

**Good practice in the provision of energy
efficiency advice to domestic consumers**

A consultation document

October 2002

Summary

This document summarises Ofgem's further work on the quality of energy efficiency advice provided to domestic consumers. It sets out lessons learnt from a report we commissioned into the quality of energy efficiency advice provided by electricity and gas suppliers and other research carried out as part of Ofgem's Social Action Plan. Based on these findings, the document identifies good practice and proposes how to take this work forward to extend good practice throughout the industry.

Since the publication of the Social Action Plan, Ofgem has undertaken a number of projects focusing on the delivery of energy efficiency advice to domestic consumers. The Environmental Change Institute undertook research into the effectiveness of energy efficiency advice for disadvantaged groups; Ofgem approved new energy efficiency codes of practice and improved the effectiveness of monitoring arrangements; Ofgem hosted an energy efficiency advice summit, bringing together all the major players to discuss next steps; and most recently, Ofgem published the results of research into the quality of energy efficiency advice provided by electricity and gas suppliers.

The monitoring and research has led Ofgem to believe that, although some suppliers are performing reasonably well in some respects, further steps need to be taken in order to extend good practice in the delivery of energy efficiency advice. This document proposes how this should be done.

First, Ofgem is inviting domestic suppliers to prepare and implement their own individual strategies on energy efficiency advice that incorporate good practice as described in the document.

Second, Ofgem is encouraging domestic suppliers to sign up to the Energy Efficiency Partnership for Homes Code of Practice, which should offer a 'kite-mark' to service providers that demonstrate a commitment to quality standards of advice, and

Third, Ofgem will continue to monitor suppliers' performance, using information collected currently, additional questions relating to staff numbers, training and printed literature and follow-up mystery shopper research.

Interested parties have until 3 January 2003 to respond to this consultation.

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1. Introduction

- 1.1. This document summarises Ofgem's work to date on energy efficiency advice to domestic consumers. It sets out the lessons learnt from the report on the quality of energy efficiency advice provided by gas and electricity suppliers¹ and other research carried out as part of Ofgem's Social Action Plan. Based on these findings, the document identifies good practice and proposes how to take work forward in order to extend good practice across the industry.

The importance of effective energy efficiency advice

- 1.2. Since 1996 lower prices, brought about by increased competition and effective regulation, have taken one million households from fuel poverty. However, the main cause of fuel poverty in the UK remains a combination of poor energy efficiency of the home and low incomes. Better energy efficiency can therefore play a central role in improving living conditions for the 4 million households in fuel poverty², by improving comfort levels and reducing fuel consumption.
- 1.3. Domestic energy efficiency is largely influenced by individual households. However relatively few households consider improving the energy efficiency of their homes or are aware of the opportunities for cost-effective energy efficiency measures³. Suppliers have a role to play in raising awareness, particularly among low-income groups, and delivering expert advice. Ofgem's joint consultation with energywatch on debt prevention⁴ sought to address how suppliers can play a pro-active role in improving access to advice, in particular for vulnerable consumers. This document considers how suppliers' energy efficiency advice lines can most effectively provide good quality advice.

¹ Report on the quality of energy efficiency advice provided by gas and electricity suppliers, Research study for Ofgem by New Perspectives with Taylor Nelson Sofres – June 2002

² The UK fuel poverty strategy – November 2001

³ The last monitoring survey of Energy Efficiency Advice Centres (EEACs) showed that 5% of all households had contacted somebody about energy efficiency advice in the previous year (New Perspectives – 1997)

⁴ Preventing debt and disconnections, good practice guidelines developed by energywatch and Ofgem – September 2002

