

**March 2000**

**The Social Action Plan**

# 1. Introduction

- 1.1 The Social Action Plan sets out a programme of work which Ofgem is undertaking, with others, to tackle fuel poverty. Following the Government's 1998 Green Paper, '*A Fair Deal for Consumers*<sup>1</sup>', the Plan is the culmination of a series of consultation documents issued by Ofgem over the past two years. It includes a timetable showing how activities are expected to develop over the medium term, together with a series of indicators to monitor and evaluate progress.

## *The process*

- 1.2 In May 1999, Ofgem published *the Social Action Plan: Discussion Document* ('the Discussion Document'). It 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 among the electricity and gas industries, consumer and voluntary groups, Government and the finance sector. Taking into account comments received, Ofgem published the *Social Action Plan: Framework Document* ('the Framework Document') in October 1999. It described a framework for action across a range of activities and invited comments on it. This document builds on the many useful comments we have received for which we are very grateful.

## *Fuel poverty*

- 1.3 Fuel poverty is a complex issue that needs to be tackled across the board. Some five million households in Great Britain spend, or need to spend, 10% of their income on fuel in order to heat their homes to the temperature recommended by the World Health Organisation (21° C in the living room, 18° C in other occupied rooms). Some estimates put the figure higher. Indeed, around one million households spend up to 30% of their income on fuel, while the average is just 4% - 5%.
- 1.4 Many, but not all, of the 'fuel poor' are pensioners, often single pensioner households, mainly reliant on the state pension. The 1996 English House Condition

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<sup>1</sup> CM 3898

Survey shows that those aged 60 and over account for around half of all fuel poor households; those with young children account for 17% of the total; and single parents 10%. Many pensioners do not heat their homes adequately, either because they cannot afford to, or because they fear they will get into debt.

1.5 However, not all those in fuel poverty use pre-payment meters, which are the most expensive method of payment. While pensioners account for around half of those in fuel poverty, less than 10% of pensioners use pre-payment meters. By contrast, 30% of single parents use pre-payment meters.

1.6 Fuel poverty is caused by several, interrelated factors:

- low income
- the condition of the property
- the efficiency of the heating system
- the size of the property
- the price of fuel.

1.7 The Government has recognised its central role in tackling fuel poverty, particularly in relation to influencing the level of income. Recently, the Government has established a Ministerial Task Force on Fuel Poverty comprised of representatives from a number of relevant Government departments and Ofgem. The aim is to take work forward in a coherent, integrated manner across the various Departments and Ofgem. This will contribute to the Government's stated aim of eliminating fuel poverty. The Social Exclusion Task Force report looked at the wider context in its report 'Opportunity for all – tackling poverty and social exclusion'.

### ***Ofgem's role in tackling fuel poverty***

1.8 Within this overall context, we recognise that Ofgem has an important contribution to make in tackling fuel poverty. We need to do this in a way which does not neutralise the benefits of competition, which have already been significant for the fuel poor. The Utilities Bill, and the Social and Environmental Guidance linked to it, will make this central to Ofgem's work over the coming years. In preparing the

Social Action Plan, therefore, we have sought to identify:

- our role vis-à-vis that of others in addressing fuel poverty
- which of the contributory factors to fuel poverty we can address most effectively
- how we can act as a catalyst for innovative solutions from the industry and other relevant actors.

1.9 With these questions in mind, the Social Action Plan focuses on areas where specific measures to protect consumers, and the development of competition, can work together to bring benefits to vulnerable customers and the fuel poor. Ofgem's general approach and priorities, developed in the Discussion Document and the Framework Document, are reprinted in the Appendix 1. The priorities are used as the basis for the timetable for action.

### ***Structure of the Social Action Plan***

1.10 The Plan has four principal sections. The first section outlines changes which Ofgem intends to effect through licence changes; the second section outlines broader structural changes which we hope will remove barriers which impede the fuel poor from benefiting more fully from competition; the third section outlines some areas where we consider further research is needed in order to understand the issues involved; and the fourth section contains a timetable for action, and a series of indicators for monitoring and reviewing progress.

### ***Licence modifications***

1.11 Ofgem issued a consultation document in January entitled *the Social Action Plan: Enhancing Social Obligations*. It contained proposals for licence modifications and new Codes of Practice designed to:

- increase access to payment facilities for customers paying frequently by cash
- improve service and information for pre-payment meter customers
- provide guidance to ensure that acceptable debt payment levels are adopted for customers in difficulty
- improve provision and promotion of energy efficiency advice

- improve provision and promotion of special services for customers who are elderly or disabled or chronically sick.

### ***Broader structural changes***

1.12 Ofgem will also continue to work to:

- place downward pressure on prices through price controls and by increased competition in generation
- improve access to the competitive market for customers in debt
- encourage the provision of comparable pricing information
- consider with Government Departments the operation of Fuel Direct
- monitor progress through market research, competitive market reviews and improved scrutiny of suppliers' performance against Codes of Practice
- monitor the development of new tariff options including Low User tariffs
- expand the Energy Efficiency Standards of Performance programme and its targeting towards disadvantaged customers.

### ***Further research***

1.13 The Plan sets out a number of areas in which Ofgem will encourage research and pilot projects to be undertaken by the industry in collaboration with other partners.

These are:

- the extent of rationing and self-disconnection
- promotion of switching from prepayment meters to other payment methods
- the scope for improving debt management
- investigation of different forms of budgeting using prepayment meters
- access to financial services for disadvantaged customers
- improved provision of energy efficiency advice
- better identification and help to vulnerable customers.

### ***Timetable and indicators***

1.14 Finally, the Plan includes a timetable that charts how we expect the activities to proceed, and the details of a Review Group we are setting up to help us monitor and evaluate the progress of the Plan. There are also details of 12 key indicators to

help monitor progress. They are:

- percentage of customers experiencing fuel poverty
- number of customers using prepayment meters
- debt repayment levels
- tariff and payment choice
- disadvantaged customers and competition
- priority service registers
- disconnections
- self-disconnection
- effective energy efficiency advice
- warm homes initiatives
- customer satisfaction
- prices.

## 2. Recent Developments

2.1 A number of developments relevant to fuel poverty and the Social Action Plan have been announced over the past few months. These are described below.

### *Inter-Departmental Ministerial Group on Fuel Poverty*

2.2 The Rt. Hon Helen Liddell MP, Energy Minister, has announced<sup>2</sup> the establishment of a Government-wide ministerial group to co-ordinate action on fuel poverty. The group comprises Ministers from the Departments of Trade and Industry; Environment, Transport and the Regions; Health; Social Security; the Treasury; and the Cabinet Office/Social Exclusion Unit. The Group will undertake a strategic overview to ensure that policies and new initiatives with a bearing on fuel poverty are co-ordinated across Government and integrated with the activities of relevant external bodies such as the regulator and the energy industries. The Director General of Ofgem is a member of the group and we welcome the opportunity to contribute to its important work.

2.3 The Group's objective is to develop and publish a strategy setting out the Government's fuel poverty objectives, the targets for achieving those objectives, the policies to deliver them and how progress should be monitored. The Group's programme includes work to:

- improve identification of the fuel poor
- research the effects of fuel poverty
- understand the policies and resources required to address the problem.

### *Utilities Bill*

2.4 The Utilities Bill was published by the Government on 21st January 2000. The Bill provides for the establishment and functions of the Gas and Electricity Markets Authority and the Gas and Electricity Consumer Council, and amends legislation relating to regulation of the gas and electricity industries.

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<sup>2</sup> Refer House of Commons Hansard Written Answers for 26 November 1999 (column 210w) and 27 January 2000 (column 294w)

- 2.5 Among other measures, the Bill includes amended general duties for the Secretary of State and the Director in relation to customers and certain vulnerable groups. The Bill also provides for a 'reserve' power for the adjustment of charges if the Secretary of State considers that members of any group (a "disadvantaged group") of customers are treated less favourably than other customers as regards charges for electricity and gas. The Secretary of State may make an order containing a scheme for the adjustment of charges with a view to eliminating or reducing the less favourable treatment.
- 2.6 The Social Action Plan, as it develops, will need to have regard to the impact of these changes. Ofgem is working on the understanding that its programme of work is consistent with the overall objectives of the Utilities Bill, and that no major changes in direction are likely to be necessary as a consequence of the Bill becoming law.

### ***Social and Environmental Guidance***

- 2.7 The Utilities Bill provides that the Secretary of State shall, from time to time, issue social and environmental guidance to which Ofgem will be required to 'have regard' when discharging its statutory functions to which its general duties apply. The guidance is to be made following consultation and has been laid in draft before Parliament. The initial draft<sup>3</sup> recognises the contribution of the Social Action Plan in setting out how Ofgem will satisfy its requirements under the guidance.
- 2.8 The Social Objectives, set out in the draft, explain the Government's approach to vulnerable groups, which Ofgem will be required to take into account. These are defined as those on low income (in receipt of benefits), and the fuel poor. In carrying out our work, Ofgem will be required to recognise the Government's commitment to:
- tackle poverty and social exclusion
  - improve the health of the population overall, and the worst off in particular
  - reduce the proportion of unfit housing stock.

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<sup>3</sup> Draft Statutory Social and Environmental Guidance to the Gas and Electricity Markets Authority: A consultation document from the Department of Trade and Industry, February 2000.



- 2.9 Particular social issues, to which Ofgem will be required to have regard, are:
- payment for services
  - debt
  - disconnection
  - benefits of competition
  - security of supply
  - contact with consumers.
- 2.10 The Environmental Objectives, also set out in the draft, will require Ofgem to take account of the importance the Government attaches to ensuring that all gas and electricity customers have access to clear information about energy efficiency, and to sources of advice and help; and make sure that energy efficiency measures are adequately targeted towards disadvantaged consumers.

### ***EA Fuel Poverty Task Force***

- 2.11 A Task Force was established in May 1999, under the auspices of the Electricity Association, to bring forward proposals from suppliers for energy-related measures to help alleviate fuel poverty. Membership of the Task Force is drawn from across the electricity and gas industries. A brochure, published by the Task Force in November 1999,<sup>4</sup> highlights electricity and gas initiatives already underway to help disadvantaged and vulnerable customers.
- 2.12 The Task Force has announced a major research project which aims to identify and analyse the patterns of gas and electricity consumption in households vulnerable to fuel poverty, including the incidence of self disconnection and fuel rationing. We discuss this project in more detail on page 19. Both the Department of Trade and Industry and Ofgem have joined the project Steering Group to help guide the project. The final report, to be published early in 2001, should prove invaluable in informing policies on fuel poverty and targeting help to the disadvantaged. A further project is being developed on energy efficiency advice.

