.

Agencies with expertise in care of the elderly would need to be involved to help define good practices.

### **Different Forms Of Payment And Debt Recovery Using Prepayment Meters**

3.35 Apart from the higher tariffs associated with prepayment meters, these meters also have the disadvantage that where usage is seasonal (particularly the case in gas), expenditure is concentrated into the winter months. For other payment methods (e.g. direct debits) payments can be spread evenly throughout the year. The scope for turning prepayment meters into a budget payment system with a fixed weekly amount needs to be established. Research should address:

- Whether customers are interested in this type of facility
- The technical feasibility and costs
- The need for help with energy efficiency (HEES /EESOP) before customers go onto this method of payment.
- How customers can be helped to ensure their payments stay in line with consumption.

This research would need to be lead by suppliers, with on the ground support, possibly from local agencies, to monitor, and advise.

### **Financial services to disadvantaged customers**

3.36 Companies and customer groups have supported the concept of credit unions as a potential means of helping low-income customers without traditional bank accounts gain access to lower cost methods of paying their gas and electricity bills. However, there is little experience to date and research is needed to establish:

- What is an effective base for a credit union e.g. Tenants Association, Age Concern Group, Single Parents Group, etc.?

- How eligible households can be encouraged / incentivised to join the credit union, including provision of:
  - Personalised information on savings possible?
  - Offers of help with energy efficiency (HEES / SOP) to avoid the risk of large bills?
  - Other incentives (e.g. store vouchers)?
- What percentages of targeted households respond and what percentages join?
- What happens to those who join the credit union:
  - Do they take up energy efficiency measures?
  - Do they run up debt?
  - Do they keep to regular payment arrangements, etc.?
- Is there a need for more regular consumption information to those who join the credit union, and how best can this be provided e.g.
  - By showing customers how to read their meters?
  - By reading meters more frequently?
  - By the provision of customer friendly information?

3.37 The involvement of an active credit union, with some financial support from suppliers, would be best to establish the feasibility of credit union/utility partnerships.

The next chapter describes how this work will be organised and monitored.



## 4. MEASURING AND REVIEWING PROGRESS

4.1 As explained in the previous chapter it will be important to monitor progress across all aspects of the Plan carefully. It will be helpful to have measures against which the contribution being made by the Plan can be assessed. These should recognise that the Plan will need to work in the context of a wider range of interlocking initiatives, particularly those led by Government to tackle poverty and social exclusion more widely.

4.2 In the case of several of the proposed measures Ofgem itself has little direct influence over outcomes, but their inclusion provides an important part of the framework for assessing the overall progress being made. For example, we propose that the overall success of the Plan should be measured by the proportion of households in fuel poverty. Clearly, this is an important measure of the extent of the problems. However, household income is a matter for Government as are the large scale insulation and energy efficiency projects which will contribute to addressing the needs of the fuel poor. Ofgem can however make a contribution by maintaining a downward pressure on electricity and gas prices, promoting competition and ensuring all customer groups can share in its benefits and through energy efficiency standards of performance schemes focused on those most in need.

### Key Indicators

4.3 Accordingly Ofgem has identified the following twelve key indicators that could be used to measure progress under the Plan. Without the input of customer groups and Suppliers Ofgem does not believe it is practicable to specify numerical or percentage targets for most of these indicators. Any meaningful targets need to strike a balance of providing a challenge without being unrealistic. It is intended that specific targets will, where possible and appropriate, be identified over the first year of the Plan's implementation

#### A. Percentage of customers experiencing fuel poverty

The overall aim of the Plan should be to contribute towards reducing the proportion of households experiencing fuel poverty. Present data for this indicator was set out on page 10 of the Discussion Document. This data is collected through the English House Condition Energy Survey Report. Further indicators of fuel poverty would be helpful in

measuring progress. Ofgem is investigating which measures will be most useful, including those for Scotland and Wales.

## **B. Number of Customers Using Prepayment Meters**

Given the difficulties and costs associated with prepayment metering an objective of the plan is to avoid inappropriate incentives on suppliers to utilise prepayment meters. It should be expected that the overall proportion of customers using prepayment meters should decline (particularly in electricity). Present data is set out in Tables 2.4 and 2.7 of the Discussion Document.

## **C. Debt Repayment Levels**

It will be important to ensure that debt repayment rates are monitored and are kept at appropriate levels.

## **D. Tariff and Payment Choice**

The development of the competitive market should enhance the degree of choice available including choices of particular interest to disadvantaged customers. It will be important to monitor developments in this area, including regular cash payment options, and low user tariffs.

## **E. Disadvantaged Customers and Competition**

A critical objective of the Plan is to ensure that disadvantaged customers can play a full part in the competitive market. This indicator will record the take-up of offers from the different categories of customers. Some data in this area was set out in Table 2.10 of the Discussion Document.

## **F. Priority Service Registers**

It will be important to monitor the take-up and services provided under the priority Service Registers (formerly the Care Registers).

## **G. Disconnections**

Disconnections should be minimised. Present data is set out in Table 2.6 of the Discussion Document.

## **H. Self-Disconnection**

Given the widespread use of prepayment meters it would be useful to have an agreed and verifiable measure of the extent of self-disconnection. It should be an aim of the Plan to reduce self-disconnection.

## **I. Effective Energy Efficiency Advice**

The use and quality of advice services provided by (or for) suppliers should be monitored, with particular focus on advice to disadvantaged customers.

## **J. Warm Homes Initiatives**

An indicator of targeted action under the Plan will be the number of disadvantaged customers assisted through energy efficiency initiatives carried out by the industry.

## **K. Customer Satisfaction**

The views of customers are an essential indicator of success. Ofgem will monitor carefully the views of disadvantaged customers.

## **L. Prices**

Work by Ofgem will continue to put downward pressure on prices. Under the Plan we will continue to monitor prices and in particular the impact on disadvantaged customers.

## **The Plan and timetable**

4.4 The tables at the end of this Chapter summarise the actions described in this document, how these relate to the priority areas we have identified, the timetable for the work as far as we can reasonably foresee at this stage, and which key indicators are applicable for measuring progress. The plan is intended for five years. We will keep progress under review and as work develops the timetable will be extended.

## Review Group

In the discussion document we proposed the establishment of a review group, chaired by Ofgem, to assist in taking the Plan forward. This proposal was generally welcomed by respondents and we have received some helpful initial suggestions for membership.

We envisage the group will assist Ofgem at a strategic level by monitoring overall progress of the Plan, the contribution made by the industries, and in highlighting areas for future actions. It would also have a role in advising on the pilot projects and research proposals. In addition to senior industry and consumer representatives it would be helpful to have independent parties who could give a broader perspective to the group's work. Ofgem will be finalising membership of the review group over the next two months.

To compliment the work of the review group it would be helpful to consult from time to time with a broader based group which brings together industry, customer, energy efficiency and fuel poverty experts. This group would compliment the more strategic role of the review group with informed analysis on fuel poverty questions. Where necessary we will also establish expert groups to consider particular areas where further work is required.

We anticipate that the review group will advise Ofgem on an annual report on progress under the plan. The extent to which industry should also report collectively or separately on its activities is undecided, and we will be considering this further.

**SOCIAL ACTION PLAN : DRAFT PROGRAMME OF WORK**

	<b>Priority</b>		<b>Actions</b>	<b>Timetable</b>	<b>Key Indicators</b>
1.	Ensure that customers using expensive payment options have an informed choice of alternatives and a better means of accessing cheaper methods.	1.1	Provision of Information	Consult: October '99; Agree licence modifications March '00; Implement new requirements summer '00	B, D
		1.2	Research on switching from PPM to other payment methods	Finalise research requirements 12/'99 Confirm research parties summer '00 at latest. Complete research (to be determined)	
		1.3	Monitoring progress	Initial monitoring report September '00 Further monitoring reports annually Additional monitoring through market surveys and Ofgem Competitive market reviews	
2.	Overcome barriers to disadvantaged customers participating more actively in the competitive market through better information and a reconsideration of the rules on customers' debt	2.1	Customer Transfers: Debt blocking and assignment	Consult: November '99; Agree any licence modifications March '00 Implement changes: to be determined	E, D
		2.2	Provision of Information	Consult: October '99; Agree licence modifications March '00; Implement new requirements summer '00	
		2.3	Monitoring progress	Initial monitoring report September '00 Further monitoring reports annually Additional monitoring through market surveys and Ofgem Competitive market reviews	
3.	Ensure that suppliers have an effective dialogue with customers in debt	3.1	Revise licence conditions on bill payment	Consult: This document Propose changes and issue draft guidance; November '99; Amend licences and issue final guidance; February '00; Codes Revised; May '00	C, G, H
		3.2	Research on scope for better debt management	Finalise research requirements 12/'99 Confirm research parties summer '00 at latest. Complete research (to be determined)	
		3.3	Monitoring Progress	Monitoring requirements consultation; November '99;	

				Revised requirements determined; February '00; Implementation summer '00 Initial monitoring report September '00 Further monitoring reports annually.	
		3.4	Fuel Direct	Establish review group 12/99. Report on findings April 00.	
4.	Encourage the development of new, alternative and cost effective payment methods and tariffs which meet the particular needs of vulnerable customers	4.1	Revision of Methods of Payment Requirements	Consult: This document Propose changes; November '99; Amend licences; February '00;	D
		4.2	Credit Union Pilots	Finalise research requirements 12/'99 Confirm research parties summer '00 at latest. Complete research (to be determined)	
		4.3	Standing Charges Low user Tariffs	Publish research paper 12/99	

		4.4	Monitoring Progress	Initial monitoring report September '00 Further monitoring reports annually Additional monitoring through market surveys and Ofgem Competitive market reviews	
5.	Overcome barriers to suppliers' access to cost effective prepayment meter systems and other regular payment methods	5.1	Competition in metering services Supply reviews (elec) to consider PPMIP charges	Electricity metering liberalisation April 2000 Review ppm infrastructure arrangements Summer 2000	B, D
		5.2	Credit Union Pilots	Finalise research requirements 12/'99 Confirm research parties summer '00 at latest. Complete research (to be determined)	
		5.3	Monitoring Progress	Initial monitoring report September '00 Further monitoring reports annually Additional monitoring through market surveys and Ofgem Competitive market reviews	
6.	Encourage and develop innovative schemes to improve energy efficiency in disadvantaged homes.	6.1	Revise licence requirements on energy efficiency advice	Consult: This document Propose changes and issue draft guidance; November '99; Amend licences and issue final guidance; February '00; Codes Revised; May '00	I, K
		6.2	Energy efficiency advice research	Finalise research requirements 12/'99 Confirm research parties summer '00 at latest. Complete research (to be determined)	
		6.3	Pilots on help to vulnerable customers	Finalise research requirements 12/'99 Confirm research parties summer '00 at latest. Complete research (to be determined)	
		6.4	Energy Efficiency Standards of Performance	Consult on implementation October '99 Implement new standards: April '00; Assist government to implement its scheme by April '02	
		6.5	Monitoring Progress	Initial monitoring report September '00 Further monitoring reports annually Additional monitoring through market surveys and Ofgem Competitive market reviews	
7.	Cutting Costs to Customers through price controls and ensuring greater competition in generation	7.1	Price controls	Review Distribution charges November '99 Review Supply Charges December '99 Review gas transportation charges Autumn '00	J

