

Ofgem conferences and seminars

Working in partnership with Housing Associations

In July, Ofgem hosted a meeting between suppliers and representatives from the social housing sector. The aim was to explore the opportunities for collaborative energy efficiency work especially that targeted at disadvantaged houses. It was agreed that the potential for collaborative work was large, as - under the Energy Efficiency Commitment - each supplier will have an increased energy efficiency target, half of which will have to be directed towards customers on benefits.

Trevor Houghton from the National Right to Fuel Campaign outlined the possibilities for suppliers to work in partnership in Britain's most deprived areas. Tina Barnes from the Association of British Credit Unions provided participants with an overview of recent developments and outlined opportunities for working in the credit union sector.

NEA Conference

Virginia Graham, Ofgem's Director of Social and Environmental Affairs, addressed the NEA Conference at Keele University on how Ofgem balances its social, environmental and economic objectives. She said that for many of Ofgem's activities, all of the relevant

objectives and responsibilities are complementary (for example, promoting energy efficiency and reducing distribution and transmission losses). Where there are potential tensions, Ofgem weighs up the economic, social and environmental effects within the hierarchy of objectives and duties set out in legislation.

Ofgem has held joint fringe meetings with the NEA at the Chartered Institute of Housing Conference in June and the National Housing Federation's Annual Conference on Social Housing in September. In October, we will be contributing to party conference fringe meetings on credit unions and balancing social and environmental objectives.

STOP PRESS STOP PRESS

In a letter to Brian Wilson MP, Energy Minister, Callum McCarthy has reiterated Ofgem's commitment to contributing to the Government's objective of eradicating fuel poverty. Ofgem's Chief Executive reported progress against all aspects of the Social Action Plan and stressed the need to continue encouraging the development of

Improving access

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Ofgem research findings that many prepayment meter customers hold bank accounts. Almost three in ten people without a bank or building society account said that they might open one by the end of 2002. There was strong support for Post Office based banking.

Bringing all the analysis together, the research suggests that seven out of ten people should be relatively straightforward to transfer to ACT. People who are reluctant to transfer wanted reassurance about the reliability of payments made by ACT, someone to contact in case of difficulties, and a guaranteed payment date. Most people paid weekly wanted to continue to receive their benefit or pension with that frequency. The research report is available on Department for Work and Pensions' website, www.dwp.gov.uk

company initiatives aimed at the fuel poor. Mr McCarthy said that Ofgem's main emphasis is on promoting competition and innovation as widely as possible. The letter, which was a response to an invitation from the Minister can be found on Ofgem's website at http://www.ofgem.gov.uk/projects/sap_index.htm

Social Issues team contact details:

Virginia Graham
Director of Social and Environmental Affairs
virginia.graham@ofgem.gov.uk
020 7901 7039

Dave Barnes
Head of Social Issues
david.barnes@ofgem.gov.uk
020 7901 7034

Anton Draper
Deputy Head, Social Issues
anton.draper@ofgem.gov.uk
020 7901 7460

Barry Thomas
Social Obligations Manager
barry.thomas@ofgem.gov.uk
020 7901 7237

Graham Knowles
Social Issues Analyst
graham.knowles@ofgem.gov.uk
020 7901 7103

Sukaynah Muhammad
Social Issues Officer
sukaynah.muhammad@ofgem.gov.uk
020 7901 7230



Social Action Plan Newsletter

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Message from the editor

It has been as busy as ever for the Social Issues Team over the summer months.

Work has continued apace on the codes of practice. We have finalised guidance on distribution and transportation codes of practice and are now approving the codes themselves. These cover arrangements for assisting vulnerable customers and for dealing with complaints.

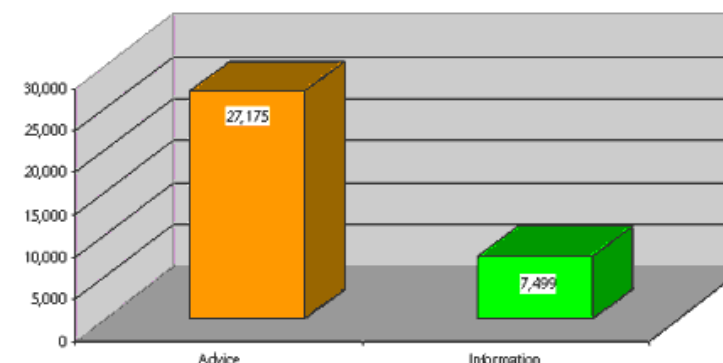
We have published a wide range of data on suppliers' performance under their codes of practice for the first time. This public scrutiny will provide a strong incentive to suppliers to strive to achieve ever improving performance.

On the policy side, we remain committed to enabling more customers in debt to switch supplier, taking advantage of better energy deals. We are working with suppliers developing a trial and hope that, if successful, the trial will lead to more permanent proposals for reform of the debt blocking rules.