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<sup>4</sup> 'Fighting Fuel Poverty' available from the Electricity Association, 30 Millbank, London SW1P 4RD

### *Report on access to financial services*

- 2.13 In November 1999 a report on access to financial services was published by the Treasury on behalf of the Social Exclusion Task Force<sup>5</sup>. According to the report, about 1.5m low income households, many in deprived communities, use no financial services. This is significant for these households because, without bank accounts, they are denied access to the cheapest payment options such as Direct Debit.
- 2.14 The Task Force's recommendations for overcoming financial exclusion concern several areas relevant to the Social Action Plan. These concern:
- the promotion of further help for the establishment of credit unions to give low income households access to banking facilities
  - the wider development of basic bank accounts by the high street banks
  - the development of arrangements for payments of DSS benefits into bank accounts, with computerised access through Post Offices.
- 2.15 Ofgem very much welcomes these developments. We will ensure that, wherever possible, activities under the Social Action Plan complement the Government's wider objectives of tackling financial exclusion.

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<sup>5</sup> Access to Financial Services: Report of PAT 14, HM Treasury, November 1999.

### 3. Social Action Plan

3.1 This chapter sets out the specific actions which constitute Ofgem's Social Action Plan. Our work is split into four strands of activity, as outlined in the Introduction.

#### *Licence Modifications – Enhancing Social Obligations*

3.2 Central to the plan are a number of licence changes to enhance delivery of the important social obligations which electricity and gas suppliers are required to meet. On 10 January 2000, Ofgem published a consultation document, '*Social Action Plan: Enhancing Social Obligations*', proposing licence changes and new guidance on Codes of Practice covering these obligations.

3.3 Through licence obligations, electricity and gas suppliers already have:

- a legal obligation to supply domestic customers;
- the requirement to publish prices, and to provide a range of payment methods, including cash and other credit terms (subject, in certain circumstances, to provision of security or a prepayment meter);
- procedures to ensure domestic customers in genuine payment difficulties are treated sympathetically;
- a range of special services for elderly, disabled or chronically sick customers who may register their needs. Services include special passwords, meter repositioning, special controls and adaptors for appliances and meters, etc;
- arrangements for providing energy efficiency advice.

3.4 Ofgem's proposals include a number of important changes in the coverage and operation of these requirements. These changes are necessary in order to:

- align the obligations between electricity and gas, to ensure that these can be operated consistently across the two industries;
- make it a requirement on suppliers to accept payments in cash on a fortnightly or more frequent basis, an increase on the previous minimum requirement to

- accept cash payments quarterly;
- require suppliers to publish Codes of Practice specifically for their prepayment customers, to ensure that these customers receive better information and advice about the services available to them;
- level up to best practice the provision of energy efficiency advice, and the provision of services to elderly, disabled or chronically sick customers. This includes the redesignation of the special services register as the 'Priority Services Register', and an obligation on suppliers to promote the availability of all the Codes of Practice at least annually;
- revise the guidance notes, previously only available in electricity, describing the levels of service which the Director will accept in approving the Codes of Practice, which suppliers must publish on their licence obligations. Suppliers will need to consult the Electricity Consumers' Committees and, for the first time, the Gas Consumers' Council (and subsequently the Gas and Electricity Consumers' Council) on their Codes of Practice prior to submitting them for the Director's approval;
- harmonise and improve monitoring requirements, on which Ofgem has made detailed proposals about data collection and the publication of comparable information on suppliers' performance. Among other issues, Ofgem will keep a careful check on levels of debt recovery by suppliers, to ensure arrangements are reasonable and comply with Ofgem's guidance.

3.5 Ofgem expects these changes to deliver real benefits to disadvantaged consumers. We have written to suppliers requesting their consent to each proposed Licence Modification. We should know shortly which changes are to be accepted. Subject to suppliers' agreement, we then expect work on Codes of Practice to commence in April.

### ***Broader Structural Changes***

3.6 Ofgem has identified a range of actions which will deliver the desired results.

### ***Customer Transfers: Debt blocking and assignment***

- 3.7 Gas and electricity suppliers are currently able to prevent customers with outstanding debts from moving to a competitor. This Licence provision was designed to prevent customers in debt moving suppliers and leaving bad debts behind, imposing additional debt collection or write-off costs. However, a number of respondents to the *Discussion and Framework Documents* have supported revision of the current arrangements. Some consumer groups argue that the supplier's right to block a customer's transfer on the grounds of debt discriminates against low-income customers, including many prepayment meter customers, who are unable to access the benefits of competition.
- 3.8 In December 1999, Ofgem published a consultation paper, '*Customers in debt and their access to the competitive market*', which proposed amending gas suppliers' Licences and, by agreement, the Master Registration Agreement in electricity, to remove a supplier's ability to stop customers in debt from moving to another supplier. Our analysis indicates that in the last year, customers have been stopped on half a million occasions from moving to the new supplier of their choice as a result of debt-blocking by their existing supplier.
- 3.9 We will continue to move forward on the principle that customers seeking opportunities to switch suppliers should not be denied the right to pursue these on the grounds of their indebtedness. Yet we accept the need to provide suppliers with reasonable safeguards to ensure debts can be recovered efficiently. A further document will be issued in March.

### ***Provision of Comparable Pricing Information***

- 3.10 In the *Framework Document*, we recognised that there is consumer uncertainty about the range of offers in the market. Difficulty in making meaningful comparisons is a barrier to switching supplier, particularly for low-income customers and the elderly. Responses to the *Framework Document* reiterated consumers' concerns about this issue.

- 3.11 Ofgem would like more consumers to gain access to the competitive market place. This means not only removing structural barriers, but also removing uncertainty by giving consumers clearer, more comparable, information about the deals on offer. Consumers need to feel confident that they are making an informed choice. In February, Ofgem published a Consultation Paper, *Comparing Electricity and Gas Prices*, with proposals for improving the provision of pricing information in the market, including revised Licence requirements.
- 3.12 The paper describes a number of options for the gas and electricity industry to develop a standard format (or index) for an indicator of annual charges, to enable customers to make basic comparisons of the prices on offer. Ofgem's objective is to allow the industry to lead on development of the indicator, with the backing of licence provisions to ensure that satisfactory progress is made. Subject to comments, Ofgem envisages an approved method of price indication coming into operation in October 2000. We will also continue to make available regularly updated price comparison factsheets.

#### ***Lower Prices***

- 3.13 Ofgem has announced new price controls for Public Electricity Supply (PES) distribution and supply businesses and British Gas Trading's gas supply business. These will mean average price cuts of 6% in electricity and 4% in gas (for gas customers paying on standard credit and prepayment). Just as any increases in fuel prices have a proportionally greater impact on those on low incomes, any reductions are proportionally more beneficial. Taken together, these cuts should mean a saving of £25 for the average consumer. Customers switching suppliers can expect to save more.
- 3.14 Ofgem is also introducing a new market-based system for electricity trading, known as NETA (New Electricity Trading Arrangements), to replace the present electricity pool. This is expected to make the generating sector more competitive, and hence lead to lower generation prices and electricity bills. The change will be underpinned by legislation in the Utilities Bill. Further savings are expected as a

result of separation of the distribution and supply arms of the Public Electricity Supply companies, which the Utilities Bill will also allow.

### ***Prepayment Meter Surcharge***

- 3.15 Following concerns about prices for prepayment meter customers, Ofgem has undertaken a detailed analysis of the relevant costs for electricity prepayment meters. We want to ensure that any higher charges to prepayment meter customers are fully justified by the costs and that pressure continues to bear on reducing any extra costs of prepayment meters. In October 1999, following our detailed study, we proposed a maximum prepayment meter surcharge of £15 a year. We will be modifying supply Licences shortly to make this a formal requirement.
- 3.16 This change should mean reductions of up to £12 a year for prepayment meter customers of some PESs, who currently pay a higher surcharge. These are in addition to the general price reductions referred to above. Ofgem's document, '*Prepayment Meters: A Consultation Document*', published in October 1999, reviewed a wide-range of issues connected with the prepayment method. Ofgem will be reviewing the provision of infrastructure facilities for prepayment meters during 2000.

### ***Energy Efficiency Standards of Performance***

- 3.17 The Energy Efficiency Standards of Performance (EESOPs) have been delivering benefits to electricity consumers for the last six years. These Standards have required the 14 PESs to achieve electricity savings of 8,816 GWhs from energy efficiency measures. £150m has been raised from consumers, who have each paid £1 per year to fund this activity. To date there have been two separate Standards programmes. ESSOP 1 operated between 1994 and 1998 (1995 – 1998 for Scotland) and EESOP 2 between 1998 – 2000. It is estimated that the total net benefit to consumers from these schemes will be in excess of £500m. Around two-thirds of this expenditure has been directed to disadvantaged consumers.
- 3.18 In October 1999, Ofgem published its initial decisions on a further Energy Efficiency

Standards of Performance programme (EESOP 3), which will run from 1 April 2000 to 30 March 2002. We have confirmed that EESOP 3 will apply to all electricity suppliers (not just the PESs), and for the first time to gas suppliers. The indicative cost will be £1.20 per customer per annum. This should raise £100m over the two-year period. Ofgem has also decided that 65% of this money should be directed to schemes that will benefit disadvantaged customers. Among other areas, there will be opportunities for the promotion of energy services projects, combining energy efficiency with fuel supply.

- 3.19 The scheme paves the way for a new EESOP scheme, under powers being taken by the Government in the Utilities Bill, which Ofgem anticipates will be in operation from April 2002. The targets for the new scheme will be set by the Government following consultation, and continue to be administered by the Regulator.

#### *Fuel Direct*

- 3.20 Fuel Direct is available to customers in receipt of either income support or income based Jobseeker's allowance, who are in debt. It enables the Benefits Agency, who operate the scheme on behalf of Department of Social Security (DSS), to deduct an amount each week from income support and pay this directly to the appropriate electricity or gas supplier. The amount will cover weekly usage and an amount (currently not more than £2.60) towards any outstanding debt. Fuel Direct is widely supported by consumer groups and suppliers. However, there have been problems with its operation and DSS and the Benefits Agency have concerns about the cost of administering the scheme.
- 3.21 Ofgem is establishing a working group including consumer representatives, suppliers and the DSS to consider ways of improving the operation of Fuel Direct. Ofgem has also invited the EA Fuel Poverty Task Force to submit a report on industry views of the current operation of Fuel Direct. This will form a part of the evidence to be considered by the working group. Consumer groups and others with direct experience of the operation of Fuel Direct will also be asked to submit evidence to the working group.



