

Energy Efficiency Commitment

The Energy Efficiency Commitment (EEC) will officially begin on 1 April 2002. This three-year programme places an obligation on suppliers with 15,000 or more domestic customers to achieve improvements in energy efficiency.

DEFRA is responsible for the EEC and has set an overall target for energy savings of 62TWh. It is Ofgem's job to administer the programme, including setting the energy saving targets for each gas and electricity supplier. These targets were in place by 31 January and will then be adjusted each year of the EEC, according to customer numbers.

Suppliers will be required to meet their savings target by encouraging or assisting domestic customers to take up energy efficiency measures in their homes. Ofgem will approve each scheme. Another feature of Ofgem's administrative role is to determine which measures qualify and the resultant energy savings. This data has been collected from recognised sources such as the Building Research Establishment. A key feature of the EEC is that at least

50% of the energy savings must be targeted at customers receiving certain income-related benefits or tax credits. Suppliers will have the option of trading energy savings and obligations with each other.

Features in national newspapers, on the radio and on-line will be used to encourage customers' to take advantage of the energy efficiency schemes and measures available from energy suppliers

Ofgem is required to monitor each supplier's performance and report to the Secretary of State in July 2003, 2004 and 2005 and to publish this.

Ofgem's decision document,

'Energy Efficiency Commitment Administration Procedures' December 2001, can be found at www.ofgem.gov.uk/projects/energyeff_index.htm

To recognise the start of the EEC and the scale of the programme, the Energy Saving Trust is sponsoring a national advertising promotion in February. Features in national newspapers, on the radio and on-line will be used to encourage customers to take advantage of the energy efficiency schemes and measures available from energy suppliers.

A dedicated freephone helpline will run throughout February which customers can call for information. The number is 0800 587 2128. Their details will be passed on to their energy supplier(s) who will follow up the enquiries with information on the schemes and grants available to customers.

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Social Action Plan Newsletter

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Message from the editor

With the start of a new year the Social Issues team is looking forward to a productive twelve months. Ofgem's proposed corporate strategy and plan, published in December, sets out the main themes of Ofgem's work in 2002-2005. One of our priorities is our continuing work with suppliers, government and other interested parties to assist the fuel poor.

In October last year we published guidance for electricity distributors and gas transporters on the production of a number of codes of practice and statements. These cover a range of services for vulnerable customers. These codes have been approved by Ofgem for all the major companies and are now being published.

The results of two more research projects were published at an Ofgem sponsored event recently (see article opposite). The results of both projects have been valuable in clarifying issues, and in identifying next steps and possible future work.

Following on from the Energy Efficiency Summit held last year we are conducting a 'mystery shopper' exercise to test the quality of energy efficiency advice provided by suppliers. We have begun work with energywatch to draw up a set of best practice guidelines that focus suppliers on preventing customers from falling into debt. Last but not least, we have been working with a group of major suppliers to mount a trial to allow prepayment meter customers in debt to transfer their gas and electricity suppliers.

- Barry Thomas



Mark Parnell presents London Electricity's research findings

New research results published

On 10 January 2002, Ofgem hosted the launch of two reports aimed at helping vulnerable customers and alleviating fuel poverty.

London Electricity launched a report entitled "Project VC" (vulnerable customer) which highlighted the benefits to suppliers of working in partnership with Local Authorities, agencies, and local and national charities to identify efficient and cost effective opportunities to help vulnerable customers. Scottish and Southern Energy launched a report on the attitudes of prepayment meter customers and experience with switching from prepayment to other payment methods.

At the launch, attended by energy suppliers and consumer bodies, the research findings were discussed. Response to the

research was positive, with many feeling that the research provided a good starting point for further debate and future projects.

The main findings of London Electricity's research, which was carried out in London and the South West, were:

- partnerships can help break down the apathy that can exist (among agencies) towards fuel poverty
- the success of partnerships can be affected by a range of factors such as good management of the relationship and the setting of clear objectives, and
- the National Health Service can

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Debt prevention guidelines to be introduced

Ofgem and energywatch have joined forces to draw up a set of best practice guidelines that focus suppliers on preventing customers falling into debt. This follows up Social Action Plan research sponsored by Powergen (Scope for Better Prevention and Management of Debt).

The objective of the project is to:

- identify good practice in the prevention of debt and disconnection, and the management of debt recovery
- develop and publish good practice guidelines for both suppliers and customers and
- establish criteria for monitoring and reporting on industry performance following the introduction of new guidelines

Ofgem and energywatch have set up an advisory group to assist with the development of the guidelines.

The group is chaired by Peter Lehmann, Chairman of the Energy Saving Trust and the Fuel Poverty Advisory Group. Relevant agencies, industry and Government are represented on the group.

The group met for the first time in January and will hold further meetings before guidelines are issued for consultation.

As part of the consultation process, energywatch hosted workshops in Cardiff, Glasgow and Southampton during January, to hear the views of local agencies who have experience of dealing with debt related problems.



New research results published

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play a key role to help identify vulnerable customers.

In light of the report Ofgem will consult with relevant agencies seeking views on ways forward.