Now that three research projects have been completed, we are assessing what should follow. Ofgem has already hosted a 'Summit', bringing together suppliers and other advice providers to consider how energy efficiency advice can be delivered more effectively to the fuel poor. The seminar was a valuable and worthwhile event with a number of key issues being identified. We are also developing proposals on self-disconnection and debt management and prevention.

- Barry Thomas

Number of customers in receipt of energy efficiency advice or information



The graph shows the number of customers provided with specific energy efficiency advice (usually over the telephone) or general information (e.g. through a code of practice or leaflet) by suppliers during the quarter 1 April - 30 June 2001. When set against the numbers of customers in debt and on Priority Service Registers, these figures show that the current level of advice provision remains low.

Efficiency experts meet to discuss way forward

In July Ofgem hosted an energy efficiency advice 'Summit', bringing together key-players in energy efficiency to discuss ways to make advice more effective for the disadvantaged.

The Summit was chaired by Professor John Chesshire of SPRU. Dr Brenda Boardman from the Environmental Change Institute at Oxford University also gave a presentation on her report "Effective Advice: Energy Efficiency and the Disadvantaged". Speakers at the event also included representatives from fuel suppliers, energy efficiency advice centres, DEFRA, the Energy Saving Trust and Ofgem.

Among the topics of debate were the need for:

- greater publicity and co-ordination

- better identification and awareness among the fuel poor
- expectation management on grants
- minimum standards and adoption of best practice, and
- improved monitoring and evaluation

Ofgem is discussing the results of the research with DTI, DEFRA and the Energy Saving Trust. We are considering what guidance we can give to suppliers as well as conducting a qualitative monitoring exercise of suppliers' energy efficiency advice services.

A summary of the discussion at the Summit is available on the Ofgem website at www.ofgem.gov.uk/projects/SAP_index.htm

Improving access to financial services

Ofgem is a strong supporter of efforts to reduce the barriers of social exclusion. Our current initiatives in this area include:

- encouraging suppliers, banks and the Post Office to work together to find ways of extending the choice of direct debit to more low income customers;

- promoting work on credit unions as a method of bill payment, by, for example, supporting the "factor four" research being undertaken by National Energy Action and New Economics Foundation, which is sponsored by Innogy, and is expected to be published later this year;

- stimulating interest in the concept of a household budget scheme, which could enable direct deductions for fuel bills for benefits' claimants once the Universal Bank is in operation.

Research in support of the Government's plans for making Automated Credit Transfer (ACT) into bank or building society accounts the normal method of benefit payment from 2003 sheds some interesting light on the likely take up of bank accounts and the potential of the Universal Bank. Entitled "Payment of Pensions and Benefits: a Survey of Social Security Recipients paid by Order Book or Girocheque", the research was undertaken for Department for Work and Pensions by Elaine Kempson and Claire Whyley of Bristol University.

The research found that the level of awareness of benefit payment method changes is quite low, with only four out of ten people saying that they know anything about them.

Interestingly, almost eight out of ten people, who were collecting their benefits and payments in cash, said they did have a bank or building society account of some kind in their household. This finding correlates with

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New price comparison factsheets now available

In August, Ofgem launched a new set of price comparison factsheets. These make it easier for consumers to compare what they are paying now to what they could be paying if they were to switch to another supplier.

The new-look factsheets can be obtained by contacting energywatch's freephone helpline on 0800 88 77 77 or by downloading them from Ofgem's website.

The factsheets are produced for

Ofgem by uswitch.com who along with buy.co.uk, saveonyourbills.co.uk and unravellit.com have signed up to an Ofgem voluntary code of practice on the provision of internet price comparison services.

From October, energywatch will be taking over the pricing factsheets from Ofgem, and later on in the year will take over the administration of the voluntary code of practice for price comparison services.

Company initiatives

One of the most important elements of the Social Action Plan has been the development of a number of initiatives by energy companies to address the needs of the fuel poor.

In May British Gas Trading launched a new Bill Payment tariff known as British Gas Jigsaw. Developed in association with Bank of Scotland, it provides basic banking facilities to enable low income customers previously without a bank account to have access to a direct debit tariff. Customers do not have to visit a bank but can pay into their accounts through the Paypoint network. The bank account can also be used to pay other bills.

London Electricity is running pilot schemes in Newham and Plymouth to encourage prepayment customers to manage their electricity account more effectively. The scheme, 'Powerkey

plus', which started in May, abolishes the annual prepayment surcharge, meaning that prepayment customers pay the same as those on standard credit terms. However, any customers who call out London Electricity will now be charged for visits. The pilot has so far shown a significant fall-off in the number of call-outs and 91% of customers in Newham have said that they would recommend it to friends.