### *Low User Tariffs/Standing Charges*

- 3.22 There is evidence<sup>6</sup> that some low income customers, in particular lone pensioners, tend to use below average amounts of electricity. However, while energy consumption is generally higher among better off households than those on low incomes, not all low income customers are low users and not all low users are on low incomes. Some of the fuel poor are higher users out of necessity.
- 3.23 A recent development is the announcement by British Gas Trading that it intends to introduce new tariffs without standing charges. This will reduce bills for users of very small quantities of gas, some of whom will be on low incomes. In March, Ofgem will be publishing research undertaken by the University of Warwick showing how other low-income customers fare.

### *Market Innovation*

- 3.24 During the development of the Plan, Ofgem held discussions with a range of consumer groups, utility companies, service intermediaries and other organisations. It is apparent that some potentially innovative new approaches are under active consideration or development, which should bring real benefits to low income customers. Some of the areas of innovation include collaborative ventures between suppliers and financial services companies, new tariffs and/or payment methods, new metering technologies including prepayment, the development of energy services companies combining the supply of fuel with energy efficiency advice and services, and other utility/industry partnerships. Some programmes have already been announced.
- 3.25 Transco's Affordable Warmth Programme was announced in October 1999. This is an innovative approach to help tackle the issue of fuel poverty. It is an example of public/private partnership where Transco is working together with Local Authorities, Register Social Landlords, finance providers and energy charities with support from the Government, to improve the health and comfort levels in up to one million homes in Great Britain through the installation of energy efficiency measures including efficient gas central heating.

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<sup>6</sup> English House Condition Survey, 1991: Energy Report

- 3.26 A further welcome development is the Department of the Environment, Transport and the Regions' (DETR's) decision to award a contract to Eastern Energy (part of the TXU Europe Group plc) to manage the New Home Energy Efficiency Scheme (HEES) across Eastern England (one of four HEES areas in England, the other three are to be managed by EAGA). This work will entail Eastern Energy in the delivery of warmer, healthier homes, through provision of better heating and insulation, working closely with GPs, nurses, local authorities and voluntary groups to identify households in need. This type of approach, by a utility company, is clearly complementary to the Social Action Plan objectives.
- 3.27 Another development which could benefit low income customers is Combined Heat and Power (CHP). There are already 60 residential CHP schemes at work in the UK, meeting the energy needs of well over 5000 largely lower income households. Community heating keeps a further 300,000 warm. The CHP sector has a longstanding commitment to tackling the challenges of fuel poverty, and of working to bring the benefits of community heating and CHP to those who otherwise go cold.
- 3.28 The draft Statutory and Environmental Guidance says the Government wishes to ensure that CHP can compete fairly in a competitive market and that there are no unjustifiable barriers to the up-take of CHP. As part of the climate change programme the Government will set a target for CHP capacity for the year 2010 and announce the measures being introduced to achieve that target. In exercising its functions, Ofgem will have regard to the Government's guidance. Ofgem is currently chairing a working group to consider what measures are necessary to enable embedded generation (around half all CHP capacity is embedded) to get access to distribution systems on fair terms. The group includes representatives from the DETR, DTI, consumer groups and across the industry.
- 3.29 Ofgem will monitor these and other initiatives and their contribution towards the Social Action Plan.

### ***Research Projects***

3.30 We have identified a range of areas in which more research is needed in order to determine future action. There are a number of reasons for promoting research:

- suppliers and other stakeholders are in a position to establish the direct experience and needs of customers to help inform future policy making;
- practice differs from one supplier to another, and work is needed to establish best practice across the industry;
- potential new opportunities exist for helping disadvantaged customers, which need to be researched or piloted.

3.31 Ofgem has therefore sought sponsorship for research and pilot projects from suppliers and other stakeholders. Representatives from consumer groups, practitioners and other interested parties such as financial institutions have, or will be, invited to help guide the projects. We have been encouraged by the constructive responses we have received. The project areas we have identified and the progress to date is described below. Ofgem will see that each project is undertaken to an agreed timetable, has independent input, is supported by a steering group that includes consumer representation, and the results are published and acted upon.

### ***Energy efficiency advice***

3.32 The views we have received suggest that, although disadvantaged customers are likely to benefit most from energy efficiency advice, they are often reluctant to request it. Consumer agencies believe suppliers should be more proactive in promoting advice. There is debate on whether advice would be better delivered by external agencies experienced in the provision of assistance to low income households.

3.33 Research is therefore to be undertaken into this area to establish how the provision of advice can be improved. We will look at the ways customers prefer to access advice, and the extent to which the advice that is currently given is appropriate, and how it is acted upon. It is vital that customers in need of help are advised about the

availability of grants through HEES (Warm Deal in Scotland) or EESoP's. The role of external agencies will also be considered.

- 3.34 This research is to be conducted under the auspices of the EA Fuel Poverty Task Force. Suppliers are considering how to identify examples of good practice obtained through the Energy Efficiency Standards of Performance (EESoP) programme, as the basis for a research project. We expect a further announcement soon.

### ***Self disconnection and rationing***

- 3.35 Self-disconnection - when customers fail to feed their prepayment meters - is an area of concern to Ofgem. To date, research into the extent of self-disconnection, and the reasons for it, has tended to be limited in scope and regionally based. Ofgem views a new research project as important to determine the scale of the problem. Self-disconnection tends to be associated with prepayment meters. Self-rationing resulting from budgeting problems, which may also occur among credit customers, also needs to be examined. It is important to determine the extent to which self-disconnection or rationing can be linked to payment method, and the appropriate response on the part of fuel suppliers.
- 3.36 For this project the EA Fuel Poverty Task Force has commissioned national research to identify and analyse patterns of electricity and gas consumption in households vulnerable to fuel poverty. This will provide consistent and independent nationwide information on the impact of different payment methods and policies towards debt recovery. The project involves the Public Electricity Suppliers and British Gas Trading, who are actively participating and funding the work.
- 3.37 The research itself is being undertaken by the Centre for Management Under Regulation at Warwick University, and involves 3,500 consumers nationwide. The project will be completed in January 2001. It is being guided by a steering group including representatives from energy companies, the DTI, Ofgem, the energy consumer bodies and fuel poverty groups.

### ***Switching from prepayment meters to other payment methods***

- 3.38 Through the Plan, Ofgem wishes to see more action taken to ensure that customers using expensive payment options have an informed choice of alternatives and better means of accessing cheaper methods. Suppliers have reported that it is difficult getting customers on prepayment meters to switch to other methods.
- 3.39 Ofgem wishes to examine industry experience. Through pilot research it will be possible to determine how customers can best be encouraged to switch. This will also establish the support they need to find optimal alternative payment methods and to avoid getting into further debt.
- 3.40 Scottish and Southern Energy plc will undertake a research project into this area. Ofgem is discussing the research criteria with the company.

### ***Scope for better prevention and management and debt***

- 3.41 Prevention is the most effective means of dealing with debt, to ensure problems are not allowed to occur. This can mean more attention to effective regular payment plans for customers who find it difficult to budget. Making contact with customers early on before any problems are allowed to escalate is also important.
- 3.42 Research is needed to determine:
- how households can be encouraged to contact suppliers as early as possible when they are having difficulties;
  - the role that offers of energy efficiency grants and other help such as money advice can play in encouraging customers to make contact;
  - how regular consumption information can help reduce debt build up;
  - where debt occurs, the most appropriate advice to help households repay it in a manageable way.
- 3.43 Powergen will sponsor research into the needs of customers in debt. Ofgem is currently discussing the detailed criteria for the work with Powergen.

### ***Identification and help to vulnerable customers***

- 3.44 Customers who get into debt and/or who have prepayment meters are readily identified and hence easily targeted, but there may be customers with other problems – notably elderly people at risk from hypothermia who tend not to get into debt or have prepayment meters – who need help.
- 3.45 Research is needed to assess the role of suppliers in identifying and helping customers potentially at risk. We wish to consider how effective the ‘Priority Service Registers’ are as a means of identification, how frontline staff such as meter readers can be used, and the role for external organisations, such as health care staff, working with suppliers.
- 3.46 Ofgem are still to agree a sponsor for this project, but is discussing it with a number of suppliers.

### ***Different forms of debt recovery using prepayment meters***

- 3.47 Prepayment meters 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. Ofgem wishes to establish the scope for converting prepayment meters into a budget payment system with a fixed weekly amount that is similar to a payment plan. Ofgem is discussing this project with a potential sponsor.

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

- 3.48 Companies and customer groups have supported the concept of credit unions as a potential means of helping low income customers without traditional bank accounts to gain access to lower cost methods of paying their gas and electricity bills. This is in line with the recommendations of the Social Exclusion Task Force report on access to financial services, which makes recommendations aimed at promoting credit unions, including a central services organisation to promote credit union growth and development in Britain.

- 3.49 Ofgem sees scope for utilities to play a role in development of credit unions, to the mutual benefit of the credit union movement, the utility companies and their customers. Utility involvement could help establish what is an effective base for a credit union (e.g. tenants association, age concern group, single parent group, etc), how eligible households can be encouraged to join (possibly through information on the savings possible or offers of help with energy efficiency (HEES/SOP) grants to help avoid risks of large bills), the percentages of targeted households that respond to and join such a scheme, and what happens to those who join.
- 3.50 Ofgem is aware that one major energy supplier has plans for active involvement in credit unions, but these are still under commercial development. Beyond that, research partners have yet to be agreed for this project area.

## 4. Measuring and Reviewing Progress

4.1 This chapter explains how progress under the Social Action Plan will be measured, evaluated and reviewed, based on twelve key indicators. These recognise that the Plan needs 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. Data for monitoring purposes will be collected from a range of sources, including electricity and gas suppliers, Government, consumer bodies and independent research reports, and will need to be regularly updated. Our work on suppliers' Codes of Practice described in chapter 3 will involve monitoring of suppliers' performance. Tables in Appendix 2 show the starting points, where currently available, for the evaluation.

### *MORI Research*

4.2 Ofgem has recently published the results of a new survey by MORI<sup>7</sup> into the experience of electricity and gas consumers. The research is based on 2315 face to face interviews, conducted by MORI in September and October 1999. The survey took particular account of the need to underpin the work of the Social Action Plan with reliable, independent data on the position of disadvantaged customers. Specific chapters in the MORI report concern the experience of prepayment meter customers and the disadvantaged.