Performance of domestic suppliers

- 1.4. Electricity and gas suppliers have licence obligations in respect to the efficient use of electricity and gas (see appendix 1). These oblige each supplier to prepare a code of practice setting out the ways in which guidance on energy efficiency will be made available to consumers. Codes of practice must, among other things, include details of a telephone information service and arrangements for making available information on financial assistance related to the improvement of energy efficiency. Ofgem has published guidance alongside the licence conditions, setting out in more detail what should be included in such codes (see section 4).
- 1.5. Ofgem has carried out qualitative and quantitative monitoring to check whether suppliers' performance is in line with their domestic energy efficiency codes of practice. Details of the qualitative results are set out in section 5 and the quantitative data is set out in appendix 2. These results demonstrate that there is significant room for improvement in both the quality of advice and the numbers of customers advised across the industry.
- 1.6. In terms of quantity, the number of consumers provided with advice varies widely. The data suggests that, although some suppliers have made an effort to increase the provision of both information and advice, there is significant scope for further expansion.
- 1.7. The results of Ofgem's mystery shopper research indicated that quality of service standards also vary. Among the findings of the study were that although the performance of some specialist advice lines was good, a number failed to ask questions to identify whether consumers could be in fuel poverty or eligible for grants. Too little advice was given on specific measures to install, and verbal advice was not always adequately followed up with printed information, particularly in respect of grants.

2. Rationale

- 2.1. This section sets out the rationale for taking further action and considers the relative merits of three different approaches.

The issue

- 2.2. The lower the standard of energy efficiency in a household, the more it costs to keep warm. In 1998, 0.6 million households in fuel poverty in England had homes with a very low level of energy efficiency (SAP⁵ rating below 20). The state of housing stock is considered to be one of the causes of the level of excess winter deaths in the United Kingdom, which is above the average for other European countries.
- 2.3. Good quality advice is therefore important in helping consumers improve the energy efficiency of their homes, through the provision of specific information about relevant measures and access to energy efficiency grants where eligible. It can also enable consumers to use their appliances and heating controls more efficiently, saving energy at no extra cost. Evidence suggests that well-focused advice can lead to fuel savings of the order of 10% from such behavioural changes alone⁶.
- 2.4. Research conducted for the Energy Efficiency Partnership for Homes⁷ has established that 70 per cent of consumers given energy efficiency advice do take some action as a result.
- 2.5. In addition to the substantial social benefits in terms of comfort, health, well-being and lower bills, well-focused energy efficiency advice has important environmental benefits. In the UK nearly 30 per cent of all carbon dioxide emissions come from household use of energy. The Energy Saving Trust estimates that the average household could save £200 a year by taking energy efficiency measures, which is equivalent to over 2 tonnes of carbon dioxide. It estimates that households could cut energy wastage by up to 17

⁵ SAP (Standard Assessment Procedure) is a rating scale, ranging from 1 (very poor standard) to 100 (excellent) used to measure the energy efficiency of a property

⁶ Effective advice, Energy efficiency and the disadvantaged (Environmental Change Institute) – December 2000

⁷ Benefits of energy advice, New Perspectives – March 2002

per cent by upgrading heating controls. Fitting the right heating controls and a condensing boiler could increase the savings by up to 40 per cent⁸.

- 2.6. Well-focused advice and assistance that leads to the more efficient use of energy in the home will therefore contribute to reductions in carbon dioxide emissions and help the Government achieve its domestic goal to cut carbon dioxide emissions by 20% from 1990 levels by 2010.

The options

- 2.7. Based on the body of research results, Ofgem has considered how suppliers can improve the quality of energy efficiency advice and what the potential impacts of possible measures might be. The three options are outlined below.

Option 1: Revise licence condition and code of practice guidance

- 2.8. Given the importance of energy efficiency and the under performance of suppliers' specialist advice lines, one option would be to seek licence modifications which set prescriptive requirements in terms of quality of advice and how suppliers react to various circumstances. The licence condition could be reviewed in line with the good practice identified in section 6 and then monitored closely to ensure compliance.
- 2.9. To proceed with this option, Ofgem would need to secure a vote in favour by a pre-determined percentage of licencees (a statutory instrument is expected to be laid before Parliament prescribing voting thresholds for a minimum level of agreement of 80 per cent measured by licence holders and market share). Achieving such a vote in favour could be both difficult and time-consuming.
- 2.10. This option would have the benefit of clarity, in that consumers and their representatives would have a clear idea of the quality of service that they have a right to expect. However, prescriptive licence conditions, based on our current knowledge, may stifle innovative approaches, lead to an inflexibility of response to different circumstances and make it difficult for suppliers to react to future developments and research findings. It could therefore be argued that such an approach might prove counter-productive.