		7.2	Competition	On-going – implement Electricity Trading Arrangements Autumn '00	
		7.3	Monitoring Progress	Initial monitoring report September '00 Further monitoring reports annually Additional monitoring through Ofgem Competitive market reviews	
8.	Put in place measures to resolve the difficulties encountered by prepayment meter customers	8.1	Prepayment meter code	Consult: This document Propose changes and issue draft guidance; November '99; Amend licences and issue final guidance; February '00; Codes Revised; May '00	H, L
		8.2	Self-disconnection research	Finalise research requirements 12/'99 Confirm research parties summer '00 at latest. Complete research (to be determined)	
		8.3	Pilot on Payment methods using PPMs	Finalise research requirements 12/'99 Confirm research parties summer '00 at latest. Complete research (to be determined)	
		8.4	Monitoring Progress	Initial monitoring report September '00 Further monitoring reports annually Additional monitoring through market surveys and Ofgem Competitive market reviews March '00	
9.	Ensure services are developed and maintained to meet the special needs of the elderly, disabled and chronically sick.	9.1	Revise licence requirements	Consult: This document Propose changes and issue draft guidance; November '99; Amend licences and issue final guidance; February '00; Codes Revised; May '00	F
		9.2	Monitoring Progress	Initial monitoring report September '00 Further monitoring reports annually Additional monitoring through market surveys and Ofgem Competitive market reviews	
10	Ensure companies report on their activities under plan	10.1	Establish new reporting requirements (Licences)	Monitoring requirements consultation; November '99; Revised requirements determined; May '00;	
		10.2	Ensure Codes of Practice publicised	Consult: This document Propose changes and issue draft guidance; November '99; Amend licences and issue final guidance; February '00; Codes Revised; May '00	



		10.3	Monitoring Progress	Initial monitoring report September '00 Further monitoring reports annually Additional monitoring through market surveys and Ofgem Competitive market reviews	
		10.4	Review group	Establish Review group: December '00	
	Other relevant activities	10.5	EA Fuel Poverty Task Force	Review report of this group by end '99	
		10.6	Market Research	Publish MORI Report Dec '99 Publish gas competitive market review = Nov '99	

## 5. Summary

5.1 A framework for action across a wide range of activities which contribute to the Plan is described in this document. Arrangements for measuring and reviewing progress, and a number of key indicators, are also described.

### Licence Changes

5.2 Ofgem wishes to make a number of licence changes to improve protection for disadvantaged customers. Revised licence obligations will establish a common regime for electricity and gas companies on social obligations, i.e. on payment methods, energy efficiency advice, services for vulnerable customers, and debt and disconnection. Ofgem's overall aim is to level up to best practice between the two industries, provide a "dual fuel" regime if suppliers want one code of practice to cover both gas and electricity, to establish clearer enforceability, and to provide for more involvement and consultation from consumers' committees or councils.

5.3 The licence proposals also include new obligations on suppliers with regard to service to prepayment meter customers, and the provision of frequent cash payment methods.

### Research Programme and Pilot Projects

5.4 A number of areas have been identified for research. Proposals are made for work in the following areas:

- Energy efficiency advice
- Self-disconnection and rationing
- Switching customers from prepayment meters to other payment methods
- Improved debt management
- Identification and help to vulnerable customers
- More flexible forms of payment and debt recovery using prepayment meters
- Credit unions

### Broader Structural Areas

5.5 Broader areas of policy work by Ofgem which form part of the Plan include:

- **Price Controls**

Ofgem is in the process of reviewing the price controls of the Public Electricity Suppliers' (PES) distribution and supply businesses, and the supply business of British Gas Trading (BGT), in order to maintain downward pressure on prices to the direct benefit of disadvantaged customers.

- **Improved Tariff and Service Options**

Ofgem will take steps to ensure alternatives to prepayment meters are promoted; for those customers who are unwilling or unable to change from prepayment meters, work on the introduction of effective competition into metering will open the way for cost reduction and innovation.

- **Energy Efficiency**

Ofgem's proposals to continue Energy Efficiency Standards of Performance in electricity and to extend them to gas will contribute towards the provision of warmer homes for disadvantaged customers.

- **Information**

The provision of clear, comparable pricing information to assist customers in making their choice of supplier is essential. Ofgem will shortly be publishing a consultation document outlining proposals for improving the provision of information on prices in the electricity and gas markets, with particular regard to the benefits for disadvantaged customers.

- **Customer Transfers: Debt Blocking and Assignment**

Ofgem is reviewing the scope for customers with debts to change Supplier. There is a related issue of the transfer of final bill debts under the assignment process in the electricity and gas licences.

Ofgem will bring forward a consultation document seeking views on improvements to the debt blocking and assignment rules.

- **Market Research**

Ofgem will continue to monitor the development of competition closely, including its impact on different types of customers.

- **Fuel Direct**

Ofgem will establish a review group to examine the operation of Fuel Direct and identify areas for improvements for customers and suppliers.

- **Low User Tariffs / Standing Charges**

Ofgem will be undertaking further research to establish how low-income customers fare under a range of tariff scenarios.

Ofgem seeks views on the overall framework set out in this document and specific comments on the detailed proposals set out on licence modifications. We expect to finalise the Plan by the end of the year.



**SUBMISSION TO THE REVISED SOCIAL ACTION PLAN  
BY THE  
EA FUEL POVERTY TASK FORCE**

**Energy Industry Best Practice: Examples of Demonstration Schemes**

*This paper pulls together some of the examples of energy industry initiatives/practices in serving the needs of the fuel poor. The ideas below are wide-ranging but not exhaustive, as such an approach would be impractical for publication in the Revised Social Action Plan. Instead, the aim is to provide an overview of how the energy industry is tackling some areas concerned with fuel poverty.*

*It should be noted that some initiatives may be appropriate only under certain circumstances and so may not be appropriate for all companies to pursue.*

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1. *ENERGY USAGE*

**1.1. Energy Efficiency Standards of Performance**

Over the four years from April 1994, electricity companies spent £102 million on over 500 Energy Efficiency Standards of Performance (EESoP) projects. Importantly, 60% of the beneficiaries were on low incomes. In the subsequent programme, lasting two years, around £50 million is being spent on a new series of energy saving projects, of which some 65% will be directed towards the low income and pensioner households.

Companies are currently considering how best to maintain this level of commitment for the next phase of EESoPs, starting in April 2000.

1.2. Specific examples of EESoP schemes aimed at the fuel poor include:

1.2.1. *Fridge Savers*

A scheme where low income households can obtain new replacement energy efficient fridges for £25, saving £35 per annum for each customer;

1.2.2. *Customers in Debt*

For those recently or currently in debt, the scheme provides two free low energy lamps. This has led to a total electricity saving of £2,925,000 for the 36,000 responding customers;

1.2.3. *Special Needs/Elderly*

New microwave ovens were offered for £25 to 'Meals on Wheels' recipients as an efficient way of cooking the delivered frozen meals. Up to £35 per annum per customer has been saved on running costs;

1.2.4. *Private Landlords*

The fuel poor represent 39% of tenants in the private rented sector – the most difficult housing tenure sector to target. Schemes aimed at improving the housing stock in this sector benefited 2,500 premises, with 2,200 insulation measures undertaken and 2,700 low energy lamps installed.

1.3. ***Voluntary Energy Efficiency Initiatives***

Unlike the electricity industry, there is currently no EESoP programme for the gas industry. However, both Centrica and BG Transco have undertaken a range of voluntary energy efficiency related projects that have benefited the fuel poor. Electricity companies, in addition to the EESoP programmes, have also undertaken a wide variety of voluntary initiatives specifically directed towards helping those in fuel poverty.

1.4. In summary, energy companies have been involved in various schemes aimed at minimising energy usage, largely in association with Local Authorities, charities, and

voluntary and caring agencies. These schemes cover freephone energy efficiency advice lines, energy efficiency advice centres, promotion of energy efficient appliances/energy labelling, energy audits over the telephone and via home visits, information leaflets, energy efficiency education service, presentations/media events, and sponsorship of conferences through to research fellowships. Some specific examples of projects follow.

#### 1.4.1. *Power for Low Income Families*

Power for low income families is a concept developed by the Energy Action Grants Agency (Eaga) to specifically address the future energy requirements of low income families. ScottishPower, Manweb and NIE are working in partnership with Eaga to pilot the initiative within their respective areas in the UK. The aim is to put in place a mechanism whereby households in debt will be given the opportunity to enrol on the scheme. The main aspects of the scheme are the provision of energy efficiency measures, a fixed 'weatherproofed' payment plan, a 'benefits health check' and money management advice.

#### 1.4.2. *Assisting the Elderly*

In January 1999, British Gas, in partnership with Help the Aged, launched a scheme to reduce fuel poverty amongst older people. The two year project will include a home insulation programme for elderly people and other measures to address the issues of isolation and winter deaths.

#### 1.4.3. *Energy Efficiency Loan Scheme*

London Electricity is currently trialing an innovative energy efficiency loan scheme. Customers are advanced money to pay for initiatives that will improve the energy efficiency of their homes, with repayments coming from the resulting lower energy bills.

1.4.4. SWEB has put forward a proposal for 'environmental kits' comprising insulation measures promoted through a deferred payment scheme with customers repaying installation costs over 2 to 5 years. The scheme is likely to be attractive for customers using 'on-peak' electric heating, solid fuel or bottled LPG for heating. SWEB foresee a need for a change in regulation as this scheme will primarily target

PPM customers and recovery of these costs cannot presently be made through PPM charges.

#### 1.4.5. *The 'Handy Van' Scheme*

London Electricity is working with Help the Aged on the 'Handy Van' scheme. This scheme involves the sponsorship of a van equipped with safety and energy efficiency aids that a fully trained employee fits into the homes of recommended customers, many of whom will be the fuel poor. This project makes use of 'trusted sources' as an effective communication channel.

#### 1.4.6. *Improving Poor Housing Stock*

Northern Electric is pioneering a scheme in which Local Authorities and their tenants share a commission payment for each tenanted household that enters into a dual fuel contract. The Local Authority is using its share of the payment to fund energy efficiency measures for its housing stock.

### 1.5. ***Energy Efficiency Advice and Measures***

The Tenants Energy Advice Service (TEAS) is a project run by the charity Energy Conservation & Solar Centre (ecsc). It began over fifteen years ago and has provided free, impartial advice to tenants' and residents' groups as well as directly to members of the public. The TEAS project has and continues to receive funding from Eastern Group, London Electricity, British Gas Trading and Transco. In 1997, the service provided assistance directly and indirectly to 6,500 London households, through training sessions, advice, newsletters and grant referrals.

1.6. Many companies have worked closely with NEA for a number of years, and are continuing to fund demonstration projects. Projects have focussed on the provision of in-depth energy advice to individual householders in fuel poverty and raising awareness of the benefits of energy efficiency. Other schemes have invited local authorities, housing associations, community/voluntary organisations to submit applications for grants to help special needs households to improve energy efficiency through insulation, lighting, appliances and energy advice and training.



### 1.7. *Education Initiatives*

Some companies have developed education initiatives enabling school pupils to investigate energy usage in their homes and schools. British Gas, for example, in conjunction with the DETR, runs a national energy efficiency awards programme for seven to eleven year olds called Powersavers. The scheme gives schools a series of educational units that contribute to national curriculum teaching. They culminate in an energy efficiency exercise for children which is entered in a national competition. If a school wins either regional or national stages of the awards, British Gas will give a substantial sum to pay for capital-intensive energy efficiency measures.

1.8. London Electricity is planning to extend its education initiative to secondary level education as part of the personal and social health area of the National Curriculum and as part of Government's new plan to introduce Citizenship into schools. Getting messages into the homes of the fuel poor via children is potentially a very effective means of communication. In political circles, education has been recognised as a route out of poverty and fuel poverty should be no different.

## 2. *ENERGY COSTS*

2.1. It is vital that the energy costs incurred by customers are appropriate to their use of energy. All energy supply companies are pleased to offer free tariff advice, either by telephone or letter to any customer who requests it regarding their supply tariff. This facility is publicised on bills and in codes of practice. On occasions there are also targeted mailing and telephone campaigns to give advice to specific customer groups, such as those whose consumption profile suggests they are on the wrong tariff and would be better off moving to another tariff.