4.3 Ofgem is looking closely at MORI's research results. A selection of the data is reproduced in Appendix 3, as relevant background to this document.

### *Key Indicators*

4.4 Ofgem will develop and use 12 key indicators to monitor and evaluate the contribution of the Social Action Plan to reducing the number of households experiencing fuel poverty.

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<sup>7</sup> Electricity and Gas Competition Review: A Research Study Conducted for Ofgem by MORI – January 2000



***(a) Percentage of customers experiencing fuel poverty***

- 4.5 The commonly applied definition of a poor household is one needing to spend 10% or more of their income on fuel to achieve a satisfactory heating regime (21°C in the living room and 18°C in other occupied rooms).
- 4.6 Ofgem concludes that it is relevant to adopt the extent of fuel poverty, based on the 10% measure, as a key indicator, because the households concerned are those most in need of help. Ofgem will urge the Government to collect and publish data more frequently than the current five-year cycle. We will liaise with other Departments, through the Inter-departmental Group on Fuel Poverty, to help identify ways of doing this. In the meantime, Ofgem will use the English House Condition Survey and comparable data in Scotland as the starting point for monitoring progress on tackling fuel poverty. The next English House Condition Survey is due to be undertaken in 2001.

***(b) Number of Customers Using Prepayment Meters***

- 4.7 Ofgem recognises that many customers choose to pay through a prepayment meter. The latest MORI report suggests that around nine in ten prepayment meter customers (electricity 89% and gas 87%) are satisfied with their method of payment. Most prepayment meter customers are, however, unaware of the extra costs. 25% of these customers believe that it represents the cheapest method of payment and a further 33% do not know whether they are paying by the cheapest method. The findings do, however, indicate that even if all prepayment meter customers were made aware of the differentials, the majority would not choose to change their payment method. (See charts 2.1 – 2.6 and 3.1 – 3.3 in Appendix 3).
- 4.8 Nevertheless, Ofgem believes that use of prepayment meters, where they are used to recover debt, can be the result of poor debt management practices by suppliers. Because debt build up has been allowed to occur in the first place, customers have no other option but to accept a prepayment meter. Therefore Ofgem will, on an annual basis, monitor the number of gas and electricity customers with prepayment meters and the number of these repaying debt

- 4.9 This indicator is one measure of suppliers' success in promoting the alternative of a credit meter wherever possible and appropriate.

***(c) Debt Repayment Levels***

- 4.10 It is important to monitor debt repayment rates. A wide range of figures need to be collected to check that repayment levels are kept at appropriate levels, i.e. size of overall company and customer debts and rates of debt repayment by customers.
- 4.11 Ofgem will improve the monitoring and scrutiny of suppliers' performance in the areas of debt management and prevention and publish the results annually

***(d) Tariff and Payment Choice***

- 4.12 Ofgem believes that the development of the competitive market should enhance the degree of choice available, including choices of particular interest to disadvantaged customers. In the last six months, we have seen companies come forward with special new tariffs. PowerGen, for example, has announced a tariff in association with Age Concern that offers a special deal to older people. British Gas Trading has announced that it will be introducing zero standing charge tariffs from April, which benefit low users (although many people in fuel poverty are, or would be, high users). Other suppliers also offer tariffs designed to benefit low-users. We will need to make sure everyone is aware of these.
- 4.13 Ofgem will continue to encourage and monitor developments in this area. We will monitor the take-up of the regular cash payments option, which is a new requirement of our proposed Licence changes. We will publish the results annually.

***(e) Disadvantaged Customers and Competition***

- 4.14 A critical objective of the Social Action Plan is to ensure that disadvantaged customers play a full part in the competitive market. Ofgem will use market research to monitor the take-up of offers by different categories of customers and will report on this annually.

- 4.15 In October 1999, the proportion of electricity switches was estimated to be 11%, compared with 5% in March 1999. The latest MORI research indicates that, as predicted, the lower income groups (who were less likely to switch at the start of the year) are catching up with higher income groups, with 7% having switched, compared to 2% earlier in the year. However, the percentage of prepayment meter customers who have switched remains at just 3%.
- 4.16 Looking at the degree of gas switching by sub-group it is clear that some of the less well off groups have caught up with and overtaken better off customers. Thus, switching is highest among C2DEs, those not working, those in LA/HA rented accommodation, the over 65s and low income customers. Gas prepayment meters users still lag behind the rest, however, as in the electricity market, though even here 14% have switched. Ofgem will commission further research which aims to understand the picture better.

***(f) Priority Service Registers***

- 4.17 Ofgem will monitor the take-up of services provided under the Priority Service Registers. We intend to do this through the Codes of Practice monitoring returns, and will publish information annually.

***(g) Disconnections***

- 4.18 Ofgem believes that disconnections must be minimised. We welcome the fact that the electricity industry has seen disconnections fall by over 99 per cent since 1990, to approximately 400 in 1998. We expect gas disconnections to fall in 1999 to around 20,000, compared to 30,000 in 1998, and to continue to fall. We will continue to collect information and publish it quarterly.

***(h) Self-Disconnection***

- 4.19 Ofgem aims to reduce the level of self-disconnection. To do this we will need to have agreed and verifiable measures of the extent of self-disconnection which exists today.

- 4.20 According to the latest MORI research, the majority of prepayment meter customers have not run out of electricity (65%) or gas (60%) in the last year. However, there remains a significant minority who have been without one or both supplies at some point, although over two thirds of customers experiencing self-disconnection ran out only once or twice. There was a small number (4% of electricity customers and 7% of gas customers) who had run out five times or more. Refer to chart 3.4 in Appendix 3.
- 4.21 As chart 3.5 in Appendix 3 shows, the main reason that two in five electricity customers had run out of electricity was that they forgot to check or did not notice. An additional third said that it was because they did not have enough money at the time (a ten per cent increase since the start of the year). For those who have self disconnected their gas supply the main reason was that the nearest recharging facility was either closed or out of order (29% compared with 17% for electricity).
- 4.22 Ofgem expects the EA Fuel Poverty Task Force's research project (referred to on page 19) to improve knowledge about the scale of self-disconnection and the reasons. We welcome this. In the meantime, the MORI data provides a benchmark against which we will judge progress in the future, by means of further, regular surveys.

***(i) Effective Energy Efficiency Advice***

- 4.23 Ofgem will monitor the energy efficiency advice services provided by (or for) suppliers as a key indicator. We agree that the provision of energy efficiency advice is a vitally important practical way for suppliers to help disadvantaged customers.
- 4.24 The improved Codes of Practice on energy efficiency advice, together with more detailed scrutiny and research should lead to an overall improvement in the energy efficiency services offered by suppliers, resulting in more effective and better targeted help. Ofgem concludes that it is appropriate to carry out quantitative and qualitative monitoring of progress. Details of the statistics that we plan to collect under this key indicator are shown in Appendix 2. Information will be published annually.

### *(j) Warm Homes Initiatives*

- 4.25 Ofgem will review the number of disadvantaged customers assisted through energy efficiency initiatives carried out by the industry. Although this information is not available for EESOPs 1 and 2, we will ensure that it is for SOP 3 (that starts in April 2000). We do know that disadvantaged customers benefited from around two-thirds of the £500m expenditure from the first two EESOP programmes. This means that disadvantaged customers would have benefited from approximately 260,000 heating or installation measures. The extension of the Standards of Performance to gas, and a growth in the number of projects being developed by suppliers, should enable more disadvantaged customers to benefit from energy efficiency initiatives over the period of the Plan.
- 4.26 In addition to the Standards of Performance projects, we are aware of other industry initiatives such as Transco's Affordable Warmth Scheme to improve the lives people in sub-standard accommodation. We consider it appropriate to monitor the number of customers benefiting from the various regulatory and industry initiatives.

### *(k) Customer Satisfaction*

- 4.27 The views of customers are an essential indicator of success. Ofgem already monitors the views of customers. The latest MORI research shows that 94% of customers are satisfied with their payment method. 87% of customers are satisfied with the overall service they receive from their electricity supplier and 75% with their gas supplier. Chart 4.5 in Appendix 3, shows how this is overall figure compares with the satisfaction of various categories of customer. We will continue to monitor customer satisfaction on an annual basis through market research projects. We will wish to develop a range of questions specific to disadvantaged customers.

### *Prices*

- 4.28 Work by Ofgem to stimulate increasing competition will continue to put downward pressure on prices. Under the Social Action Plan we will continue to monitor prices

and in particular the impact of competition on disadvantaged customers. We will publish regular factsheets and overall trends once a year, distinguishing prices for direct debit, quarterly credit and prepayment meter customers.

### ***Review Group***

4.29 Ofgem has established a Review Group to assist at a strategic level by reviewing overall progress of the Plan. The Review Group will consist of a number of senior representatives from Industry and Consumer Groups and other experts. The Group will be chaired by the Director General and meet twice a year.

4.30 The work of the Review Group will involve:

- assisting Ofgem in developing its future work on help to the fuel poor,
- reviewing achievements under the Social Action Plan,
- monitoring the work of the gas and electricity industries on the Social Action Plan,
- helping to develop and refine the key indicators proposed in the Social Action Plan,
- identifying areas for future research,
- reviewing an annual progress report on the Social Action Plan, which Ofgem will publish

In carrying out its functions, the Review Group will have regard to the Statutory Social and Environmental Guidance from the Department of Trade and Industry.

4.31 A number of senior industry and consumer representatives have agreed to join the Review Group. Their details are set out below.

Mike Alexander, Managing Director – British Gas Trading

Charles Berry, Director Energy Supplies Division - Scottish Power

William Gillis, Deputy Director - National Energy Action

Dr Caroline Harper, Managing Director - Amerada Hess Gas

Peter Lehmann, Chairman - Energy Saving Trust and Social Security Standards Committee

Dr Gill Owen, Chairman of Public Utilities Access Forum (PUAF) and member of the Ofgem Management Board

Ann Robinson, Chairman designate of the Gas and Electricity Consumers' Council

Philip Turberville, Chief Executive –TXU Europe

Anna Walker, Director General (Energy) - Department of Trade and Industry

Mike Young, Director – British Banking Association

- 4.32 To complement the work of the Review Group, we will also be consulting from time to time with a broader based group which brings together industry, customer, energy efficiency and fuel poverty experts. This group will provide informed analysis on fuel poverty questions. Where necessary we will also establish expert groups to consider particular areas where further work is required. For example, we are setting up a group on Fuel Direct, to be chaired by Peter Lehmann.