⁸ EST Factsheet: Energy Efficiency Facts and Figures – October 2002

- 2.11. Furthermore, increasing the regulatory burden in an increasingly competitive market may be inappropriate, and risk increasing costs out of proportion with the increased benefit to consumers.

Option 2: Take no further action apart from enforcing existing licence obligations

- 2.12. Under this proposal, Ofgem would simply enforce and monitor the existing licence requirements to operate an energy efficiency advice service (see appendix 1), leaving individual suppliers to decide whether or not they wish to improve these.
- 2.13. In a competitive market, consumers are free to choose their supplier based on whatever criteria they regard as most important. For some it may be solely price, but others may be more inclined to make the choice based mainly on quality of service. Some may decide that energy efficiency advice is the most important factor and those that do could choose their supplier in light of the information on performance published by Ofgem and energywatch.
- 2.14. However, in considering this option, Ofgem has to recognise the evidence showing that energy efficiency is not a familiar concept to most people. A survey on energy efficiency and the consumer referred to in the Environmental Change Institute report found that low-income consumers generally do not see the point in trying to save energy, believing that there is not much more that they can do and that energy efficiency measures are expensive and not worth installing. The report suggested that it is middle-aged, better off consumers who are most likely to have assimilated messages about the importance of saving energy. Low-income consumers are therefore unlikely to select their fuel supplier based on the performance of their energy efficiency advice line.
- 2.15. In terms of cost, this may represent the cheapest option, as it is effectively the 'do nothing' option, given that Ofgem already enforces and monitors existing licence conditions. However, while this approach would ensure compliance with licence conditions it would provide no incentive to improve performance. Therefore, in terms of cost-benefits, it is probably the least attractive option because it would not deliver the social, environmental or economic benefits that improvements in energy efficiency advice could bring.

Option 3: Encourage the adoption of good practice

- 2.16. The research into the quality of advice provided by gas and electricity suppliers (see section 5) and the research undertaken by the Environmental Change Institute⁹ as part of Ofgem's Social Action Plan have helped Ofgem to highlight good and bad practice and identify what is most effective. Ofgem has used this research to identify the aspects of delivery that seem to be particularly important and the methods of delivery and follow-up that are most effective, in particular for low-income households.
- 2.17. Under this proposal, Ofgem would invite suppliers to prepare individual strategies on energy efficiency advice incorporating good practice set out by Ofgem and ideas of their own. Secondly, Ofgem would encourage all domestic suppliers to sign up to the Energy Efficiency Partnership for Homes Code of Practice, which is expected to offer a 'kite mark' to service providers that demonstrate a commitment to quality standards. Finally, under this approach, Ofgem would monitor the impact of each supplier's measures in terms of performance and outputs and invite each supplier to develop its own monitoring to check how effective its approach is in terms of positive outcomes for households.
- 2.18. Such an approach would have the advantage over licence revisions of encouraging innovation and different ideas across the industry. Although the adoption of good practice may have cost implications for some suppliers, there would also be benefits in terms of a better service, a reduction in consumers struggling to pay and more efficient targeting of Energy Efficiency Commitment (EEC) measures. An improvement in the effectiveness of advice would also produce social and environmental benefits.

Preferred option

- 2.19. Given the importance and potential of effective energy efficiency advice, in terms of social, environmental and economic benefits, together with the evidence of current under performance of advice lines, the 'do-nothing' option is considered inappropriate. However, to introduce further regulatory measures in a market that is more competitive than home insurance, banking, mortgages and telecoms is not an attractive option for the reasons outlined earlier.

2.20. Ofgem is most attracted to the third option, under which all suppliers will be encouraged to adopt good practice. Ofgem proposes to do this in three ways.