The main findings of the Scottish and Southern report, which was carried out in Northern Scotland and Southern England, were:

- the majority of prepayment customers had made a conscious decision to use a prepayment meter and were satisfied with it
- a significant minority - largely owner/occupiers with bank accounts - were responsive to change
- this minority tended to purchase credit less frequently and could be targeted by suppliers through

mailshots

- improved literature for prepayment customers led them to be better informed about how their meter worked and other options available to them.

In light of the research Ofgem will be asking suppliers how they intend to review their processes. Ofgem will also continue to monitor the number of customers changing from prepayment to credit terms and continue to pursue improvements in information given to prepayment customers about the operation of their meters.

A note of the event and copies of the reports can be obtained from the Ofgem website at <http://www.ofgem.gov.uk/sap>

Conferences and Ofgem seminars

Promoting energy services

In November, Ofgem hosted a Energy Services workshop for representatives from fuel suppliers, Government and consumer bodies to consider what more can be done to promote energy services in the domestic sector.

Among topics of discussed was the lack of consumer awareness of the energy services concept. The use of the Energy Efficiency Commitment as an incentive on suppliers to provide energy efficiency measures through an energy service package was also discussed.

National Housing Federation conference

In January Charles Hargreaves, Ofgem's Head of Energy Efficiency, addressed the National Housing Federation Chief Executive's Conference in Solihull. His talk was on balancing social and economic considerations in tackling fuel poverty.

With many Chief Executives of Housing Associations unaware of Ofgem's work, Charles described the role of energy suppliers in providing energy savings through the Energy Efficiency Commitment. Many at the conference were surprised by the scale of the work required to meet the target of 62TWh. Housing Associations can benefit from schemes being offered by suppliers.

Papers on these events and others hosted by Ofgem can be found at <http://www.ofgem.gov.uk/sap/seminars.htm>

Fuel poverty strategy launched

The Government published its Fuel Poverty Strategy in November 2001. Ofgem welcomes the Strategy, which aims to eliminate fuel poverty amongst

vulnerable groups by 2010. Current estimates suggest that 4 million UK households are in fuel poverty and about 3 million of these households are defined as "vulnerable" (households including children, the elderly, the disabled and chronically sick).

Ofgem works in a number of ways to support the Government's fight against fuel poverty. Lower energy prices from competition and regulation have lifted around one million households out of fuel poverty between 1996 and 2000. Ofgem set out its priorities under its Social Action Plan, which encourages companies to improve their services to vulnerable customers. Additionally, Ofgem

administers the new Energy Efficiency Commitment (EEC) on behalf of the Government. The EEC will see a large number of energy efficiency measures

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installed in fuel poor and vulnerable households over the next three years. Ofgem welcomes and strongly encourages industry initiatives to tackle fuel poverty. A number of initiatives have been launched recently to target vulnerable customers and help them keep warm. These include new tariffs, such as TXU's Staywarm and Powergen's Age Concern Energy Services; special banking facilities to allow access to cheaper fuel such as Scottish Power's Royal Bank Key Account and British Gas's Jigsaw schemes; and schemes to link energy efficiency measures to the fuel poor, such as npower's Health Through Warmth, British Gas's Warm-a-Life and Seeboard's EnergyCare Network.

Helping customers in debt

December saw the beginning of a three month trial to allow prepayment meter customers in debt to transfer their gas and electricity suppliers. Under existing arrangements customers who have an outstanding debt can be prevented by their current supplier from switching to another supplier.

The Debt Blocking and Assignment Trial involves all the main energy suppliers and is a result of co-operation across industry as part of a working group. The trial will test a new process that allows

customer debts to be transferred between suppliers and it is governed by a code of practice developed by the working group.

Ofgem is encouraged by the progress suppliers have made in agreeing to a trial to run from 1 December last year. We will be following progress closely. Our overall objective is to seek the agreement of all domestic electricity and gas suppliers to an amendment to the standard licence conditions, making the process permanent.

Ofgem monitors quality of energy efficiency advice

Over the winter, Ofgem is conducting a 'mystery shopping' exercise to test the quality of advice provided by suppliers. The project, which is being conducted for Ofgem by the research company, New Perspectives, aims to establish the quality and accuracy of advice provided by suppliers. There is a particular emphasis in the research on the needs of low income customers. New Perspectives will compile a report on the findings which Ofgem will publish in the spring. New Perspectives will present their findings at an event hosted by Ofgem.

The project follows on from last summer's "Energy Efficiency Summit", where Ofgem invited key players to discuss issues arising from Dr Brenda Boardman's report, "Energy Efficiency and the Disadvantaged". An executive summary of the report can be found at www.ofgem.gov.uk/sap/research_ee.pdf. The project also links with Ofgem's monitoring of suppliers' codes of practice obligations. Latest data, which can be viewed on the Ofgem website at www.ofgem.gov.uk/sap/key_indicators.htm, suggests that around 25,000 customers per quarter contact suppliers' advice lines and that about 10,000 customers per quarter receive other forms of energy efficiency information from their supplier.

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