### ***Annual Report***

- 4.34 Ofgem will publish an annual report reviewing progress on the Social Action Plan, in consultation with the Review Group. This report will cover relevant regulatory and industry developments, review research and pilot projects and measure overall progress against the key indicators. It will also take into account any additional items in the Government's Statutory Social and Environmental Guidance.
- 4.35 Ofgem will also encourage companies to produce their own Social Action reports highlighting their individual performance and achievements, as suggested by the Government, in its draft Statutory Social and Environmental Guidance. Some industrial companies do this to demonstrate their commitment to environmental improvements. Companies should adopt a similar approach for the social dimension of their activity.

## 5. Timetable

5.1 The following table summarises the actions described in this document. It explains how the actions we are taking relate to the priority areas we have identified, sets out the timetable for the work as far as we can reasonably foresee and lists the key indicators which 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 revised.

Priority	Actions	Timetable	Indicators
1. Ensure that customers using expensive payment options have a better means of accessing cheaper payment methods	1.1 Ofgem to publish proposals for improving the provision of Information	Consultation published in February 2000  Agree Licence modifications by June 2000  Implement new requirements by October 2000	Number of PPM customers (B)  Improved tariff choice for disadvantaged (D)
	1.2 Scottish and Southern Energy plc to research switching from PPM to other payment methods	Confirm research arrangements by April 2000  Parties to provide a report on research by end of 2000	
	1.3 Ofgem to monitor progress	Ofgem to carry out regular competitive market reviews	
2. Overcome barriers to disadvantaged customers participating more actively in the competitive market	2.1 Ofgem to propose improvements for transfer of customers in debt	Consultation published in December 1999  Issue licence modifications proposals by June 2000  Implement changes by October 2000	Number of disadvantaged customers entering market (E)
	2.2 Ofgem to publish proposals on the provision of information	Consultation published in February 2000  Agree licence modifications by June 2000  Implement any new requirements by October 2000	
	2.3 Ofgem to monitor progress	MORI findings published in January 2000 and further research reports annually  Additional monitoring through market surveys and Ofgem competitive market reviews	



Priority	Actions	Timetable	Indicators
<b>3. Ensure that suppliers have an effective dialogue with customers in debt</b>	3.1 Ofgem to revise licence conditions and issue new guidance notes for debt and disconnection	Proposed Licence changes and draft guidance notes published in January 2000  Agree licence amendments and issue final guidance by June 2000  Suppliers to revise Codes of Practice by September 2000	Debt repayment rates kept at appropriate levels (C)  Disconnections to be minimised (G)  Reduce self-disconnection (H)
	3.2 Powergen to research scope for better debt management	Confirm research arrangements by April 2000  Research party to provide report on research by end of 2000	
	3.3 Ofgem to revise monitoring requirements and then monitor performance against amended Codes of Practice	Revised monitoring proposals published in January 2000  Establish working group to consider requirements  Confirm final monitoring requirements by June 2000  Implement from September 2000	
	3.4 Ofgem to set up Working Group on Fuel Direct	Ofgem to establish working group. First meeting , March 2000  Working Group to report on findings by summer 2000	

Priority	Actions	Timetable	Indicators
<b>4. Encourage the development of tariffs and cost-effective payment methods which meet the needs of vulnerable customers</b>	4.1 Ofgem to propose revised frequency of payment	Proposed licence amendments published in January 2000  Agree licences by June 2000	Improved tariff choice for disadvantaged (D)
	4.2 Research/pilot into financial services for disadvantaged customers	Ofgem to confirm research parties by summer 2000  Research party to provide interim report on research by end of 2000 and full research by mid 2001	
	4.3 Ofgem to review Standing Charges and Low user Tariffs	Publish research paper in March 2000	
	4.4 Ofgem to monitor progress	Ofgem to produce initial monitoring report in January 2001 and annually after that  Ofgem to carry out additional monitoring through market surveys and Ofgem competitive market reviews	
<b>5. Overcome barriers to suppliers' access to cost effective prepayment meter Systems and other regular payment method</b>	5.1 Ofgem to introduce competition in metering services	Ofgem to liberalise electricity metering in April 2000	Number of PPM customers (B)  Improved tariff choice for disadvantaged (D)
	5.2 Ofgem to review PPM infrastructure charges	Ofgem to review PPM infrastructure arrangements in Summer 2000	
	5.3 Research/pilot into financial services for disadvantaged customers	Ofgem to confirm research parties by summer 2000  Parties to provide interim report on research by end of 2000 and full report by mid 2001	
	5.4 Ofgem to monitor progress	Ofgem to carry out additional monitoring through market surveys and competitive market reviews	

Priority	Actions	Timetable	Indicators
<b>6. Encourage and develop innovative schemes to improve energy efficiency in Disadvantaged households</b>	6.1 Ofgem to propose revised licence conditions and guidance notes on energy efficiency advice	Proposed licence amendments and guidance notes published in January 2000  Agree licences and issue guidance notes by June 2000  Revise Codes of Practice by September 2000	Improvement in use and quality of energy efficiency advice (I)  Positive satisfaction level from disadvantaged customers (K)
	6.2 EA Task Force to carry out energy efficiency advice research	Confirm research arrangements by April 2000  Parties to provide report on research by end of 2000	The number of disadvantaged customers assisted through energy efficiency initiatives (J)
	6.3 Pilot projects on help to vulnerable customers	Ofgem to confirm research parties by summer 2000  Parties to provide interim report on research by end of 2000 and full report by mid 2001	
	6.4 Ofgem to introduce Energy Efficiency Standards of Performance 3	Implement new standards in April 2000  Assist Government to implement its scheme by April 2002	
	6.5 Monitoring progress	Monitoring performance against revised Code of Practice in January 2001 and annually after that  Additional monitoring through market surveys and Ofgem	

Priority	Actions	Timetable	Indicators
<b>7. Cut costs to customers through price controls and ensuring greater competition in generation</b>	7.1 Ofgem to carry out price control reviews as planned	Implement new price controls for PESSs and BGT in April 2000.  Review gas transportation charges in autumn 2000	Prices and the impact on disadvantaged customers (L)
	7.2 Increase competition in generation	On-going – implement Electricity Trading Arrangements to commence in autumn 2000	
	7.3 Monitoring progress of competitive supply market	MORI report published in January 2000  Further monitoring reports annually  Additional monitoring through Ofgem competitive market reviews	
<b>8. Put in place measures to resolve the difficulties encountered by prepayment meter customers</b>	8.1 Introduce prepayment meter Code of Practice	Proposed Licence Condition and guidance published in January 2000  Agree licences and issue final guidance by June 2000  Introduce New Code of Practice by September 2000	Reduction in self-disconnection (H)  Prices and the impact on disadvantaged customers (L)
	8.2 EA to research extent of self-disconnection	EA to provide interim report on research findings in July 2000 and full report by end of 2001.	
	8.3 Suppliers to pilot different payment methods using PPMs	Confirm research parties by summer 2000  Parties to provide interim report findings by end of 2000 and full report by end of 2001	
	8.4 Monitoring progress of competitive supply market	Monitoring suppliers' performance against revised Codes in January 2001 and annually after that  Additional monitoring through Ofgem competitive market reviews	

Priority	Actions	Timetable	Indicators
<b>9. Ensure services are developed and maintained to meet the special needs of the elderly, disabled and chronically sick</b>	9.1 Ofgem to revise licence requirements	Proposed licence changes and draft guidance published in January 2000  Agree licences and issue final guidance by June 2000  Revise Codes by September 2000	Number of customers and take-up of services under Priority Services Register (F)
	9.2 Ofgem to monitor progress	Ofgem to carry out initial monitoring report in January 2001 and annually after that	
<b>10. Ensure companies report on their activities under the Plan</b>	10.1 Ofgem to establish new reporting requirements	Revised Code of Practice monitoring proposals published in January 2000  Confirm revised requirements in June 2000  Collect first returns in September 2000	
	10.2 Ofgem to ensure publication of Codes of Practice	Amend licences and issue final guidance by June 2000  Consumer Councils to consider draft codes. Revise Codes by September 2000	
	10.3 Ofgem to monitor progress	Commence monitoring in September 2000.  Ofgem will review progress in January 2001 and annually after that  Additional monitoring through Ofgem competitive market reviews	
	10.4 Ofgem to establish Review Group	Establish Review Group in February 2000  Group to meet twice a year to review Plan. First meeting March 2000	

## APPENDIX 1: Approach and Priorities of the Plan

The Framework Document set out the proposed general approach and priorities of the Plan, which we are following:

### General Approach

*The Plan focuses on areas where assistance is most needed and where action taken by the Regulator and the industry can have best effect. It takes full account of the role and contributions of others players, including Government and sets out clearly the respective contribution of the industry and of regulation. The Plan will be fully integrated with all of the Regulator's work and developments in the industry. In particular, we recognise that it needs to work effectively against the background of increasingly effective competitive markets. Measures taken as part of the Plan should not deter or distort competition. Rather the Plan should focus on areas where specific measures to protect consumers and the development of competition can work together to bring benefits to the disadvantaged.*

### Priorities

Taking into account the general approach adopted above, Ofgem is developing and monitoring the Plan according to a number of priorities. These are to:

- 1. Ensure that consumers using expensive payment options have a better means of accessing cheaper payment methods.*
- 2. Overcome barriers that prevent disadvantaged customers from participating more actively in the competitive market.*
- 3. Ensure that suppliers enter an effective dialogue with customers in debt.*
- 4. Encourage the development of tariffs and cost-effective payment methods that meet*

*the needs of vulnerable customers.*

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

## APPENDIX 2: Starting Points for the Indicators

This table gives starting points for monitoring the indicators. Where no data is shown, the figures are currently unavailable. The information represents a small part of a wider range of information collected and published by Ofgem. Proposals for improved monitoring have been made as part of Ofgem's proposals on revising Licence conditions ('Social Action Plan: Enhancing Social Obligations', January 2000). In most cases the information shown will be available on an individual company basis.