- ◆ First, we will ask suppliers to adopt the good practice principles set out in section 6. Suppliers will be invited to develop their own individual strategies encompassing the principles and measures suggested and other innovations that reflect their own particular approach to energy efficiency.
- ◆ Second, suppliers will be encouraged to sign up to the Energy Efficiency Partnership for Homes Code of Practice on energy efficiency advice (details of which are in section 4).
- ◆ Third, Ofgem will monitor and report on suppliers' performance, using information currently collected, additional items as described in section 7 and a follow-up mystery shopper exercise. Ofgem intends to publish results on the Ofgem website and in the Social Action Plan Annual Review.

⁹ Effective advice, Energy efficiency and the disadvantaged (Environmental Change Institute) – December 2000

3. Timetable and comments

- 3.1. This section outlines our timetable for consultation and implementation. In addition to describing what happens next, it also demonstrates how this work fits into the overall context of Ofgem's activity in relation to energy efficiency advice for domestic consumers.

Timetable

December 2000	Social Action Plan research entitled 'Effective advice - energy efficiency and the disadvantaged' produced by Environmental Change Institute for the Electricity Association
July 2001	Ofgem hosted an energy efficiency advice summit, bringing together all the major players to discuss how advice could be made more effective
August 2001	Ofgem commissioned New Perspectives to undertake a mystery shopper exercise into the quality of advice provided by electricity and gas suppliers
June 2002	New Perspectives publish results of research
October 2002	Ofgem consults on good practice in the provision of energy efficiency advice by electricity and gas suppliers
December 2002	Energy Efficiency Partnership for Homes Code of Practice to be published
January 2003	End of consultation period
February 2002	Ofgem publish final proposals
April 2003	Suppliers implement individual strategies, incorporating the good practice outlined in section 6
November 2003	Ofgem commission follow-up mystery shopper research
March 2004	Ofgem report on progress in Social Action Plan annual review

Comments

- 3.2. Ofgem would appreciate views on this document. Responses should be sent to the address shown below by 3 January 2003.

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- 3.3. All responses will normally be published on the Ofgem website and held electronically, unless there are good reasons why they must remain confidential. Consultees should try to put any confidential material to appendices in their responses. Ofgem would prefer to receive responses in an electronic form so they can easily be placed on the Ofgem website.

4. Background

Code of practice obligations

- 4.1. Domestic gas and electricity licensees have a number of obligations under Condition 25 of their licence (see appendix 1). They have to produce a code of practice and make this available to their customers free of charge. This should include “information and advice for the guidance of customers in the efficient use of gas or electricity supplied to them”. In addition, the supplier should maintain sources from which customers may obtain further information; provide a telephone information service; and provide information about grants available from external bodies.
- 4.2. Under the Social Action Plan, Ofgem has issued guidance to electricity and gas suppliers, which sets out a number of detailed points for electricity and gas suppliers to consider when preparing their codes¹⁰.
- 4.3. Among the key requirements in relation to energy efficiency are that licensees provide information and advice regarding efficient appliances, low energy lighting, improved insulation, and the use of controls and timers, including an idea of the costs and savings associated with each measure. Licensees are expected to provide details of schemes run under their Energy Efficiency Commitment.
- 4.4. The guidance suggests that staff providing energy efficiency advice should be suitably qualified persons (holding, for example, a Certificate in Energy Awareness from the City and Guilds of London Institute or equivalent). Licensees are asked to consider the use of a freephone or local rate number and the use of computerised enquiry handling systems.
- 4.5. In addition to preparing a code of practice and maintaining an advice line, licensees should be able to provide additional information if required by the customer, perhaps in the form of a home visit or a home energy questionnaire. Licensees should also be able to refer the customer to further sources of advice and help such as Energy Efficiency Advice Centres (EEACs), Warm Front Managing Agents and the Energy Saving Trust (EST).