2.2. All companies continue to review their offerings with the objective of making available competitive prices for all customer groups. This can be seen over the last couple of years with the introduction of low consumption tariffs. Although the fuel poor are not necessarily low consumption households, the low consumption tariffs, which are becoming increasingly available, either eliminate the standing charge or are designed to benefit low-consumers so that the standing charge does not form the major component of the bill.

2.3. Currently, Eastern Energy, Manweb, Northern Electric and Gas, SEEBOARD and Northern Ireland Electricity offer these tariffs.

### 3. *BUDGET PAYMENT PLANS*

3.1. All companies offer budget payment plans, which are attractive to those customers that prefer to make regular payments. The most flexible of these payment plans enable the customer to pay what they like, when they like. Usually, a payment card is provided which enables the customer to make payments at post offices by cash or cheque without incurring a transaction fee. Alternatively, a book of payment slips can be provided allowing the customer to pay by post or at a bank, again free of charge.

#### 3.2. *Credit Unions and Merlin*

Credit Unions are organised by, and comprised of, members who agree to save their money together and to make loans to each other at reasonable rates of interest. A Credit Union is a democratic, not-for-profit financial co-operative. A process can be arranged whereby a Credit Union pays a utility by direct debit and the utility, in turn, can charge those customers at its direct debit prices.

3.3. The Vision 2000 Merlin scheme is planned to address the needs of low-income customers in respect of paying multi utility bills. Merlin amalgamates all the customer's annual utility bills and calculates one regular weekly/fortnightly payment which the customer makes via the PayPoint network (see below). Merlin forwards the appropriate payment to each utility on a quarterly basis and the interest accrued on the customer's account is used to allocate loyalty points to them, which can be redeemed at outlets such as Argos. The utilities each pay a small fixed fee to Merlin for each participating customer together with a larger annual contribution which decreases as the number of utilities involved with each customer increases. This outlay is designed to be recouped through lower collection costs, with Merlin providing initial follow up for defaulting customers.

3.4. Some companies have indicated their willingness to participate in the pilot scheme which is anticipated to start this autumn.

#### 4. *PAYMENT METHODS*

##### 4.1. *PayPoint – free, frequent payment scheme*

PayPoint is a national bill payment network for cash or cheque paying customers of UK utility and services companies. The scheme operates through the commission incentives given by participating bill issuing clients (the utilities) to the retail agents.

4.2. PayPoint particularly appeals to those customers who prefer to pay bills in cash and accommodates payments on a weekly, fortnightly, monthly or quarterly basis. The service is free to customers and there are around 7,500 retail outlets participating in the scheme, including newsagents, convenience stores, supermarkets, service stations and off licences. These outlets are a convenient option since they are local and many have extended shopping hours, often open seven days a week. Over one million regular customers use the scheme.

4.3. The scheme uses electronic terminals, providing customers with a clear receipt for each payment made, and the bill issuer's records are updated the following day. Small value cash/cheque payments are welcomed as well as full account settlements. In addition to simple cash payments, customers can buy tokens and smart cards or keys to use in prepayment meters (PPMs).

4.4. Energy companies using the PayPoint network include: British Gas Trading; London Electricity; Northern Electric and Gas; Northern Ireland Electricity; Scottish Gas; SEEBOARD; SWEB; Welsh Gas; Yorkshire Electricity..

#### 5. *OTHER*

5.1. There are other ways, both direct and indirect, in which energy companies are seeking to alleviate fuel poverty and also help tackle the reasons for fuel poverty. These include:

- the support of Community Learning Centres;

- offering confidential benefits checks to ensure that customers are getting the correct government entitlement – which in turn can assist fuel budgeting;
- funding Community Liaison Officers who can make personal visits to customers in need of help and advice.

### 5.2. *Specialist Advice*

Some companies have entered into partnerships with specialist advice organisations, for example, CABs and debt advice agencies. Working with and training the staff of these special advice organisations allows information dissemination of energy companies' tariffs and debt management options to be effectively cascaded down to the needy customer groups.

### 5.3. *Information Dissemination*

Many companies strive to obtain the Plain English crystal mark on their information leaflets, and translate the leaflets into a number of different languages to take account of customer characteristics. 'Languageline' telephone lines are also available for telephone callers. These initiatives tackle head on language, literacy, social and other barriers to information dissemination.

## Appendix 2 Respondents

Age Concern  
Amerada Hess Gas  
Aquila Energy  
Bank of Scotland  
BCN Data Systems  
British Bankers' Association  
British Gas Trading  
Centre for Utility Consumer Law - University of Leicester  
Chesterfield Citizens Advice Bureau  
City of Liverpool – Anti-Poverty Unit  
Combined Heat & Power Association  
COMTECHSA  
Consumer Environment Forum  
Consumers' Association  
Dutta, Yogi  
Eaga  
East Midlands Region Electricity Consumers' Committee  
Eastern Electricity  
Eastern Region Electricity Consumers' Committee  
Ebico  
Electricity Association  
Energy Action Scotland  
Energy Saving Trust  
Gas Consumers Council  
HESTIA  
Independent Energy  
Lancashire County Council – Welfare Rights Service  
Leeds City Council – Department of Housing Services  
London Electricity  
London Region Electricity Consumers' Committee  
Merseyside and North Wales Electricity Consumers' Committee  
Major Energy Users' Council

Midlands Electricity  
Midlands Region Electricity Consumers' Committee  
Money Advice Association  
Money Advice Support Unit  
National Association of Citizens Advice Bureaux  
National Consumer Council  
National Debtline  
National Electricity Consumers Council  
National Energy Action  
National Housing Federation  
National Right to Fuel Campaign/Centre for Sustainable Energy  
National Power (Energy Co.)  
Natwest Group  
North East Region Electricity Consumers' Committee  
North of Scotland Electricity Consumers' Committee  
North West Region Electricity Consumers' Committee  
Northern Electric  
Norweb  
PayPoint  
PowerGen  
Public Utilities Access Forum  
Royal National Institute for the Blind  
Schlumberger Industries  
Scottish Consumer Council  
ScottishPower  
SEEBOARD  
Siemens Metering  
South Ayrshire Council – Community Protection Department  
South East Region Electricity Consumers' Committee  
South Wales Region Electricity Consumers' Committee  
South West Region Electricity Consumers' Committee  
Southern Region Electricity Consumers' Committee  
Stoddart, Peter  
SWALEC  
SWEB

Transco

UNISON Energy

UNISON Scotland

Yorkshire Region Electricity Consumers' Committee

Yorkshire Electricity

## Appendix 3 Summary of Responses

### The Priorities

The *Social Action Plan: Discussion Document* set out nine priority areas and invited comments. The priorities were:

- *Ensure that customers using expensive payment options have an informed choice of alternatives and a better means of accessing cheaper methods*
- *Overcome barriers to disadvantaged customers participating more actively in the competitive market through better information and a reconsideration of rules on customers' debt*
- *Ensure that suppliers enter an effective dialogue with customers in debt*
- *Encourage the development and availability of new, alternative and cost effective payment methods and tariffs which meet the particular needs of vulnerable customers*
- *Overcome barriers to suppliers' access to cost-effective prepayment meter systems and other regular payment methods*
- *Encourage and develop innovative schemes to improve energy efficiency in disadvantaged households*
- *Cutting costs to customers through price controls and ensuring greater competition in generation*
- *Put in place measures to resolve the difficulties encountered by prepayment meter customers*
- *Ensure companies report on their activities under the Plan*



## Respondents' Overall Views on Priorities

The priorities, with a small number of exceptions, elicit general support from customer groups and industry respondents. Many company responses indicate that they believe they are already carrying out numerous actions to achieve the priorities.

Whilst there is discussion about the order of the priorities and some suggestions for addition there is overwhelming agreement that they are a reasonable starting point from which to 'engage the causes of fuel poverty rather than simply providing sticking plaster solutions' (an electricity supplier).

A few respondents, including company and customer groups, want more emphasis on development of advanced metering technology, since they believed this would be of particular benefit to prepayment meter customers and to companies in obtaining accurate meter readings.

## Views on Individual Priorities

- *Ensure that customers using expensive payment options have an informed choice of alternatives and a better means of accessing cheaper methods.*

### Respondents' Views

#### Availability of Payment Methods

Most customer groups want to see amendments to the Licence to require companies to provide frequent cash payment options; several suggest their provision would help reduce the costs of debt to companies. The Public Utilities Access Forum (PUAF) believes that "The ability to make small frequent cash payments is crucial to people on low incomes." Consequently, "The Director General should be tougher with companies so that they offer more payment options, especially weekly payments." National Energy Action (NEA) supports licence amendments to require frequent payment methods because ".....many people on low incomes budget weekly or fortnightly and deal exclusively with cash incomes, particularly those dependent on welfare benefit payments." Many respondents say that these options should be offered free of charge but would restrict the requirement to the larger companies only.

There is also the suggestion that customers should be able to make payments in places where they could collect their benefits. PUAF points to the importance of the post office network in providing payment facilities and suggests that Ofgem should make representation to the Government.

Many suppliers point out that they already offer their customers a wide range of payment methods at no cost to the customer. The form seems to vary greatly. Some suppliers do not think it appropriate that they should be required to offer a frequent cash payment tariff, in particular the new entrants. New entrants especially express concern at the cost of such methods of payment which would have to be passed on in the tariff. Suppliers are not convinced that frequent payment methods reduce the cost of debt. One supplier says that payments at the post office are more than eight times as expensive as those made by direct debit. If a customer pays cash on a weekly basis, the transactional cost is over 130 times greater than for a quarterly direct debit customer.

### **Access to the banking system**

There is support among industry respondents to co-operate in any initiatives to make the banking system more accessible to the fuel poor, although responsibility for such schemes lies in the final analysis with the banks. Some suppliers are already in discussion with banking representatives. Respondents from the financial sector identify a number of potential initiatives that could be taken jointly by banks and electricity/gas suppliers, such as sending information about basic bank accounts to customers who pay by cash.

Some respondents, including certain consumer groups, think it unlikely that many low income customers will want to use bank accounts because such accounts are inflexible. The National Electricity Consumers Council (NECC) says: "We suspect .....that for some time many of those whose incomes consist of weekly or fortnightly wage or benefit payment will continue to resist using a bank. It is not their way of managing the little money they have and, when income is limited, it may not be helpful." One respondent from the financial sector relates the experience of the United States, where although seven US States have legislation requiring the availability of basic bank accounts, many people still choose to use cheque cashers and incur the associated charges.

### **Credit unions**

The Consumers' Association (CA) and certain other customer groups agree that credit unions could play an important role in helping people manage their energy bill payments.

The Electricity Association Task Force is at present looking at the concept of credit unions; several suppliers say they have already done so. Other industry respondents express a

willingness to explore and support the development of a credit union model. A small number of suppliers say that it would be inappropriate for them to be involved, or that they do not have the appropriate skills.

Nevertheless, some respondents suggest that credit unions should not be seen as a panacea for low income customers, at least in the short term. Many credit unions are community based, small and under-resourced and do not have the appropriate technology to deal with payments for utility bills. Banks, building societies and the credit union movement are understood to be looking at a strategic approach as part of a Treasury-led task force. As its proposals emerge, the possible role for suppliers and others might become clearer.

### **Change of payment method**

NEA believes that “Suppliers could and should do more to ensure that customers are fully aware of the cost implications of the payment methods they use...” This is generally supported by customer groups.