<b>A</b>	<b>Customers in fuel poverty (1996 Housing Condition Survey)</b>	<b>Number</b>	<b>Percentage</b>
	England	4.3m	22%
	Scotland	0.66m	31%
	Wales	No Figure	

<b>B</b>	<b>Number of customers using prepayment meters (as at 30/09/99)</b>	<b>Gas</b>	<b>Electricity</b>
	PPMs in use	1.5m	3.8m
	PPMs recovering a debt		0.67m
	PPMs installed in the last 12 months to recover debt		0.18m

<b>C1</b>	<b>Debt repayment levels – non PPM (as at 30/09/99)</b>	<b>Gas</b>	<b>Electricity</b>
	Number of customers repaying a debt		
	Number of customers entering into a debt payment arrangement in the last quarter		0.06m
	Average weekly amounts for debt payment arrangements entered in the last quarter		£6.89
	Average weeks to recover debt for arrangements entered into in the last quarter		

<b>C2</b>	<b>Debt repayment levels – PPM (as at 30/09/99)</b>	<b>Gas</b>	<b>Electricity</b>
	Number of customers repaying a debt		
	Number of customers entering into a debt payment arrangement in the last 12 months		0.18m
	Average weekly amounts for debt payment arrangements entered into this quarter		£3.19
	Average weeks to recover debt for arrangements entered into this quarter		61

<b>D</b>	<b>Tariff and payment choice</b>	<b>Gas</b>	<b>Electricity</b>
	Number of customers paying by regular cash payments (fortnightly, weekly or flexible schemes)		0.725m



<b>E</b>	<b>Disadvantaged customers and competition (% of disadvantaged customers changing supplier*)</b>	<b>Gas</b>	<b>Electricity</b>
	Households with income under £5k	29%	7%
	Receiving benefit	30%	9%
	Electricity PPM customers	23%	3%
	Gas PPM customers	14%	3%
	State Pension only	21%	14%
	All customers	35%	15%

<b>F</b>	<b>Priority Services Register (as at 30/09/99)</b>	<b>Gas</b>	<b>Electricity</b>
	Customers on Priority Services Register	1.4m	0.314m
	Customers using password schemes in last 12 months	0.23m	
	Number of free safety checks in last 12 months	0.06m	

<b>G</b>	<b>Disconnections (for year ending 31/12/98)</b>	<b>Gas</b>	<b>Electricity</b>
	Number of disconnections for non payment of debt	29,485	377

<b>H</b>	<b>Self-disconnection</b>	<b>Gas</b>	<b>Electricity</b>
	Agreed and verifiable measure of self disconnection		

<b>I</b>	<b>Energy Efficiency advice (for year ending 30/9/99)</b>	<b>Gas</b>	<b>Electricity</b>
	Number of customers offered advice in last 12 months	0.03m	
	Number of customers acting on advice		

<b>J</b>	<b>Warm homes initiatives</b>	<b>Gas</b>	<b>Electricity</b>
	Number of disadvantaged customers assisted through energy efficiency initiatives		

<b>K</b>	<b>Satisfaction of disadvantaged customers with overall service from existing supplier*</b>	<b>Gas</b>	<b>Electricity</b>
	Households with income under £5k	72%	83%
	Receiving Benefit	74%	87%
	Electricity PPM customers	69%	86%
	Gas PPM customers	65%	81%
	State Pension only	81%	88%
	All customers	76%	87%

<b>L</b>	<b>Average gas and electricity prices (provisional estimated figures for 1999)</b>	<b>Gas (18000kwh)</b>	<b>Electricity (3300kwh)</b>
	Direct Debit	£267	£255
	Credit	£305	£265
	Prepayment	£318	£282

\*information from MORI Research carried out in November 1999

# APPENDIX 3: Relevant Tables from 'Electricity and Gas Competition Review - A Research Study conducted for Ofgem by MORI - January 2000'

(A note on the methodology used by MORI is included at the end of this appendix)

## 1. Switching Supplier

Chart 1.1

### Proportion of Electricity Switchers by Sub-group

	% Switchers			% Switchers	
	Feb/ March '99	Sept/ Oct '99		Feb/ March '99	Sept/ Oct '99
<i>Base: All</i>	<i>(1,212)</i>	<i>(2,315)</i>		<i>(1,212)</i>	<i>(2,315)</i>
	%	%		%	%
<b>Total</b>	5	11	<b>Electricity bill</b>		
<b>Age</b>			High	5	12
16-34	4	7	Medium	5	11
35-64	7	13	Low	5	9
65+	4	13	<b>Bank account</b>		
<b>Social class</b>			Yes	5	11
AB	9	14	No	2	8
C1	5	11	<b>Electricity payment method</b>		
C2	3	9	DD/SO	10	15
DE	4	10	Cash/cheque	3	11
E	4	10	PPM	1	3
<b>Working status</b>			Budget card/plan	3	6
Working	5	11	<b>Low income</b>	2	7
Not working	5	10			
<b>Type of household</b>			<b>Type of heating</b>		
Pensioner only	4	13	Coal/oil	1	9
Adults, no children	5	11	Electric	1	11
Adults, with children	6	11	Gas	7	11
One parent h'hold	5	11	<b>Telephone switcher**</b>		
<b>Type of house</b>			Yes	7	13
Detached	6	13	<b>Gas switcher</b>		
Semi	6	12	Yes	11	18
Terraced	6	10	No	5	9
Flat/maisonette	1	7	Dual Fuel*	21	46
<b>Housing tenure</b>			<b>Location</b>		
Owner occupied	7	12	Town/city	6	11
Rented-private	3	6	Village/countryside	3	11
Rented LA/HA	3	9			

Source: MORI

\*Those who obtain both their gas and electricity from the same company

\*\*Those who have switched their telephone supplier

**Chart 1.2  
Proportion of Gas Switchers by Sub-group**

	% Switchers			% Switchers	
	July/ Aug '98	Sept/ Oct '99		July/ Aug '98	Sept/ Oct '99
<i>Base: All on mains gas</i>	<i>(803)</i>	<i>(2,098)</i>		<i>(803)</i>	<i>(2,098)</i>
	%	%		%	%
<b>Total</b>	14	25	<b>Gas bill</b>		
<b>Age</b>			High	n/a	23
16-34	16	24	Medium	n/a	28
35-64	15	24	Low	n/a	26
65+	13	30	<b>Bank account</b>		
<b>Social class</b>			Yes	15	25
AB	11	20	No	12	27
C1	16	23	<b>Gas payment method</b>		
C2	15	29	DD/SO	17	28
DE	16	28	Cash/cheque	13	28
<b>Working status</b>			PPM	12	14
Working	15	22	Budget Card/plan	12	23
Not working	14	29	<b>Low income</b>	n/a	29
<b>Type of household</b>			<b>Type of heating</b>		
Pensioner only	n/a	32	Coal/oil }	13	42
Adults, no children	13	25	Electric }		18
Adults, with children	17	25	Gas	15	25
One parent h'hold	n/a	24	<b>Telephone switcher**</b>		
<b>Type of house</b>			Yes	n/a	26
Detached	12	21	<b>Electricity switcher</b>		
Semi	16	24	Yes	n/a	41
Terraced	15	29	No	n/a	23
Flat/maisonette	12	27	Dual Fuel*	n/a	72
<b>Housing tenure</b>			<b>Location</b>		
Owner occupied	14	24	Town/city	15	24
Rented-private	13	13	Village/countryside	14	28
Rented-LA/HA	16	32			

*Source: MORI*

\* Those who obtain both their gas and electricity from the same company

\*\* Those who have switched their telephone supplier

## 2. Methods of Payment

Chart 2.1

<i>Q In which of these ways do you normally pay for your electricity/gas?</i>		
	Electricity	Gas
<i>Base All:</i>	(2315)	(2098)
	%	%
<b>Quarterly</b>		
Cash/cheque	29	29
DD/SO	11	12
<b>Monthly</b>		
Cash/cheque	2	3
DD/SO	34	34
PPM	17	11
Budget Card Plan	3	5
Regular weekly/fortnightly cash scheme	2	2
Savings Stamps	1	1

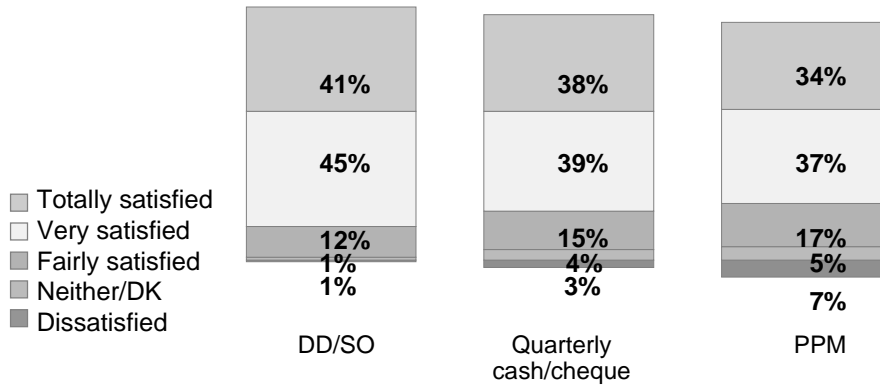
*Source: MORI*

Chart 2.2

<i>Why do you pay for your electricity/gas bill by....?</i>						
	Electricity			Gas		
	DD/ SO	Quarterly Cash/ Cheque	PPM	DD/ SO	Quarterly Cash/ Cheque	PPM
<i>Base: All</i>	(1050)	(700)	(348)	(1020)	(617)	(186)
	%	%	%	%	%	%
Easy/convenient	87	66	64	87	64	64
Best way of budgeting	25	17	39	27	12	44
Cheaper	10	*	1	10	1	*
Have control over payments	5	19	27	5	20	22
Always paid in this way	8	23	12	6	22	8
Pay for what I have used, when I use it	*	7	21	1	7	17
Pay when bill arrives	1	15	0	*	15	1
Dislike Direct Debit	*	12	2	*	15	1

*Source: MORI*

**Chart 2.3**  
Satisfaction with Payment Method - Electricity

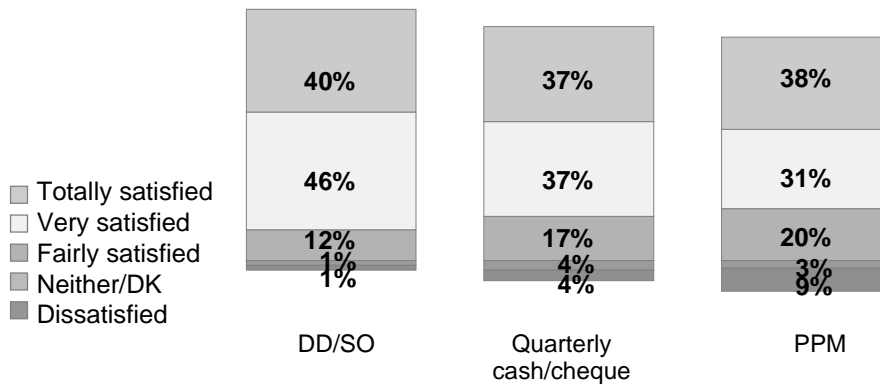


Base: All respondents (2,315)