¹⁰ Gas and electricity codes of practice, guidance for domestic suppliers (Ofgem) – October 2001

Research by the Environmental Change Institute for the Social Action Plan

- 4.6. Ofgem commissioned a number of research projects under the Social Action Plan. One of these research projects, funded by the Electricity Association and undertaken by Dr Brenda Boardman and Sarah Darby of the Environmental Change Institute at Oxford University, was to establish how low-income consumers prefer to access energy efficiency advice, the extent to which advice that is given is appropriate, and how it is acted upon¹¹.
- 4.7. The report suggested that the provision of energy efficiency advice to low-income consumers had failed to make much impact, and that much more needed to be done if energy efficiency advice is to make an effective contribution to delivery of the Government's fuel poverty targets.
- 4.8. The report recommended that advice provision should follow a three-stage process: initial awareness raising; expert advice provision; and confirmation and reinforcement to ensure advice is acted upon and is effective. It suggested that the first and third stages in the process are often overlooked completely.
- 4.9. The report suggested that it is important to distinguish between 'information', which is general (for example, the provision of a code of practice) and 'advice', which should be specific to individuals and their circumstances. The aim of providing advice should be to improve the energy efficiency, comfort and the ability of the householder to achieve affordable warmth. According to the report the most effective advice provision is interactive and needs to recognise problems of customers with limited literacy and numeracy skills. The report suggested that advice is most effective when provided face-to-face in the home. An executive summary of the report is available on the Ofgem website.

Energy efficiency advice summit

- 4.10. In July 2001 Ofgem hosted an Energy Efficiency Advice 'Summit', bringing together key players and advice providers to discuss ways to make advice more effective for the

¹¹ Effective advice, energy efficiency and the disadvantaged, Environmental Change Institute – December 2000

disadvantaged. The summit highlighted the need for: greater publicity and co-ordination; better customer identification and awareness raising; more attention to customers with literacy and numeracy difficulties; co-ordinating more effectively the provision of advice with grants; the adoption of best practice, and improved monitoring and evaluation.

Good practice in debt prevention

- 4.11. In September 2002 Ofgem and energywatch published "Preventing Debt and Disconnection", a joint consultation document which proposes good practice guidelines for suppliers, designed to minimise debt and disconnection.
- 4.12. The document invites suppliers to develop individual strategies, focusing on six key areas designed to help consumers who are already in debt and prevent those at risk from falling into debt. Two of the six areas focus specifically on energy efficiency.
- 4.13. The document recognises that many consumers, in particular those operating on tight budgets, are unaware of the significant financial benefits of installing energy efficient measures and using their energy in an efficient way. It proposes that suppliers' frontline call centre staff could do more to identify these consumers and to direct them towards potential money saving measures and advice.
- 4.14. The document also proposes that suppliers could make better use of the information they hold about their customers. Ofgem and energywatch are asking suppliers to use payment and consumption histories to identify and target customers who would particularly benefit from energy efficiency advice and measures.

Energy Efficiency Partnership for Homes Code of Practice

- 4.15. The Energy Efficiency Partnership for Homes, which brings together advice providers such as fuel suppliers, Energy Efficiency Advice Centres (EEACs), Local Authorities and EST has produced a draft code of practice for energy efficiency advice providers.
- 4.16. The draft code attempts to tackle the diversity of levels of advice provision, from retailers selling appliances and low energy light bulbs to installers who provide advice in the consumer's home when fitting energy efficiency measures.

- 4.17. The heart of the Code of Practice is the quality standard for energy efficiency advice. It consists of a set of standards designed to ensure that good quality energy efficiency advice is available and provided to all those people who request or need it. The standards are divided into four sections: customer access; quality of advice and information; staff training and development; and quality assurance and service development.
- 4.18. A 'kite mark' seems likely to be adopted for the code, allowing the public to recognise when an advice provider has signed-up and can reach the minimum standard. In the draft code, it is proposed that the code should be subject to an annual review with the intention of raising standards and encouraging continuous improvement.
- 4.19. This draft code is particularly relevant to this document. Ofgem does not wish to duplicate the work of the Energy Efficiency Partnership for Homes, but rather produce a set of principles to complement it. Ofgem welcomes the establishment of common standards applicable to all energy efficiency providers, not just energy suppliers. Ofgem is encouraging suppliers to sign-up to this code of practice when finalised. The principles contained in this document are intended to help suppliers provide a service that would meet and exceed the levels required under the draft code of practice.