Suppliers point out it is in their own interests to promote cheaper payment methods to their customers – there is more profit and, if customers see that the company is taking an interest in their needs, they would be less likely to switch supplier. A number of companies have undertaken exercises to try to persuade prepayment customers to change payment method. The results had been disappointing, but in one instance a more proactive telephone approach had appeared to be more promising. However, there is evidence that some of those who have switched have experienced problems with debt build-up and have returned to a prepayment meter. One company is undertaking research to find out why customers are encountering problems and will share the outcome of the research. Others are looking into the option of converting their prepayment meters to credit meters through electronic messages via card terminals.

Some customer groups think, as one agency points out, that “Many low income households view the premium which they may pay for paying quarterly or by prepayment meter as acceptable, in order to receive the added budgeting flexibility which they provide.” Suppliers agree that drawing customers’ attention to the fact that prepayment meters are more expensive will not necessarily sway customers to change payment methods.

Nevertheless, the general view of customer groups is that companies should enable prepayment customers to make regular comparisons between prepayment and other payment methods. This could be done annually through the billing procedure.

- *Overcome barriers to disadvantaged customers participating more actively in the competitive market through better information and a reconsideration of rules on customers' debt.*

## **Respondents' Views**

### **Information on Competition**

Customer groups are strongly of the view that additional information on competition is required, but there is no consensus about who should provide it: some think the regulator should do so, others that the industry should. One agency however says that its experience in dealing with disadvantaged households has shown that "...introducing licence requirements on providing customers with information on prices and tariffs would not be a worthwhile exercise." Leaflets are not read and a face to face approach is better.

More generally, customer groups take the view that much wider dissemination of comparative price information is required by both the regulator and companies. The Electricity Consumers' Committee for the North of Scotland would like to see in this respect doorstep salesmen having "...authenticated charts setting out annual savings compared with the resident PES [public electricity supplier]." As a minimum, the groups generally believe that suppliers should be required to provide written confirmation of terms and prices.

Industry respondents generally think that enough has been done already. In addition, evidence from gas indicates that there is no fundamental difficulty in informing customers about the market (social categories D and E are switching at a higher rate than ABCs); rigid licence requirements will stifle innovation; industry has already incurred substantial costs in extensive advertising campaigns and in providing information; and there is probably more comparative data available now about fuel than for any other household purchase

Some customer groups say that information should be in standard format, and comprehensive (and perhaps independently compiled) to aid comparison of prices. NEA also makes a case for suppliers to give a written statement of tariffs prior to any contract being signed and whenever tariffs change; and that "...this should be accompanied by continuing the practice of

independently produced price comparisons.” The South West Region Electricity Consumers’ Committee puts forward the contrary view that standardisation of information may be restrictive and ‘key’ information might be the way forward.

Industry respondents raise a number of points about the possible format and content of tariff information, including: whether there could be a ‘basic set’ of tariffs to enable comparisons between suppliers to be made; that the new Energy Council or Ofgem could compile a comparison; that guidance from the regulator on standard presentation of information would be helpful, but that the increasing number of tariffs could present a problem; and that standardisation of information would cause confusion (for example, giving average costs by house type would be misleading) and inhibit the development of innovative pricing structures and hence competition.

There is evidence that some suppliers are already working with other groups to provide special deals. However, in general, the view from suppliers is that the best deals will develop as the market develops; any standardised form would be difficult to achieve and would further restrict innovative marketing. In other words, the regulator should not intervene.

Customer groups encourage affinity deals. NEA proposes that “Promotion of such schemes should now be followed up by the regulator to build on the earlier publication by Ofgas of advice to local authorities and other social landlords on how they could develop schemes to benefit residents and/or tenants.”

### **Debt and Competition**

Customer groups want change. The Gas Consumers Council (GCC) believes that “....the fact a consumer is in debt should not prevent them from changing supplier.....because they would benefit considerably from reducing their bills by changing supplier.” However, customer groups also urge care in removing or amending the objection process and the South West Region Electricity Consumers’ Committee suggests that any review should take place when the market has been open longer. In addition, customer groups think that any administration charges on debt need to be clearly laid out in written supply quotations, and justified. For some of the customer groups the whole area of debt transfers is unclear and existing company practices for accepting customers in debt appear to vary widely; it seems inappropriate to allow the existing supplier the right of veto where the new supplier is willing to take the debt. Among suggestions

for change are, from CA, a new rule to say that "...customers with debt should be able to transfer to a new supplier at least once, unless it can be proved by the company that they are a 'won't' as opposed to a 'can't' payer."; and, the suggestion of the trading of customers in debt between energy suppliers, involving the factoring of debts.

Suppliers almost unanimously support the present rules for debt blocking in the competitive market. They believe that the present rules provide the right framework to avoid debt escalation and increased debt recovery costs and to prevent abuse by customers seeking to evade their debts. Changing the rules would not be in customers' longer-term interests. Moreover, as the market develops and price differentials reduce, the benefits of switching will not be so great and neither therefore will the detriment of being unable to switch. There would be support for the opportunity to discuss simplifying the present assignment rules for final bill debts where suppliers have experienced difficulties.

### **Special Needs**

A range of comments were received on services to elderly, disabled or chronically sick customers. Customer groups stress the need to align the provisions in gas and electricity and to adopt best practice. Monitoring and reporting in this respect would be essential. Generally, there is seen to be a need to encourage more special needs customers on to the special needs registers; the Royal National Institute for the Blind (RNIB) believes that renaming them 'Priority Service Registers' would be more likely to attract customers. Several respondents say that the regulator should review take up and consider what actions are necessary to improve it; further, that companies and Ofgem should consult with specialist organisations about the services to be provided and the publicity necessary to promote them. The RNIB points out that about 1.7m people in the UK have sight problems and over one million have sight which renders them eligible for registration as blind or partially sighted: "Suppliers should be encouraged to see in these figures a business opportunity rather than a burden." At present it believes that the Licences are inadequate in respect of access to information for blind and partially sighted customers.

Suppliers describe the work they are undertaking to help customers with special needs. The general view is that the present level of cover is good; consequently no further licence requirements are warranted, but what requirements there are now should apply to all suppliers.

- ***Ensure that suppliers enter into an effective dialogue with customers in debt***

## Respondents' Views

### Debt Prevention

The NECC believes that "A new culture is required in which debt is less acceptable and hence is more vigorously prevented." Most customer groups see more frequent meter reading as crucial to avoiding debt. Encouraging customers to return their own meter readings also has an important role to play in reducing the frequency of estimated bills; the Community Technical Services Agency (COMTECHSA) Limited considers that suppliers should do "...considerably more to promote self-readings..." Energy Action Scotland suggests that "...where an estimated bill or series of bills is greatly at variance with actual consumption, consideration should be given to waiving a proportion of the charges." From NEA we have the suggestion of ..." a performance indicator with compensation or an element of debt forgiveness attached where estimates exceeded a tolerable threshold." Other suggestions include: indicating to customers how an estimate compares with historical consumption; applying standard procedures for estimating developed from best practice; not allowing estimates for new occupants until a history of consumption builds up; and abolishing estimated bills unless the customer specifically requests them. A number of respondents point to the importance of developing new metering technology to allow remote reading; they believe Ofgem has a vital role to play and has not done enough in this area.

Many of the electricity companies report that they attempt to read meters four times a year. Companies also report that they have in place procedures to encourage customers to return their own readings via the telephone (some freephone) and post (generally freepost) if an actual meter reading cannot be provided. Whilst accepting the role that poor estimating and catch up bills have in putting customers into a debt situation, additional regulatory provision is not thought to be necessary and indeed would be costly for customers. Meter reading, in the opinion of one supplier, is a commercial issue driven by customers themselves and not the regulator. Increasing meter readings may reduce the number of customer enquiries but would not significantly reduce the level of debt, particularly if the estimating process is reasonably accurate. Further regulatory intervention could therefore impinge upon the development of competition: meter reading is part of a company's competitive activity in providing different levels of service and interference would stifle the market.

Independent suppliers point to the charges for additional meter readings by the PESs: it would be unreasonable to ask the supplier to absorb these. The Electricity Association Fuel Poverty

Task Force believes that a ban on estimating would be unlikely to be helpful although it is investigating ways of improving estimating accuracy and ways to encourage customers to read their meters.

Customer groups believe that companies are not doing enough to identify customers in trouble and to prevent the build up of debt at an early stage. PUAf writes that "...there should be an incentive on companies to prevent debt." They recommend a package of measures to be imposed by the regulator. In general, customer groups see two main roles for the regulator: one is to ensure that companies adopt appropriate standards and procedures for customers in difficulty and to promote best practice (this includes aligning procedures in gas and electricity); the other is monitoring what companies are doing. These would require more information on all areas of debt recovery/ dealing with debt by companies, including the suggestion from PUAf of monitoring company debt loads.

Companies generally agree that a key element in addressing problems experienced by the fuel poor is debt prevention; it is of tremendous importance to the customer and the supplier.

### **Debt Management - Counselling**

In general, suppliers and customer groups agree debt counselling is best provided by an independent organisation. Some customer groups believe that there is more scope for the companies to refer customers and to work with other agencies. However, some suppliers say they experience problems with advice agencies because there is little central co-ordination. One of the respondents from the banking sector has been working to develop a standard financial statement for debtors in order to provide transparency, earlier discussions and an improved quality of advice.

### **Charitable trusts**

A number of companies report that they are involved in sponsoring local voluntary organisations and that they are considering extending that support; others make donations to a wide range of charities. There are also examples of company schemes which allow staff to participate in community activities. However, companies view funding as voluntary.

Some customer groups have sympathy with the suppliers' position, particularly with regard to Charitable Trusts; the situation in water is not directly comparable because that is a monopoly industry. Others believe that suppliers should copy initiatives established elsewhere - for



example: the Electricity Consumers' Committee for Merseyside and North Wales points to a number of banks and larger creditors which have set up a third party unit to deal with Citizens Advice Bureaux and law centres; and to North West Water which will, in certain circumstances, slowly write off old debts if current bills are paid on a weekly/monthly schedule. NEA points to the experiences of American companies which have established charitable trusts and will partially write off debts provided this is tied in with energy efficiency improvements.

### **Capping of debt levels**

The NECC has proposed that debt repayment levels be capped to fuel direct level for low income customers and at twice that for all others. A number of customer groups support this. Whilst most suppliers are content to accept the fuel direct level of debt repayment for low income customers on benefit, they do not accept that there should be a cap for other customers, given that the Licences already require them to take into account a customer's ability to pay.

### **Fuel Direct**

Fuel Direct is widely supported by customer groups although its use is seen very much as a last resort rather than a standard method of payment. The GCC views fuel direct as an "...essential 'safety net' for those in receipt of benefits who have difficulty in budgeting." A number of customer groups share the view and agree that the time has come for it to be reviewed and for a more effective and cost efficient alternative to be introduced. Some refer to the Irish Household Budgeting Scheme as being worthy of further consideration. Several companies are involved with research into fuel direct being undertaken by Warwick University.

Suppliers say that they will continue to support fuel direct despite problems involved in its administration. A number of fuel suppliers and the Electricity Association Task Force want a review.

### **Security Deposits**

Some customer groups are not convinced of the value of security deposits and believe that they should be waived where customers can show proof of payment of other utility bills, or where they agree to make regular cash payments or pay by direct debit, or provide a guarantor.

Suppliers generally have little to say about security deposits: some make little use of them and others encounter few problems in operating them. Some believe that security deposits can act against the fuel poor by leading to a build up of debt whilst the company awaits the deposit,

which in some cases does not arrive. Others would like a more speedy mechanism to determine security deposit disputes.

### **Information about companies' obligations**

Customer groups are clear that companies should be more proactive in promoting Codes of Practice. Attention should also be paid to the quality and form of written communications and to the requirements of special needs customers. Suppliers and customer groups agree that best practice should be extended to all suppliers. At present, companies employ different practices for making customers aware of suppliers' obligations.