Source: MORI

**Chart 2.4**

Satisfaction with Payment Method - Gas



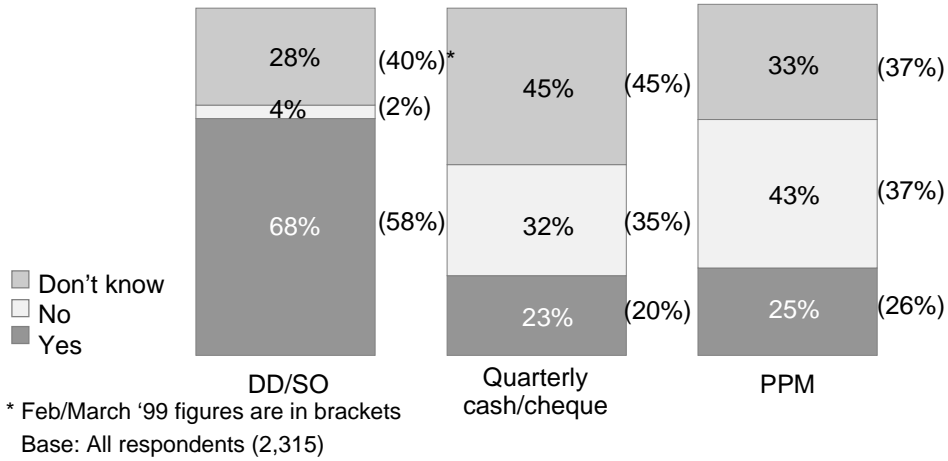
Base: All on mains gas (2,098)

Source: MORI

Chart 2.5

Awareness of Relative Costs - Electricity

Q Is this the cheapest method offered by your electricity supplier?

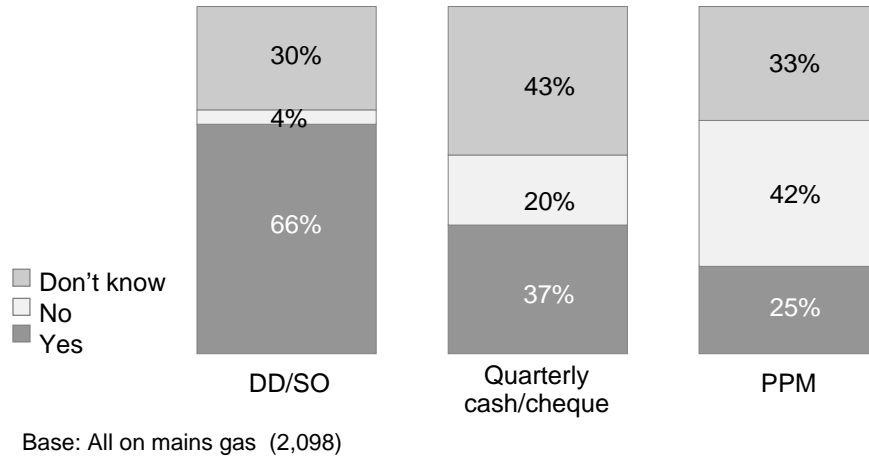


Source: MORI

Chart 2.6

Awareness of Relative Costs - Gas

Q Is this the cheapest method offered by your gas supplier?



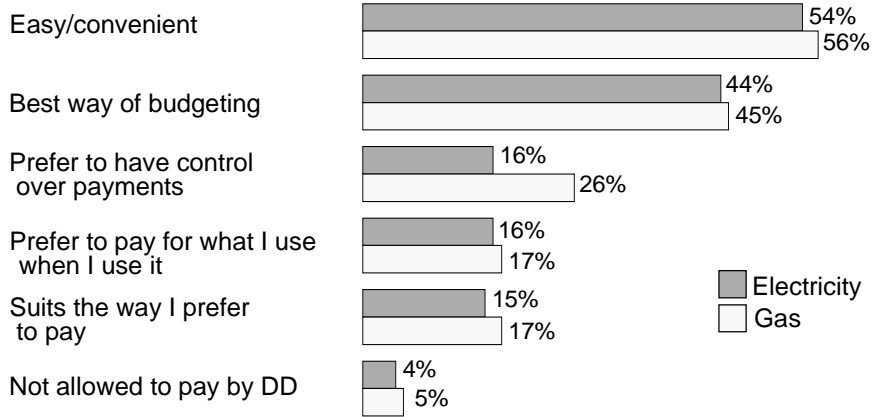
Source: MORI

### 3. Prepayment Meter Customers

Chart 3.1

#### Reasons for Preference of PPM

Q What are your main reasons for not choosing a cheaper method of payment offered by your supplier?



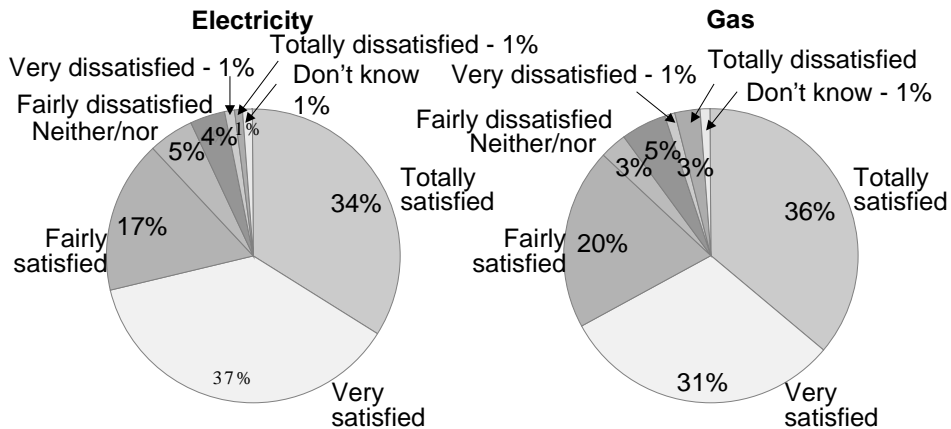
Base: All PPM customers who know it is not the cheapest method-electricity (143), gas (78)

Source: MORI

Chart 3.2

#### Satisfaction with PPMs

Q Overall how satisfied are you with the method you use to pay for electricity/gas?



Base: All electricity PPM respondents (348)

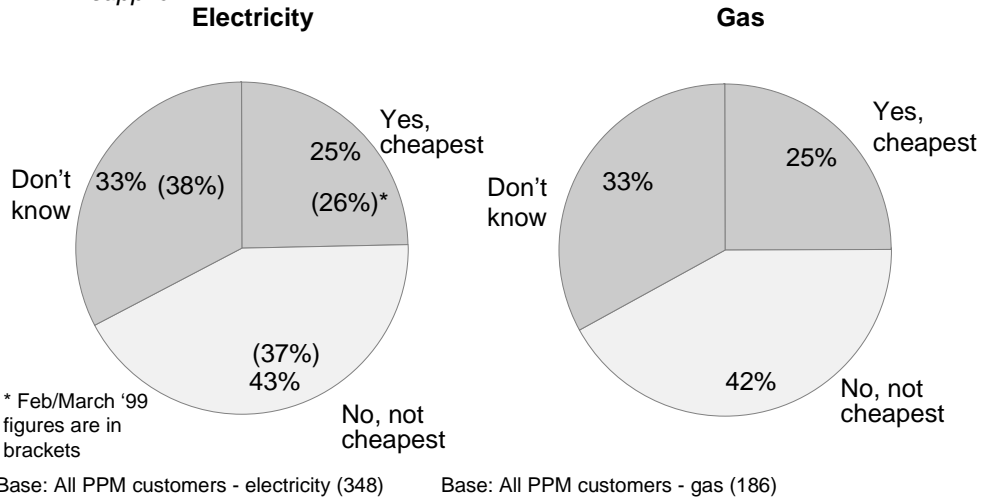
Base: All gas PPM respondents (186)

Source: MORI

Chart 3.3

**Prepayment Meters - Awareness of Cost**

Q *Is this the cheapest method of payment offered by your electricity/gas supplier?*



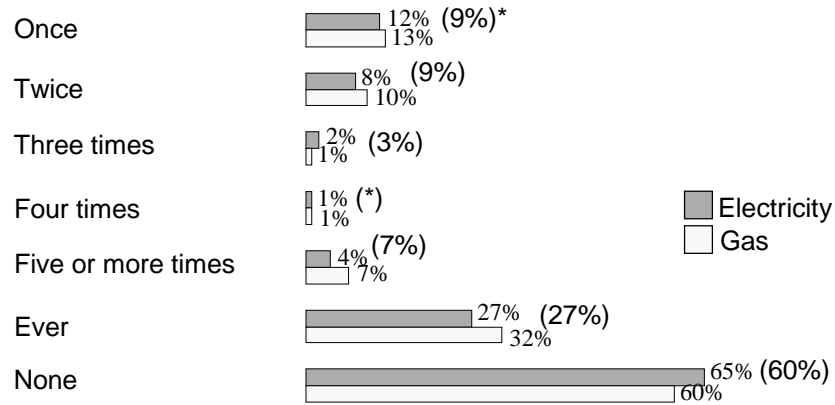
Source: MORI



Chart 3.4

**Self Disconnection - Incidence**

Q In the last 12 months, how many times have you run out of electricity/gas?



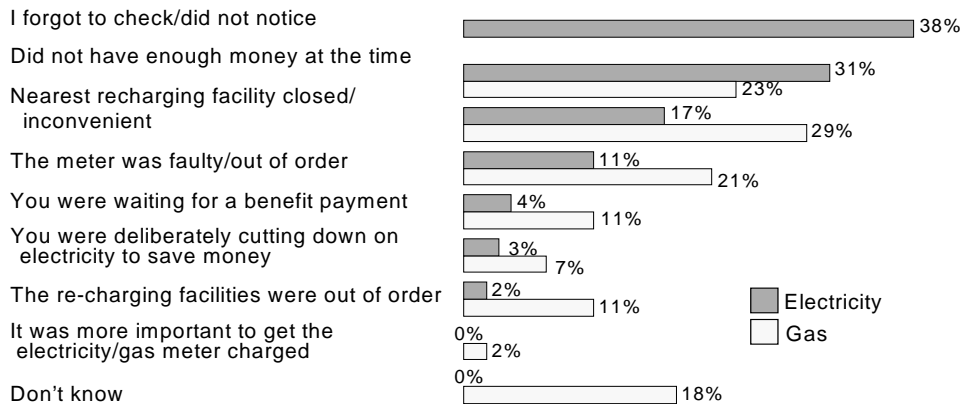
\* Feb/March '99 figures are in brackets  
 Base: All PPM customers - Electricity (348), Gas (186)

Source: MORI

Chart 3.5

**Self Disconnection - Reasons**

Q What have been the reasons for running out of electricity/gas?