5. Research into the quality of energy efficiency advice lines

- 5.1. Ofgem committed itself to undertaking qualitative research into suppliers' energy efficiency advice services in its first annual review of its Social Action Plan in March 2001. This was against the background of a number of factors. Ofgem is committed under its Social Action Plan to assisting the Government in its plans to eradicate fuel poverty for vulnerable customers by 2010. In April 2001 Ofgem introduced new monitoring arrangements for suppliers, and placed a particular emphasis on monitoring suppliers' performance with regard to their specialist energy efficiency advice lines.
- 5.2. Taking these factors into account along with Dr Boardman's research, and following the energy efficiency summit, Ofgem commissioned a qualitative monitoring exercise in autumn 2001.

Objectives of the mystery shopper research

- 5.3. The major objective of this research, carried out for Ofgem by New Perspectives, was to establish the quality of the service that suppliers were providing under Condition 25 of their licences. Ofgem wanted some "mystery shopping" information about the services actually provided by suppliers' advice lines and additionally was keen to establish whether and to what extent the advice and information provided by suppliers influenced customers to improve the energy efficiency of their homes.
- 5.4. Ofgem agreed with New Perspectives that the report should have three distinct parts, which reflect a consumer's progress through the process of receiving energy efficiency advice.
- 5.5. The first part of this process is often calling suppliers' general call centres with a specific problem, the solution to which is probably energy efficiency advice (although the customer themselves may be unaware of this). Under Condition 25, staff in call centres are supposed to have a reasonable grasp of the circumstances under which a customer is likely to be in need of energy efficiency advice, although they are only required to refer the customer on, rather than providing advice themselves. New Perspectives, through Taylor Nelson Sofres (TNS), a specialist mystery shopping agency, carried out

85 calls to suppliers' general call centres. Most of the callers were genuine customers of the suppliers that they called. They found that 7 out of 10 customers who phoned with a problem that should be referred to the specialist energy efficiency advice line were actually referred.

- 5.6. The second part of the process involved TNS mystery shoppers phoning the suppliers' advice lines with a range of problems and then assessing the advice that they received and cataloguing any written materials that they were sent. The particular focus of the exercise was how suppliers treat customers who are vulnerable or who are likely to be in fuel poverty. A number of the scenarios were designed to reflect this. Ofgem were particularly keen to learn whether suppliers were making links between customers who were likely to be in difficulty and the provision of grants (either the suppliers' own or various government grants).
- 5.7. The third part of the report looked at the experience of "real" customers who had called the advice lines in the month prior to the mystery shopping exercise. Ofgem was keen to find out what they thought of the advice they had received and whether they acted on it, or were intending to in the near future.

Conclusions

- 5.8. The conclusions of the research revealed a wide disparity in the services offered by suppliers. It concluded that all suppliers had scope to improve their services to their customers, but that some had more to do than others. While the variations in quality were quite broad, there were some general areas where the industry as a whole performed fairly well and others where improvements need to be made by all suppliers.
- 5.9. Generally speaking, call handlers were perceived to be professional and polite and the advice given was considered easy to follow. Verbal advice on grants, when given, was also deemed to be a strong point, and generally a lot of energy advisors were thought to be fairly knowledgeable. Where suppliers fell behind somewhat was in cases of following-up verbal advice with written advice, which is an effective way of reinforcing the message.
- 5.10. Areas where suppliers need generally to improve are threefold. Call handlers in general call centres do not always spot where customers are in need of energy efficiency advice, and in a number of cases do not refer the customer even on being prompted. This first

area is key, because the customers themselves are possibly unaware that energy efficiency advice and measures (and potentially grants) can help them. Call handlers need to pay closer attention to customers' comments. The second area for improvement is on the advice line itself, where the call handlers rarely seem to ask customers about their circumstances, so are unable to establish if the customers may be eligible for grants. Enquiries are often dealt with at "face value", and call handlers do not probe to establish whether the caller could benefit from measures beyond those that they have specifically enquired about. The third area for improvement is in the distribution of written information, which was generally patchy. Around 3 in 10 customers received no written information at all following their call to the advice line, while only 1 in 10 received a Home Energy Report or energy audit questionnaire.