- *Encourage the development and availability of new, alternative and cost effective payment methods and tariffs which meet the particular needs of vulnerable customers.*

### **Respondents' Views**

#### **Standing Charges**

The NECC believes that there is a need for greater transparency in standing charges. Some consumer groups are also concerned that companies appear to have inadequate understanding of their costs. Concerns are also expressed that the benefit of low user tariffs should go to customers in need of help, rather than owners of second homes. For this reason, assistance from caring agencies in properly targeting low user tariffs is felt to be a sensible approach.

NEA feels that there is already sufficient evidence about the social characteristics of customers experiencing fuel poverty, for example, longer hours of home heating, demand for higher temperatures, etc, to make it "...evident that abolition of standing charges has little to recommend it as a solution to the problems affecting low-income customers as a whole." NEA goes on to say that given that companies need to maintain adequate revenues, the development of low user tariffs, on anything other than a selective basis, is likely to raise familiar and difficult issues about the extent of cross-subsidies. On the other hand, the tilting of tariffs in favour of a reduction in consumption for low usage is felt to have attractions in terms of encouraging energy efficiency.

Suppliers feel that the further development of competition in the market will see the development of a wider range of tariff options, including low user tariffs. Introduction of the Equigas tariff is an example of what the market could deliver. However, most companies remain of the view that the traditional structure of domestic tariffs (a standing charge and a unit

rate) is the fairest way of recovering costs. One company suggests that the debate surrounding standing charges has tended to be based on emotion rather than hard evidence. Although standing charges are viewed unfavourably by certain customers and by certain customer groups, this supplier suggests that most customers accept them. Other suppliers point out that the removal of standing charges and the resultant increase in unit rates would cause hardship for many low income customers who are higher than average users. Further, many suppliers feel it would be difficult to reduce standing charges only for disadvantaged customers, without the benefit reaching other customers, e.g. those with second homes.

### **Prepayment Meter Surcharge/Levy**

Customer groups have varying views on the surcharge. All believe that something needs to be done, ranging from abolishing the surcharge entirely to regulating it and ensuring that suppliers standardise cost allocation: they consider that in combination these would lead to reduced charges. The groups express a range of views on the desirability of a levy/subsidy. There is some support for a short-term measure while other solutions are found. CA discusses alternative means of funding if a 'levy' is rejected. These include raising money through the distribution businesses and then distributing it as 'energy credits' through the Benefits Agency. CA considers that this would mean better targeting than a levy and would not stifle innovation. The South East Region Electricity Consumers' Committee points out that cross-subsidy is already inherent in the industry, particularly in the practice of common distribution charges for urban and rural communities, and consequently should not be rejected out of hand, subject to certain conditions.

Several suppliers reiterate that there are substantial additional costs involved in serving prepayment meter customers, because of the higher costs of the meters and transaction costs. Consequently, any controls on prepayment meter tariffs must recognise the real costs of supplying prepayment meter customers. One meter manufacturer believes that prepayment meter customers are burdened with costs not wholly associated with their method of payment, nor are they credited for the fact that they prepay.

One gas supplier urges the regulator to press for removal of the Transco surcharge. Several suppliers are not persuaded that the problems identified as being associated with subsidy/levy are in practice major obstacles. However, another believes that the development of prepayment meter services is likely to be constrained while cross subsidies exist and the true

costs are not visible. Competition should result in lower-cost metering technology and lower handling costs for the benefit of fuel poor customers.

- *Overcome barriers to suppliers' access to cost-effective prepayment meter systems and other regular payment methods.*

### **Respondents' Views**

There seems to be a general, although not unanimous, acceptance that prepayment meter customers are not benefiting as much from competition as they should due to problems inherent in the present systems in electricity and gas. Both customer and industry groups see the development of new metering technology as a way of reducing costs.

Respondents identify the differences in gas and electricity with regard to prepayment metering and services. In gas, there is no competition in the purchasing of meters, which is controlled by Transco; meter unbundling will be necessary to promote competition. At the same time, although there would be nothing to prevent meter manufacturers or suppliers from developing meters which do not use the Quantum functionality, the present prepayment infrastructure is seen as a monopoly based around the Quantum meter. In electricity, respondents point to the variety of prepayment systems as a limiting factor; developments in the electricity markets have meant limited investment in new or existing systems.

Respondents generally consider that the coming together of the electricity and gas markets, along with the introduction of metering competition, provide an opportunity for improvements. In addition to unbundling metering activities in order to aid competition, some respondents feel it will be necessary to ensure that the various prepayment meter systems do not act as a barrier to competition. An industry respondent is strongly in favour of a regulated franchise approach to prepayment meters: this will bring the maximum benefits of economies of scale of one system provider.

There is a view in the industries that the development of new metering technology is a longer-term measure and that in the short term there is no alternative to the present prepayment meter systems and infrastructures. The National Consumer Council supports maintaining the present system for the time being: "If only on the grounds of consumer choice, the facility of prepayment needs to be preserved and improved until satisfactory solutions can be found."

Other customer groups also accept that this is the preferred method of payment for some customers.

Certain industry and customer groups see scope to improve levels of customer service by upgrading to the latest technologies which could play a valuable role in tackling fuel poverty through dual fuel metering, latest smart card technology and linkages to other household services. The NECC view is indicative of some other customer groups: “.....new metering technology can benefit all customers but it has the greatest potential for PPM customers.”

Customer groups consider it to be the role of the regulator to encourage new metering technology. Whilst industry respondents are prepared to play their part, their support would need to be based on assurances about the return on additional investment through the price controls.

However, competition in prepayment services and metering is considered unlikely while there is uncertainty over asset ownership and operation, while prepayment infrastructure providers are unable to recover their costs from suppliers, and while enhancements to prepayment infrastructures are not made available to all suppliers. In summary, respondents identify advantages arising from improved competition in metering and in the development of new technology; generally they look to the regulator to ensure the right climate to encourage the development of competition. Industry respondents say they are reluctant to commit money without sufficient reward.

- *Encourage and develop innovative schemes to improve energy efficiency in disadvantaged households*

## **Respondents' Views**

### **Energy Service Companies (ESCOs)**

A range of views were received on the subject of ESCOs. A number of companies are examining the potential of ESCOs, but express concern that the existing licence provisions are too restrictive, and thus militate against the development of ESCOs. The main barrier is seen as the right of customers to terminate the energy supply part of their contracts on giving 28 days' notice. Some consumer groups say they would be concerned if this important provision of customer protection were to be removed. However, several companies and consumer bodies question the appropriateness of ESCOs to the low-income area given such customers are

unlikely to have sufficient capital to fund measures, or to provide security which suppliers might seek in order to protect their investments. NEA notes: “.....the relevance of such initiatives to low-income households is more limited, given that the energy savings will be less significant, effecting simple payback calculations, and that any price premium is unlikely to attract customers with a limited disposable income.” A major supplier expresses concern that in current market conditions ESCOs do not appear to be commercially viable. Other companies see ESCOs as being potentially attractive in the social housing market however.

Companies have undertaken a range of other energy efficiency projects, some in collaboration with other bodies. These are referred to in Appendix 1.

### **Energy Advice**

Consumer groups believe that energy companies should be more proactive in providing low-income customers with energy efficiency advice, and should be adopting a more targeted approach. Many companies refer to the availability of energy efficiency advice in their customer communications, including debt follow-up letters, but feel that this is overlooked, or that customers are concerned that actions resulting from advice will need to involve them in substantial funding of measures.

NEA’s comments are typical of the views expressed by consumer bodies: “Energy efficiency advice services offered by suppliers are not extensively used and the degree to which they are promoted is uncertain. There have been some useful examples of active promotion of advice services by new gas suppliers as part of the process of customer recruitment but overall, the perception is that advice is mostly responsive.”

A number of consumer bodies draw attention to the potential of home visits to enable advice to be delivered in the most cost effective way, including a direct assessment of the conditions of the property. While suppliers believe that on demand provision of home visits is likely to be prohibitively expensive, one major company is looking at the possibility of using meter readers and other forms of existing contact, perhaps in association with appropriate external organisations, as a means of identifying customers in need of help and assistance, and using office based staff to initiate the action required.

- ***Cutting costs to customers through price controls and ensuring greater competition in generation***

## Respondents' Views

Many respondents note that they have submitted detailed responses to the consultation documents on the price reviews and therefore touch only briefly on the issues in their responses to this document.

Customer groups support the continuation of the existing price restraints, with particular regard to low income customers, but PUAFA recommends that RPI be replaced by alternative indices, because: "The Retail Price Index does not reflect the real cost of living increases experienced by low income customers or the purchasing prices of the utilities." The National Consumer Council believes that existing price controls will need to be maintained for "...four more years, including measures to limit rebalancing between groups of consumers..." (particularly important it says because competition seems likely to develop much more quickly for some groups). Generally, customer groups feel Ofgem should review with care any charging structure proposals that have a detrimental impact on disadvantaged customers and ensure that price reductions are passed on to all customer groups.

A number of industry respondents do not consider there to be a continuing need for a majority of customers for continuing price controls on supply. They consider that a combination of competitive pressures, a 'sensible' approach to policing suitable non-discrimination rules and the requirements of the Competition Act are sufficient to protect customers' interests.

Unnecessary regulation could be detrimental to the development of competition.. However, it is conceded that it may be necessary to have a 'backstop' control to reassure customers that they are being protected. Some companies suggest that a lower level of switching and smaller savings in the competitive market for prepayment meter and other cash customers might justify the continuation of price restraints for them.

There is also support for the reform of the generation market and the new trading arrangements for electricity and gas. There is a warning however that the relationship between tariff charges and wholesale purchase costs is not necessarily a direct one.

Several metering companies say the price caps need to be modified in order to enable future competition in prepayment meter services.

- *Put in place measures to resolve the difficulties encountered by prepayment meter customers*

## Respondents' Views

### Self-disconnection

A number of companies do not consider self-disconnection to be a problem for many customers and, where it is, believe it is generally due to lack of income rather than other practical difficulties. They say company follow up often indicates that customers identified as not purchasing credit have moved house. Customer groups generally disagree, with the National Right to Fuel Campaign/Centre for Sustainable Energy (NRFC/CSE) strongly disagreeing with the statement in the *Discussion Document*, that self disconnection due to poverty is not a widespread or regular problem for prepayment meter users, because the ".....statement does not accord with the NRFC/CSE's own research..."; nor does it reflect "....the range of research conducted on self-disconnection."

Many electricity companies report that they already monitor the charging patterns of their prepayment meter customers and where appropriate offer assistance and advice. Use of emergency credit or long periods between purchases may help identify customers in difficulties, but such monitoring cannot help identify customers who are rationing their use. There is a concern among certain customer groups that the present timescales for company follow up vary to a worrying degree.

Most companies and customer groups support further research on self-disconnection and rationing; indeed, one company believes that all electricity and gas companies with prepayment meter customers should carry out research and report on self-disconnection every two years. For certain companies this research would help justify any further requirements to be placed on suppliers. There is also recognition among respondents that it is difficult to differentiate between those customers who disconnect due to poverty and those customers who choose to spend money elsewhere. The dividing line between customers managing their prepayment meter and self-disconnection or rationing is difficult to draw.

Several respondents in both groups make the point that any research into self-disconnection by prepayment meter customers should compare rationing by credit meter customers in order to ascertain whether disadvantage is more acute for prepayment meter customers. Research should also highlight any regional differences.



### **Standards of Service**

Some customer groups support, unconditionally, new standards of service for prepayment customers. However others, such as the South West Region Electricity Consumers' Committee, recognising the likely costs involved, would like to see more information on the problems, failure rates and practicalities. A number of suppliers say that they work hard to provide good services and that customers are generally satisfied.