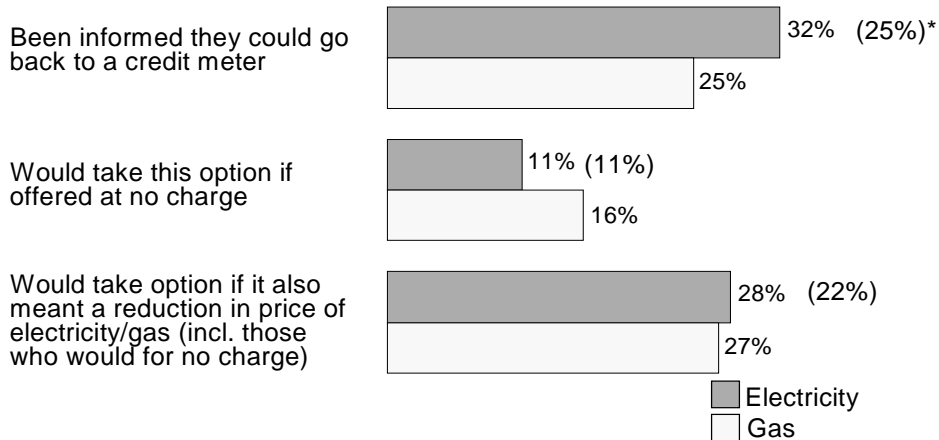


Base: All PPM customers who have run out of Electricity (89), Gas (49) in last 12 months

Source: Mori

Chart 3.6

**Prepayment meters - Returning to Credit Meter**



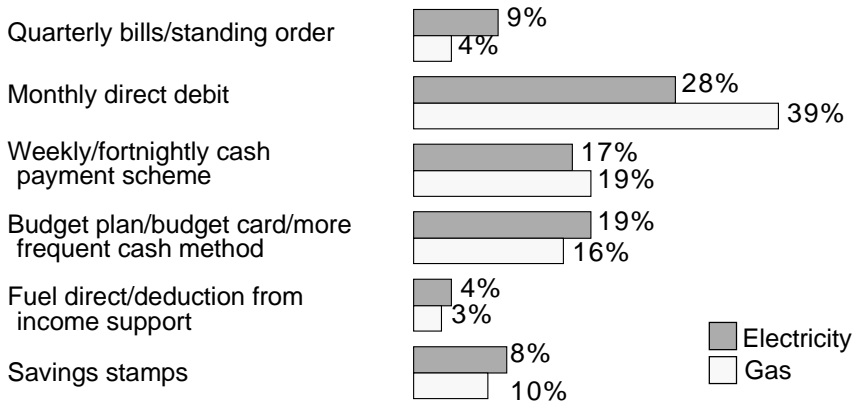
\* Feb/March '99 figures are in brackets  
 Base: All PPM customers - Electricity (348), Gas (186)

Source: MORI

Chart 3.7

**Returning to Credit Meter - Payment Method**

Q How would you pay for your electricity/gas if you changed back to a normal electricity/gas credit meter



Base: All PPM customers who would change to a normal credit meter - Electricity (101), Gas (44)

Source: MORI

## 4. Disadvantaged Customers

Chart 4.1  
Overlap Between Disadvantaged Groups

	All	Social class E	One parent families	HH income under £5k	Receive benefits	Electricity PPM	Gas PPM	State pension only	No bank/BS account
<i>Base: All</i>	<i>(2,315)</i>	<i>(399)</i>	<i>(151)</i>	<i>(166)</i>	<i>(535)</i>	<i>(348)</i>	<i>(186)</i>	<i>(206)</i>	<i>(200)</i>
	%	%	%	%	%	%	%	%	%
<b>Age</b>									
16-34	36	38	75	49	52	61	59	2	44
35-64	43	33	24	24	34	35	37	15	33
65+	21	29	1	27	14	4	5	83	23
<b>Class</b>									
AB	22	0	8	*	4	2	4	6	0
C1	27	0	18	14	16	16	16	9	3
C2	23	0	8	7	12	22	20	14	12
DE	29	100	66	79	68	60	60	71	85
E	17	100	52	69	51	38	43	58	70
Non-working	47	98	64	90	72	53	60	92	82
One parent families	8	24	100	28	27	27	28	1	25
Rent from LA/HA	26	67	67	63	64	70	68	38	80
No bank/BS account	9	37	29	39	28	27	32	21	100
HH income < £5k	7	30	26	100	22	20	21	18	32
Receive benefits	23	71	81	70	100	60	62	31	73
Electricity PPM customers	17	40	60	49	45	100	87	8	54
Gas PPM customers	11	28	40	32	30	55	100	8	40

Source: MORI

Chart 4.2  
Method of Payment

	All	Social class E	One parent familie s	HH income under £5k	Receive benefits	Elec PPM	Gas PPM	State pension only	No bank/ BS account
<i>Base: All</i>	(2,315)	(399)	(151)	(166)	(535)	(348)	(186)	(260)	(200)
	%	%	%	%	%	%	%	%	%
<b>Electricity</b>									
PPM	17	40	60	49	45	100	87	8	54
Q'ly cash/ cheque	29	30	13	26	24	0	2	43	23
DD/SO	45	13	21	9	18	0	5	28	2
Regular cash scheme	2	2	4	4	3	0	2	2	5
Budget card/plan	3	10	*	5	7	0	4	9	9
<b>Gas</b>									
<i>Base:: All on mains gas</i>	(2,098)	(346)	(144)	(139)	(460)	(301)	(186)	(222)	(172)
	%	%	%	%	%	%	%	%	%
PPM	11	29	40	33	30	55	100	8	41
Q'ly cash/ cheque	29	29	15	27	26	13	0	40	26
DD/SO	46	17	25	12	22	10	0	30	1
Regular cash scheme	2	6	7	8	5	5	0	3	10
Budget card/plan	5	12	6	8	9	10	0	8	11

Source: MORI

Chart 4.3

Awareness & Knowledge

	All	Social class E	One parent families	HH income under £5k	Receive benefits	Elec' PPM	Gas PPM	State pension only	No bank/BS account
<i>Base: All</i>	(2,315)	(399)	(151)	(166)	(535)	(348)	(186)	(260)	(200)
	%	%	%	%	%	%	%	%	%
<b>Aware of competition</b>									
Electricity	95	90	85	86	91	86	84	94	86
Mkt									
Gas Mkt	96	92	88	92	93	90	88	92	90
<b>Informed about competition</b>									
Informed – electricity	68	57	58	58	58	57	48	66	49
Not informed – electricity	30	38	35	37	38	39	48	31	46
Informed - gas	69	58	58	57	60	61	50	66	51
Not informed - gas	29	37	36	39	36	35	46	31	45

Source: MORI

**Chart 4.4  
Propensity to Switch Supplier**

	<b>All</b>	<b>Social class E</b>	<b>One parent families</b>	<b>HH income under £5k</b>	<b>Receive benefits</b>	<b>Elec' PPM</b>	<b>Gas PPM</b>	<b>State pension only</b>	<b>No bank/ BS account</b>
<i>Base: All</i>	<i>(2,315)</i> %	<i>(399)</i> %	<i>(151)</i> %	<i>(166)</i> %	<i>(535)</i> %	<i>(348)</i> %	<i>(186)</i> %	<i>(260)</i> %	<i>(200)</i> %
Switched electricity	11	10	11	7	9	3	3	14	8
Likely to switch electricity in next 12 months*	7	3	8	2	6	6	6	2	1
Switched gas supplier	25	29	24	29	30	23	14	21	27
Likely to switch gas supplier in the next 12 months*	8	3	9	2	5	6	8	3	*

\* Base= non-switchers

*Source: MORI*

**Chart 4.5**  
**Satisfaction with Overall Service**

	All	Social class E	One parent familie	HH income under £5k	Receive benefits	Elec PPM	Gas PPM	State pension only	No bank/ BS account
<i>Base: All</i>	<i>(2,315)</i>	<i>(399)</i>	<i>(151)</i>	<i>(166)</i>	<i>(535)</i>	<i>(348)</i>	<i>(186)</i>	<i>(260)</i>	<i>(200)</i>
	%	%	%	%	%	%	%	%	%
<b>Electricity</b>									
Very satisfied	37	40	34	42	40	38	36	41	39
Fairly satisfied	50	45	51	41	47	48	45	47	45
Neither	8	8	6	10	8	9	11	7	8
Fairly dissatisfied	2	3	2	2	3	2	3	1	5
Very dissatisfied	*	*	*	*	*	*	0	*	*
<b>Gas</b>									
<i>Base: All on mains gas</i>	<i>(2,098)</i>	<i>(346)</i>	<i>(144)</i>	<i>(139)</i>	<i>(460)</i>	<i>(301)</i>	<i>(186)</i>	<i>(222)</i>	<i>(172)</i>
	%	%	%	%	%	%	%	%	%
Very satisfied	34	34	27	28	33	31	29	43	32
Fairly satisfied	42	41	45	44	41	38	36	38	42
Neither	7	6	5	7	7	11	7	4	7
Fairly dissatisfied	2	2	4	3	2	2	2	1	3
Very dissatisfied	2	1	*	1	1	1	3	1	1

*Source: MORI*

## *Methodology*

MORI conducted 2,315 interviews with domestic electricity and gas consumers. Interviews were conducted with the person wholly or jointly responsible for paying the household's electricity and gas bills and who would make the decision to change supplier, either on their own or in consultation with another household member. The proportion of electricity 'switchers' was boosted to allow for their separate analysis.

To ensure that the results are representative of the GB population, the data have been weighted to the known profile of households by age, social class and working status of head of household, as well as by the Mosaic life code of Enumeration Districts (EDs), and the percentage of electricity and gas switchers understood to be in these areas at the time of the fieldwork – that is, 11% for electricity and 25% for gas. Data entry and analysis were carried out by Independent Data Analysis.

All interviews were conducted face-to-face, in-home, between 6<sup>th</sup> September and 13<sup>th</sup> October 1999. Fieldwork was carried out by MORI/Field & Tab. Interviewers were provided with a list of addresses within each sampling point (ED). They were instructed to leave at least three doors between each call. Half the interviews conducted by each interviewer were carried out in the evenings or at the weekend.

In this research, MORI define 'low income' customers as households with an income of less than £ 5,000 pa.