In July Energy Minister Brian Wilson launched TXU's StayWarm scheme in Scotland. As in England, the Scottish scheme allows customers over 60 to make a fixed monthly payment no matter how much energy is used throughout the year.

Details of these schemes and other initiatives aimed at the fuel poor can be found on our website:

www.ofgem.gov.uk/sap/initiatives.htm

Environmental Action

Ofgem recently published its Environmental Action Plan (EAP), a framework for taking forward environmental work in parallel with the Social Action Plan.

Ofgem has developed a number of policy principles that we intend to use to guide our work in relation to the environment. These principles include a commitment to coherence and to maximise synergies between economic, social and environmental objectives. In line with these principles, a number

of priority work areas have been identified. One important work area is energy efficiency - also an important work strand in the Social Action Plan.

In common with the Social Action Plan, Ofgem will publish an annual EAP report, describing progress on the actions identified in the Plan. The first report will be published in March 2002. The Environmental Action Plan is available on the Ofgem website at www.ofgem.gov.uk/projects/eap_index.htm

Energy Efficiency Commitment

In August, DEFRA published its consultation proposals for the Energy Efficiency Commitment 2002 - 2005. This will replace the Energy Efficiency Standards of Performance and oblige all energy suppliers with over 15,000 domestic customers to achieve improvements in energy efficiency.

The proposed overall target is 64TWhs, with 50% of the energy savings being targeted at customers receiving benefits or tax credit. In order to encourage suppliers to carry out a proportion of their schemes through an energy services approach, DEFRA proposes making an additional allowance for ESCO's.

Ofgem's role is to administer the Commitment, apportion the overall target to each supplier, determine which energy

efficiency measures qualify and the saving attributable, and monitor suppliers' performance against their targets. In September Ofgem published a consultation document proposing arrangements for ensuring the Commitment is administered effectively.

Details of the documents are as follows: Energy Efficiency Commitment 2002-2005 Consultation Proposals DEFRA August 2001, can be obtained from www.defra.gov.uk/environment/index.htm

Ofgem's consultation document, Energy Efficiency Administration Procedures September 2001 can be found at www.ofgem.gov.uk/projects/energyeff_index.htm

Ofgem tackles self-disconnection

Ofgem identified specific actions in the light of the research undertaken for the Fuel Poverty Task Force*. Ofgem has identified practical measures in four specific areas:

1. Better information

Ofgem has asked suppliers to review information provided to prepayment customers on installation, with a view to making it more reader-friendly and useful.

2. Monitoring evidence of non-payment

Suppliers monitor self-disconnection in a variety of ways and some are more proactive than others. Ofgem has asked suppliers to report on the effectiveness of the approaches they are taking to detect and prevent self-disconnection. We propose to share this best practice across the industry to enable other suppliers to develop procedures that emulate the most effective approaches.

3. Action where self-disconnection is detected

Ofgem has asked all suppliers to explain how they intend to target information on ways of improving energy efficiency and the availability of grants to customers with high usage, long-term debts or a history of self-disconnection.

4. Meter technology

New technology has the ability not to disconnect at preset times or to provide a limited supply.

Ofgem has asked suppliers what their plans are for ensuring that, where the technology is available, households vulnerable in the case of a loss of supply are able to benefit from such meters. The letter to suppliers can be found on the website at www.ofgem.gov.uk/projects/sap_index.htm

* *Fuel Poverty: Low Income, Prepayment Meters and Social Obligations - Fuel Poverty Task Force, March 2001*

Companies report on performance

Statistics on suppliers' performance under their codes of practice are now available for the first time on the Ofgem website www.ofgem.gov.uk/sap/key_indicators.htm. These figures give information on availability and take up of payment methods, debt and disconnection, the operation of Priority Service Registers, provision of prepayment meter services and energy efficiency advice.

The headline figures show that:

- 1.75 million gas customers and 3.6 million electricity customers pay for their fuel through a prepayment meter.

- Of these, 65% of gas prepayment meter customers (1.1 million) and 12% of electricity prepayment meter customers (0.4 million) are in debt.

- Around 37,000 gas and 25,500 electricity customers pay through Fuel Direct.

- Around 0.75 million gas customers and 0.5 million electricity customers are on the Priority Service Register.

- There were 20,000 free gas safety checks in the quarter April - June 2001.

- 27,000 customers received energy efficiency advice over the same period.

- 7,000 gas customers and 133 electricity customers were disconnected for non-payment of debt during the quarter.

While Ofgem was generally happy with the quality of most of the data, there are still some gaps in certain areas. Suppliers have said that in most cases they are still updating their systems and that future returns should be more complete.

The data collected will be used both by Ofgem and energywatch to inform policy, and by the Government to help monitor the Fuel Poverty Strategy.

If you have not received a newsletter direct but would like to in the future, contact us by emailing sap@ofgem.gov.uk