Industry respondents point out that there are already standards applying to the repair of prepayment meters for electricity and gas. There are mixed views amongst industry representatives for extending the standards beyond this. There is a view that standards are needed when the local PES is the service provider in order to protect customers, but that in a fully competitive market these are not needed. Several companies, while not rejecting out of hand additional standards, point to the complexity of formalising them and the particular difficulties involved, for rural areas, in setting standards relating to the distance that customers have to travel to buy tokens/charge keys. Any additional standards of performance would need to address the problems for rural areas.

Several companies point out that they operate safeguards to prevent the inappropriate installation of prepayment meters. Further, one company says it has written to customers who live more than two miles away from a charging point to invite them to change payment method. Customer groups are not reassured that existing procedures are adequate. The Money Advice Association (MAA) points out that prepayment meters are not suitable for rural customers. The GCC in particular wants to see a ban on prepayment meters for certain categories of customer.

### **Code of Practice**

Most customer groups encourage the regulator to require suppliers to operate Codes of Practice on prepayment meter services and self-disconnection, either as one Code or separately.

A number of electricity suppliers say that they already have a Code of Practice for prepayment meter services and some that self disconnection is covered within these. If there were to be any additional requirements these could be incorporated into the existing Codes. There is no support for separate Codes for self-disconnection. There is concern that additional requirements will mean additional costs. The general view of gas suppliers is that the issues are not sufficiently clear to enable Codes of Practice to be defined at this stage. Infrastructure issues are handled by Siemens Metering through the Central Quantum Office.

## **Emergency Credit**

Overall, customer groups agree with the idea of a minimum level for emergency credit. The Electricity Consumers' Committee for London thinks that it should be sufficient to cover a three day weekend. Several customer groups suggest amounts ranging between £5 to £10.

The balance of opinion among industry respondents is against establishing a minimum level of emergency credit. Those not in agreement point out that it would be difficult to envisage a minimum level in view of the different prices, consumption levels, different fuels and geographic location of customers. Any increase might also cause difficulties in debt build up because some customers use emergency credit as part of their normal budgeting. This would cause further difficulties because customers have to repay the amount of the emergency credit before the meter will supply electricity. Any change has to be undertaken with caution so as not to increase the number of enquiries to call centres / visits by engineers which would increase costs.

Those suppliers in favour feel that a common minimum level would be helpful but require a balance between providing realistic assistance in emergencies and avoiding difficulties caused by the need for customers to purchase large amounts of credit before supply is restored. There is also a recognition that a standard minimum level should not prevent a higher level being applied in exceptional individual cases. A number of companies favour their own existing levels of emergency credit as the standard.

## **Debt Recovery**

Overall, customer groups are in favour of using prepayment meters more flexibly, subject to some suggestion that trials are needed. The MAA, whilst welcoming the idea that prepayment meter customers could even out their payments throughout the year or pay back debt during the summer months, does not consider it to be practical. Another customer respondent stresses that costs should not fall on the supplier.

A number of electricity suppliers are interested in these ideas although they see possible practical difficulties and additional costs. Some are not in favour because they believe it would result in a build up of debt. Others point out that not all prepayment meter technology would support such a scheme.

- *To ensure companies report on their activities under the Plan*

### **Respondents' Views**

Nearly all respondents support the setting up of a review group and no respondent takes issue with the proposed maximum membership number of fifteen. Only one supplier considers it to be too early to tell whether such a group would be worthwhile. Another supplier, whilst welcoming the idea of the group, suggests caution about companies taking competitive advantage from ideas proposed. Many respondents wish to be involved with or support the review group. The point made strongly by several respondents is that the review group needs to be fully representative.

Consumer groups in particular are concerned that the review group should be capable of reflecting views from outside itself, and especially the attitudes and problems of disadvantaged people. This is a particular concern for the South East Region Electricity Consumers' Committee. The NRFC/CSE suggests setting up consumer panels, mystery shopper exercises and representative consultative groups. The composition of the group is considered crucial and many respondents give some indication of the types of organisations that should be represented on it. For some consumer groups this means having a high proportion of customer representation. Regional representation is also an issue: Energy Action Scotland is concerned to ensure that regional views are adequately represented. The suggestion is that Scotland, England and Wales each has its own review group reporting to a nation-wide group.

There is an almost unanimous support for the need to monitor progress through reporting and this, it is pointed out, will also help to adjust the Plan to reflect any changes in legislation. One independent supplier rejects entirely the need for additional reporting, believing that the burden of regulation is already enough and that any additions would only increase costs to customers. Another would wish to supplement reporting a 'Fair Deal' mark, awarded to suppliers who achieve a 'challenging' level of service to the fuel poor. Several of the larger companies support minimising the level of reporting; they believe that additional reporting might discriminate against new entrants and consequently urge that any monitoring of the Plan should as far as possible be included in existing arrangements, which already require companies to provide substantial amounts of information to the regulator and consumer bodies. There is also a view that all parties should report on their activities, ie, the regulator, Government and Consumer Council, not only the energy companies.

At the same time, there is a strong recognition, particularly amongst customer groups, that in order for the reporting to be effective there need to be reporting guidelines and performance measures set by the regulator. This is a particular concern for the GCC. The groups point out that the regulator also needs to give guidance on the format and structure of reports so that easy comparisons can be made.

As for the form of the reporting, many respondents feel that reports should be published annually. However, there are differing views as to whether the regulator or the companies should be responsible for the reports. Some companies do not favour publishing additional reports.

## Appendix 4 Draft Licence Obligations

### AMENDMENTS TO LICENCE OBLIGATIONS: SOCIAL OBLIGATIONS

This annex includes revised texts for licence conditions concerning:

- Contractual Terms / Methods of Payment: electricity and gas conditions 35 and 10.
- Preparation, Review of and Compliance with Customer Service Codes: electricity and gas conditions 23a and 15.
- Energy Efficiency: electricity and gas conditions 22 and 16.
- Provision of Services for Persons who are of Pensionable Age or Disabled or Chronically Sick: electricity and gas conditions 20 and 17.
- Provision of Services for Persons who are Blind or Deaf: electricity and gas conditions 19a and 18.
- Code of Practice on Use of Prepayment Meters: electricity and gas conditions 18a and 18a.
- Code of Practice on Payment of Bills and Guidance for Dealing with Customers in Difficulties: electricity and gas conditions 18 and 19.
- Record of and Report on Performance: electricity and gas conditions 19 and 21.

There will be a number of consequential amendments to other licence conditions (e.g. Standard Condition 3 of the Gas Licence on contractual terms of supply), which will be published at the time of formal consultation on licence amendments in November 1999.

Although the objective is to secure common licence arrangements, it is not possible to produce identical conditions in every respect, given differences in the electricity and gas statutory regimes. Particular differences are:

- (i) Standard Condition 20 for gas (included for reference) concerns arrangements for ensuring that pensioners do not have their gas supply cut off in winter. Paragraph 3(b) of electricity condition 18 places an obligation on electricity suppliers to "avoid" the disconnection of relevant customers in the winter months. While the conditions are for practical purposes very similar, it is not possible to make the moratorium a legal requirement in electricity. In gas the licence conditions covering disconnection take precedence over the relevant Gas Act provisions

( paragraph 1 (2) to Schedule 2B, Gas Act 1986, refers.), which is not the case in electricity.

- (ii) Paragraph 3 (c) (ii) of Standard Condition 20 of the electricity licences makes provision for giving customers on the Priority Services Register information and advice in respect of interruptions to the supply of electricity. Similar obligations in gas are already placed on public gas transporters (see Standard Conditions 18 and 19 of the Public Gas Transporters licences). Accordingly, it is not proposed to amend Standard Condition 19 to cover gas interruptions.

**Condition 18. Code of practice on payment of bills and guidance for dealing with customers in difficulty**

1. The Licensee shall, no later than [28 April 2000], prepare and submit to the Director for his approval a code of practice concerning the payment of electricity bills by its Domestic Customers, including appropriate guidance for the assistance of such customers who, through misfortune or inability to cope with electricity supplied on credit terms, may have difficulty in paying such bills.
  
2. The code of practice shall include procedures by which the Licensee can distinguish customers in difficulty (the “relevant customers”) from others in default and can:
  - (a) provide general information as to how relevant customers might reduce their bills in the future by the more efficient use of electricity;
  - (b) where such a facility is available, accept in payment for electricity supplied sums which are deducted at source from social security benefits payable to relevant customers;
  - (c) detect failures by relevant customers to comply with arrangements entered into for paying by instalments charges for electricity supplied;
  - (d) make such arrangements so as to take into account the customers’ ability to comply with them;
  - (e) ascertain with the assistance of other persons or organisations, the ability of customers to comply with such arrangements; and
  - (f) provide for customers who have failed to comply with such arrangements, or procure for them the provision of, a prepayment meter (where safe and practicable to do so).

3. In formulating the procedures referred to at paragraph 2 the Licensee shall have particular regard:

(a) to the purpose of avoiding, in so far as is practicable, the disconnection of premises occupied by relevant customers otherwise than following compliance by the Licensee with such procedures; and

(b) to the interests of relevant customers who are of pensionable age or disabled or chronically sick and to the purpose of avoiding, in so far as is practicable, the disconnection of premises occupied by such customers during the winter months of each year,

and the procedures shall be designed for the achievement of such purposes.

4. This Condition is subject to the provisions of Condition 23A



## **Condition 18A. Code of practice on the use of prepayment meters**

1. The Licensee shall, no later than [28 April 2000], prepare and submit to the Director for his approval a code of practice concerning the use of prepayment meters by its Domestic Customers, including appropriate guidance for the assistance of its prepayment meter customers who wish to take a supply of electricity on other terms.
  
2. The code of practice shall set out the Licensee's policy on the installation of prepayment meters and shall include procedures by which the Licensee will where appropriate:
  - (a) provide general information for customers on the operation, usefulness, advantages and disadvantages of prepayment meters, including details of:
    - (i) token outlets and card or key charging facilities within the areas supplied with electricity by the Licensee;
    - (ii) the actions available to customers on the malfunction of a prepayment meter or a prepayment card or key; and
    - (iii) any standards of performance (and associated payments) applying to the Licensee in relation to premises supplied by it through prepayment meters;
  - (b) arrange for the calibration of any prepayment meter provided in accordance with sub-paragraph 2(f) of Condition 18 so as to take into account, having due regard to all information available to the Licensee (including any information made available to it by other persons or organisations), the relevant customer's ability to pay any charges due from him under the arrangements contemplated by that Condition in addition to the other charges lawfully being recovered through the prepayment meter;
  - (c) arrange for the re-calibration of prepayment meters:

- (i) in the case of an individual customer, at the conclusion of any such arrangements applying to that customer; and
- (ii) generally, following changes in the price at which the Licensee supplies electricity to prepayment meter customers; and
- (d) remove prepayment meters, setting out the timescale within which such removal might be expected to take place.

3. This Condition is subject to the provisions of Condition 23A.

### **Condition 19. Record of and report on performance**

1. The Licensee shall keep a record of its general operation of the arrangements mentioned in Conditions 18, 18A, 19A, 20, 20A, 21, 22 and 23 and if the Director so directs in writing, of its operation of any particular cases specified, or of a description specified, by him.
2. The Licensee shall keep a statistical record of its performance in relation to the provision of electricity supply to its Designated Customers under the terms of contracts or in accordance with tariffs fixed under Section 18 of the Act.
3. The Licensee shall, from time to time as required by the Director, provide to the Director and to the Relevant Consumers' Committee such of the information contained in the records prepared in accordance with paragraphs 1 and 2 as the Director may request in writing.
4. As soon as is reasonably practicable after the end of each calendar year, the Licensee shall submit to the Director and the Relevant Consumers' Committee a report dealing with the matters mentioned in paragraphs 1 and 2 in relation to that year and shall:
  - (a) publish the report so submitted in such manner as will in the reasonable opinion of the Licensee secure adequate publicity for it; and
  - (b) send a copy of it free of charge to any person requesting one,except that, in performing its obligations under sub-paragraphs (a) and (b), the Licensee shall exclude from the report such information as appears to it to be necessary or expedient to ensure that, save where they consent, individual Designated Customers referred to therein cannot readily be identified.
5. The report shall be presented, so far as is reasonably practicable, in a standard form designated by the Director for the purposes of this Condition.

### **Condition 19A. Provision of services for persons who are blind or deaf**

1. The Licensee shall, no later than [28 April 2000], prepare and submit to the Director for his approval a code of practice detailing the special services the Licensee will make available for its Domestic Customers who are disabled by virtue of being blind or partially sighted, or deaf or hearing impaired.
2. The code of practice shall include arrangements by which the Licensee will where appropriate, in each case free of charge:
  - (a) make available to its blind and partially sighted customers, by telephone or other appropriate means, information concerning the details of any bill relating to the supply of electricity to them and a facility for enquiring or complaining in respect of any such bill or any service provided by the Licensee; and
  - (b) make available to its deaf and hearing impaired customers, being in possession of appropriate equipment, facilities to assist them in enquiring or complaining about any bill relating to the supply of electricity to them or any service provided by the Licensee.
3. This Condition is subject to the provisions of Condition 23A.

**Condition 20. Provision of services for persons who are of pensionable age or disabled or chronically sick**

1. The Licensee shall, no later than [28 April 2000], prepare and submit to the Director for his approval a code of practice detailing the special services the Licensee will make available for Domestic Customers who are of pensionable age or disabled or chronically sick.
  
2. The code of practice shall include arrangements by which the Licensee will where appropriate, in respect of its customers, and in each case free of charge:
  - (a) provide where practicable special controls and adaptors for electrical appliances and meters (including prepayment meters) and reposition meters;
  - (b) provide special means of identifying persons acting on behalf of the Licensee;
  - (c) give advice on the use of electricity;
  - (d) send bills in respect of the supply of electricity to a customer to any person who is willing to be sent such bills and is nominated by that customer (without prejudice, however, to the right of the Licensee to send such bills both to the customer and to the nominated person where that appears appropriate to the Licensee); and
  - (e) provide, where neither the customer nor anyone living with him is able to read the electricity meter<sup>3</sup>, for the meter to be read once in each quarter and for the customer to be informed of the readings so obtained.
  
3. The code of practice shall further include arrangements whereby the Licensee will:
  - (a) establish a register (the “Priority Service Register”) of customers who may be expected, by virtue of being of pensionable age or disabled or chronically sick, to require:

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<sup>3</sup> NB. omitted gas licence form of words.

- (i) information and advice in respect of the matters set out at paragraph 2; or
  - (ii) advance notice of interruptions to the supply of electricity;
- (b) notify its customers at least once each year of the existence of the Priority Service Register and of how they may be included on it; and
- (c) maintain the Priority Service Register, comprising the relevant details of each customer who requests (or, in the case of a customer supplied by a private electricity supplier, whose supplier requests) his inclusion on it and:
- (i) give to those of its own customers so registered, in respect of the matters set out at paragraph 2; and
  - (ii) give to all customers so registered, in respect of interruptions to the supply of electricity,

such information and advice as may be appropriate and is of such nature as shall be set out in the code of practice.

4. This Condition is subject to the provisions of Condition 23A.

## **Condition 22. Efficient use of electricity**

1. The Licensee shall, no later than [28 April 2000], prepare and submit to the Director for his approval a code of practice setting out the ways in which the Licensee will make available to customers such guidance on the efficient use of electricity, in each case given or prepared by a suitably qualified person, as will in the opinion of the Licensee enable customers to make informed judgments on measures to improve the efficiency with which they use the electricity supplied to them.
  
2. The code of practice shall include, but shall not be limited to:
  - (a) the preparation and making available free of charge to any customer who requests it of a statement, in a form approved by the Director, setting out information and advice for the guidance of customers in the efficient use of electricity supplied to them;
  
  - (b) the making of arrangements for maintaining sources from which customers may obtain further information about the efficient use of electricity supplied to them, including the maintenance of a telephone information service; and
  
  - (c) the preparation and making available free of charge to any customer who requests it of a statement or statements of sources (to the extent that the Licensee is aware of the same) outside the Licensee's organisation from which customers may obtain additional information or assistance about measures to improve the efficiency with which they use the electricity supplied to them, such statement or statements to include basic information which is publicly available on financial assistance towards the costs of such measures available from Central or Local Government or through bodies in receipt of financial support from Government in connection with measures to promote the efficiency of energy use.
  
3. Where the Director (who may have regard to the need for economy, efficiency and effectiveness before giving directions under this paragraph) gives directions to do so, the Licensee shall:

- (a) review and prepare a revision of the code of practice;
- (b) take steps to bring to the attention of customers information on the efficient use of electricity supplied to them; and
- (c) send to each customer a copy of any information published by the Director pursuant to Section 48 of the Act

in such manner and at such times as will comply with those directions.

4. This Condition is subject to the provisions of Condition 23A.



**Condition 23A. Preparation, review of and compliance with customer service codes**

1. This Condition applies to any code of practice required to be prepared by the Licensee pursuant to Conditions 18, 18A, 19A, 20, 20A, 22 and 23 of this Licence.
2. In first preparing such a code the Licensee shall, prior to submitting that code to the Director, consult the Relevant Consumers' Committee and shall have regard to any representations made by the committee about such code or the manner in which it is likely to be operated.
3. Where before the expiry of 30 days of the Licensee first submitting such code to the Director for his approval the Director notifies the Licensee that the Director considers the code is not sufficient for the purposes of meeting the requirements of this Licence the Licensee shall forthwith make such changes as the Director may require.
4. The Licensee shall, whenever requested to do so by the Director, review such code and the manner in which it has been operated, with a view to determining whether any modification should be made to it or to the manner of its operation.
5. In carrying out any such review the Licensee shall consult the Relevant Consumers' Committee and shall have regard to any representations made by it about such code or the manner in which it is likely to be or (as the case may be) has been operated.
6. The Licensee shall submit any revision of such code which, after consulting the Relevant Consumers' Committee in accordance with paragraph 5, it wishes to make, to the Director for his approval and following his approval in writing shall then revise the code.
7. The Licensee shall:
  - (a) as soon as practicable following the preparation of any code or any revision made to it send to the Director and the Relevant Consumers' Committee a

copy of such code or such revision (in each case in the form approved by the Director);

- (b) at least once in each year, draw the attention of those of its customers to whom such code applies to the existence of the code and of each substantive revision of it and to the means by which they may inspect a copy of such code in its latest form; and
- (c) give or send free of charge a copy of such code (as from time to time revised) to any person who requests it.

- 8. No changes may be made to any code otherwise than in accordance with the foregoing procedures.
- 9. The Licensee shall ensure, so far as reasonably practicable, that it complies with such arrangements or procedures (as the case may be) as are contained in or described by any code to which this condition applies and approved by the Director or any revision to such code approved by the Director.

### **Condition 35. Contractual terms**

1. Where the Licensee offers to supply electricity to Domestic Premises under Designated Supply Contracts, it shall have available forms of Designated Supply Contract which provide for the payment of charges for electricity supplied to Domestic Premises:
  - (a) by prepayment through a prepayment meter;
  - (b) by different methods, including:
    - (i) by cash, at such places and to such persons as are reasonable in all the circumstances; and
    - (ii) by cheque, and
  - (c) at a reasonable range of different intervals, including:
    - (i) paying fortnightly or more regularly, such sums as agreed;
    - (ii) paying monthly a predetermined sum; and
    - (iii) paying quarterly in arrears.
2. Before entering into any contract to supply electricity to Domestic Premises (other than through a prepayment meter) the Licensee shall inform the customer of and offer to enter into Designated Supply Contracts which comply with sub-paragraphs 1(b) and (c).
3. The Licensee shall process all requests for a supply of electricity to Designated Premises without undue preference or undue discrimination.
4. The Licensee shall send copies of each of the forms of Designated Supply Contract (as revised from time to time) under which it supplies or offers to supply electricity:

- (a) on receipt of a request, to any person; and
  - (b) not later than the date on which it first offers to supply electricity under each such form of Designated Supply Contract (or revision thereof), to the Director.
5. The Licensee shall prepare, in respect of each form of Designated Supply Contract:
- (a) a document which sets out an accurate summary of the Principal Terms of that form of Designated Supply Contract; and
  - (b) particulars of inducements offered to any person entering into such a contract which might reasonably be expected materially to influence the decision whether or not to enter into it.
6. The Licensee shall publish the documents and particulars referred to at paragraph 5 in a manner that will in the opinion of the Licensee secure adequate publicity for them, and shall send copies of them to the Director no later than the date on which they are published.

## Social Obligations – Gas

### Condition 10: Methods for payments of gas charges

- (1) Where the licensee offers to supply gas to domestic customers under a contract, it shall have available forms of contract which provide for the payment of charges for gas:
  - (a) by prepayment through a prepayment meter;
  
  - (b) by different methods, including:
    - (i) by cash, at such places and to such persons as are reasonable in all the circumstances; and
  
    - (ii) by cheque, and
  
  - (c) at a reasonable range of different intervals, including:
    - (i) paying fortnightly or more regularly, such sums as agreed;
  
    - (ii) paying monthly a predetermined sum; and
  
    - (iii) paying quarterly in arrears.
  
- (2) Except for the terms of deemed contracts made following a last resort direction under standard condition 5, the terms contained in the licensee's scheme under paragraph 8 of Schedule 2B to the Act, shall include terms in respect of all the ways of making payments mentioned in sub-paragraph (1)(b) and the frequencies mentioned in sub-paragraph (1)(c).

**Condition 15: Preparation, review of and compliance with customer service codes**

- (1) This condition applies to any code of practice required to be prepared by the licensee pursuant to standard conditions 16, 17, 18, 18A and 19 of this Licence.
- (2) In first preparing such a code the licensee shall, prior to submitting that code to the Director, consult the Gas Consumers' Council and shall have regard to any representations made by it about such code or the manner in which it is likely to be operated.
- (3) Where before the expiry of 30 days of the licensee first submitting such code to the Director for his approval the Director notifies the licensee that the Director considers the code is not sufficient for the purposes of meeting the requirements of this Licence the licensee shall forthwith make such changes as the Director may require.
- (4) The licensee shall, whenever requested to do so by the Director, review such code and the manner in which it has been operated, with a view to determining whether any modification should be made to it or to the manner of its operation.
- (5) In carrying out any such review the licensee shall consult the Gas Consumers' Council and shall have regard to any representations made by it about such code or the manner in which it is likely to be or (as the case may be) has been operated.
- (6) The licensee shall submit any revision of such code which, after consulting the Gas Consumers' Council in accordance with paragraph (5), it wishes to make, to the Director for his approval and following his approval in writing shall then revise the code.
- (7) The licensee shall:

- (a) as soon as practicable following the preparation of any code or any revision made to it send to the Director and the Gas Consumers' Council a copy of such code or such revision (in each case in the form approved by the Director);
  - (b) at least once in each year, draw the attention of those of its customers to whom such code applies to the existence of the code and of each substantive revision of it and to the means by which they may inspect a copy of such code in its latest form; and
  - (c) give or send free of charge a copy of such code (as from time to time revised) to any person who requests it.
- (8) No changes may be made to any code otherwise than in accordance with the above procedures.
- (9) The licensee shall ensure, so far as reasonably practicable, that in its dealings with any customer to whom any code applies it complies with such arrangements or procedures (as the case may be) as are contained in or described by any code to which this condition applies and approved by the Director or any revision to such code approved by the Director.

### **Condition 16: Efficient use of gas**

- (1) The licensee shall, no later than 28 April 2000, prepare and submit to the Director for his approval a code of practice setting out the ways in which the licensee will make available to its domestic customers such guidance on the efficient use of gas, in each case given or prepared by a suitably qualified person, as will in the opinion of the licensee enable such customers to make informed judgments on measures to improve the efficiency with which they use the gas supplied to them.
  
- (2) The code of practice shall include, but shall not be limited to:
  - (a) the preparation and making available free of charge to any domestic customer who requests it of a statement, in a form approved by the Director, setting out information and advice for the guidance of customers in the efficient use of gas supplied to them;
  
  - (b) the making of arrangements for maintaining sources from which domestic customers may obtain further information about the efficient use of gas supplied to them, including the maintenance of a telephone information service; and
  
  - (c) the preparation and making available free of charge to any domestic customer who requests it of a statement or statements of sources (to the extent that the licensee is aware of the same) outside the licensee's organisation from which such customers may obtain additional information or assistance about measures to improve the efficiency with which they use the gas supplied to them, such statement or statements to include basic information which is publicly available on financial assistance towards the costs of such measures available from central or local government or through bodies in receipt of financial support from government in connection with measures to promote the efficiency of energy use.



(3) Where the Director (who may have regard to the need for economy, efficiency and effectiveness before giving directions under this paragraph) gives directions to do so, the licensee shall:

- (a) review and prepare a revision of the code of practice;
- (b) take steps to bring to the attention of its domestic customers information on the efficient use of gas supplied to them; and
- (c) send to each domestic customer a copy of any information published by the Director pursuant to section 35 of the Act

in such manner and at such times as will comply with those directions.

(4) This condition is subject to the provisions of standard condition 15.

**Condition 17: Provision of services for persons who are of pensionable age or disabled or chronically sick**

- (1) The licensee shall, no later than 28 April 2000, prepare and submit to the Director for his approval a code of practice detailing the special services the licensee will make available for domestic customers who are of pensionable age or disabled or chronically sick. The code of practice shall include arrangements by which the licensee will where appropriate, in respect of its customers, and in each case free of charge:
  - (a) provide for the examination by a person possessing appropriate expertise at intervals of not less than 12 months of the safety of gas appliances and other gas fittings on the customer's side of the meter at his premises, other than a fitting for the annual inspection of which a landlord of the customer is responsible in pursuance of regulations made under the Health and Safety at Work etc Act 1974;
  - (b) provide where reasonably practicable and appropriate:
    - (i) special controls and adaptors for gas appliances and meters (including prepayment meters);
    - (ii) reposition meters; and
    - (iii) for the transmission through the relevant shipper (or, if the holder of this licence is that shipper, direct) to the relevant transporter of any request by the customer for the relevant transporter to reposition any gas meter it owns to meet such needs (and (except where the holder of this licence is the relevant shipper) for the relevant shipper to be reimbursed by the licensee any payments made by it in respect of any reasonable expenses incurred by the relevant transporter in complying with the request);

- (c) provide special means of identifying persons acting on behalf of the licensee;
  - (d) give advice on the use of gas, gas appliances and other gas fittings;
  - (e) send bills in respect of the supply of gas to a customer to any person who is willing to be sent such bills and is nominated by that customer (without prejudice, however, to the right of the licensee to send such bills both to the customer and to the nominated person where that appears appropriate to the licensee); and
  - (f) provide, where neither the customer nor anyone living with him is able to read the gas meter, for the meter to be read once in each quarter and for the customer to be informed of the readings so obtained.
- (2) The code of practice shall further include arrangements whereby the licensee will:
- (a) establish a list (the "Priority Service Register") of customers who may be expected, by virtue of being of pensionable age or disabled or chronically sick, to require information and advice in respect of the matters set out at paragraph 2;
  - (b) notify its customers at least once each year of the existence of the Priority Service Register and of how they may be included on it;
  - (c) maintain the Priority Service Register, comprising the relevant details of each customer who requests his inclusion on it and give to those of its own customers so registered, in respect of the matters set out at paragraph (2), such information and advice as may be appropriate and is of such nature as shall be set out in the code of practice; and

- (d) secure that the relevant transporter is provided with the information in the Priority Service Register in an appropriate form and at appropriate intervals.
- (3) This condition is subject to the provisions of standard condition 15.

**Condition 18: Provision of services for persons who are blind or deaf**

- (1) The licensee shall, no later than 28 April 2000, prepare and submit to the Director for his approval a code of practice detailing the special services the licensee will make available for its domestic customers who are disabled by virtue of being blind or partially sighted, or deaf or hearing impaired.
- (2) The code of practice shall include arrangements by which the licensee will where appropriate, in each case free of charge:
  - (b) make available to its blind and partially sighted customers, by telephone or other appropriate means, information concerning the details of any bill relating to the supply of gas to them and a facility for enquiring or complaining in respect of any such bill or any service provided by the licensee; and
  - (c) make available to its deaf and hearing impaired customers, being in possession of appropriate equipment, facilities to assist them in enquiring or complaining about any bill relating to the supply of gas to them or any service provided by the licensee.
- (3) This condition is subject to the provisions of standard condition 15.

### **Condition 18A: Code of practice on the use of prepayment meters**

- (1) The licensee shall, no later than 28 April 2000, prepare and submit to the Director for his approval a code of practice concerning the use of prepayment meters by its domestic customers, including appropriate guidance for the assistance of its prepayment meter customers who wish to take a supply of gas on other terms.
- (2) The code of practice shall set out the licensee's policy on the installation of prepayment meters and shall include procedures by which the licensee will where appropriate:
  - (a) provide general information for customers on the operation, usefulness, advantages and disadvantages of prepayment meters, including details of:
    - (i) token outlets and card or key charging facilities within the areas supplied with gas by the licensee;
    - (ii) the actions available to customers on the malfunction of a prepayment meter or a prepayment card or key; and
    - (iii) any standards of performance (and associated payments) applying to the licensee in relation to premises supplied by it through prepayment meters;
  - (b) arrange for the calibration of any prepayment meter provided in accordance with sub-paragraph (1)(f) of standard condition 19 so as to take into account, having due regard to all information available to the licensee (including any information made available to it by other persons or organisations), the relevant customer's ability to pay any charges due from him under the arrangements contemplated by that condition in addition to the other charges lawfully being recovered through the prepayment meter;

- (c) arrange for the re-calibration of prepayment meters:
    - (i) in the case of an individual customer, at the conclusion of any such arrangements applying to that customer; and
    - (ii) generally, following changes in the price at which the licensee supplies gas to prepayment meter customers; and
  - (d) remove prepayment meters, setting out the timescale within which such removal might be expected to take place.
- (3) This condition is subject to the provisions of standard condition 15.

**Condition 19: Code of practice on payment of bills and guidance for dealing with customers in difficulty**

1. The licensee shall, no later than 28 April 2000, prepare and submit to the Director for his approval a code of practice concerning the payment of gas charges by its domestic customers, including appropriate guidance for the assistance of such customers who, through misfortune or inability to budget to meet bills for gas supplied on credit terms, may have difficulty in paying such bills. The code of practice shall include procedures by which the licensee can distinguish customers in difficulty (the "relevant customers") from others in default and can:
  - (a) provide general information as to how relevant customers might reduce their bills in the future by the more efficient use of gas;
  - (b) where such a facility is available, accept in payment for gas supplied sums which are deducted at source from social security benefits payable to relevant customers;
  - (c) detect failures by relevant customers to comply with arrangements entered into for paying by instalments charges for gas supplied;
  - (d) make such arrangements so as to take into account the customers' ability to comply with them;
  - (e) ascertain with the assistance of other persons or organisations, the ability of customers to comply with such arrangements; and
  - (f) provide for customers who have failed to comply with such arrangements, or procure for them the provision of, a prepayment meter (where safe and practicable to do so).
  
- (b) In the case of a relevant customer, the licensee shall not cut off the supply of gas at such a customer's premises for non-payment of charges



otherwise than following compliance by the licensee with such procedures referred to in paragraph (1) above.

(c) This condition is subject to the provisions of standard condition 15.



## **Condition 20: Pensioners not to have supply of gas cut off in winter**

- (1) This condition shall apply in the case of any of the licensee's domestic customers who, to the knowledge or reasonable belief of the licensee -
  - (a) is of pensionable age and lives alone or with other persons all of whom are also of pensionable age or under 18 years of age;
  - (b) is supplied with gas which is used for domestic purposes, and
  - (c) is in default of his obligation to pay for gas so supplied through misfortune or inability to budget to meet bills for gas supplied on credit terms.
  
- (2) Notwithstanding that sub-paragraph (3) of paragraph 7 of Schedule 2B to the Act (including that sub-paragraph as extended by sub-paragraph (4) thereof) applies by virtue of sub-paragraph (1) of the said paragraph 7 (or would so apply but for the fact that the premises in question are secondary sub-deduct premises), and notwithstanding the provisions of standard condition 7(2)(f), the licensee shall not under the said sub-paragraph (3) or (in the case of secondary sub-deduct premises) in exercise of any analogous right cut off the supply of gas to such a customer's premises during any winter period, that is to say, a period beginning with 1st October in any year and ending with 31st March in the next following year.

## **Condition 21: Record of and report on performance**

1. The licensee shall keep a record of its general operation of the arrangements mentioned in standard conditions 16, 17, 18, 18A, 19 and its compliance with standard conditions 19(2) and 20, and if the Director so directs in writing, of its operation of any particular cases specified, or of a description specified, by him.

(d) The licensee shall keep a statistical record of its performance in relation to the provision of gas supply services to its domestic customers and potential domestic customers.

(e) The licensee shall, from time to time as required by the Director, provide to the Director and to the Gas Consumers' Council such of the information contained in the records prepared in accordance with paragraphs (1) and (2) as the Director may request in writing.

(f) As soon as is reasonably practicable after the end of each calendar year, the licensee shall submit to the Director and the Gas Consumers' Council a report dealing with the matters mentioned in paragraphs (1) and (2) in relation to that year and shall:

(c) publish the report so submitted in such manner as will in the reasonable opinion of the licensee secure adequate publicity for it; and

(d) send a copy of it free of charge to any person requesting one,

except that, in performing its obligations under sub-paragraphs (a) and (b), the licensee shall exclude from the report such information as appears to it to be necessary or expedient to ensure that, save where they consent, individual customers referred to therein cannot readily be identified.

(g) The report shall be presented, so far as is reasonably practicable, in a standard form designated by the Director for the purposes of this condition.

## Appendix 5 Standing Charges

### TARIFF OFFERS: STANDING CHARGES

The following tables for electricity and gas compare different tariff offers based on annual savings. In each case one of the offers involves a zero standing charge.

#### ELECTRICITY: POSSIBLE SAVINGS SWITCHING TO ALTERNATIVE SUPPLIERS

PES AREA	STANDARD CREDIT			DIRECT DEBIT		
	Tariff with no standing charge	Other PES out of area	Independent supplier	Tariff with no standing charge	Other PES out of area	Independent supplier
London	£5	£12	£19	£3	£9	£20
Birmingham	£11	£14	£23	£11	£12	£25
Manchester	£7	£13	£23	£7	£12	£22

Source "Which?" factsheets, August 1999.  
(Based on usage of 3,300 kWh per year)

#### GAS: POSSIBLE SAVINGS SWITCHING FROM BRITISH GAS TRADING

STANDARD CREDIT			DIRECT DEBIT		
Tariff with no standing charge	Electricity supplier	Independent supplier	Tariff with no standing charge	Electricity supplier	Independent Supplier
£62	£63	£61	£24	£30	£29

Source: "Which?" factsheets, August 1999. (Based on usage of 20,964 kWh)  
Notes: Savings on standard credit do not assume the British Gas prompt payment discount of £32.96. All tariffs shown are available nationally.