- 5.11. Of the "real" customers who had used the advice line and were subsequently interviewed by New Perspectives, around 7 in 10 had either installed measures that they had been advised to, or were planning to do so in the near future. A similar proportion of customers said they were following behavioural advice that they had received from the advice line. These figures are encouraging. However, less encouraging is the fact that 54 of the 113 customers interviewed were on benefit, yet only 3 had applied for a grant, with a further 2 intending to do so following their calls to the advice lines. Potentially all 54 could have been eligible for a grant.

Follow-up with suppliers

- 5.12. Following publication of the report, Ofgem wrote to all suppliers highlighting areas where they had performed below average, and inviting comments on the report generally and specific improvements that they were intending to make. Feedback from the suppliers has been very positive. All suppliers welcomed the report and the opportunities it provided them to benchmark their services.
- 5.13. All suppliers responded to Ofgem and agreed to address the areas highlighted where their performance had fallen short of that required. Most contact with suppliers was through correspondence, but in the cases of TXU and Scottish Power, whose performances caused greatest concern, Ofgem has conducted face-to-face meetings to seek reassurances about the quality of service being offered to their customers. Both TXU and Scottish Power have responded positively and submitted action plans to Ofgem setting out how they intend to improve their performance significantly.

Measures being taken include increasing the number of trained personnel staffing the advice lines, integrating EEC and energy efficiency advice teams, installing systems to enable advisors to carry out an energy efficiency audit over the telephone and ensure printed literature is despatched the next day, and commissioning their own mystery shopper research. Ofgem is maintaining close contact with these suppliers and is seeking concrete proof that their services have improved significantly.

- 5.14. Generally speaking, most suppliers are considering how they can improve their services following the research. Suppliers are looking at staffing levels and training issues for both specialist staff and debt teams to ensure that consumers in difficulty are directed to and then received high quality advice. As with Scottish Power, other suppliers are recognising the benefits of having one energy efficiency team, integrating EEC and energy efficiency advice. Smaller suppliers are considering the outsourcing of their services to a third party advice provider.
- 5.15. Ofgem is encouraged by the positive response of suppliers to our findings. It is hoped that this document will help suppliers focus on how they continue to improve the effectiveness of their service.

6. Good practice in the provision of energy efficiency advice

6.1. In section 2, Ofgem explained that the preferred approach for bringing about an improvement in quality of energy efficiency advice is to identify and encourage the adoption of good practice. This section describes four key principles and examples of good practice under each. Both the principles and specific measures have been informed by the mystery shopper research, subsequent discussions with suppliers and associated research undertaken for the Social Action Plan and others. The four key principles are:

- ◆ Using calls to explore all the possibilities for improving the efficiency of the customer's home, ensuring that advice is always relevant to the circumstances
- ◆ Following up calls with written information, energy audits and visits where appropriate
- ◆ Identifying and helping customers that might be eligible for energy efficiency grants
- ◆ Ensuring easy access, a professional service and positive outcomes.

Using calls to explore all the possibilities for improving the efficiency of the customer's home, ensuring that advice is relevant to the circumstances

6.2. New Perspectives found that, on the whole, energy efficiency advice lines tend to answer only the 'presenting problem'. Customers calling about high bills found the advice less useful than others because it did not seem comprehensive enough to really help them cut their fuel bills. New Perspectives concluded that if advice is to really help customers with high bills who might be in fuel poverty, it needed to be more proactive in enquiring about the customer's circumstances and providing appropriate advice on measures to install and behavioural advice.

6.3. Dr Boardman suggested that 'advice', as opposed to 'information', should always be specific to the customer. To offer such advice involves asking the right questions. She

recommended a 'flexible', as opposed to 'formulaic', approach to advice provision. This requires the advisor having a wide knowledge base, so that he or she is able to provide advice during the course of a discussion, building on what the householder already knows in order to increase the understanding of the range of available options.

6.4. With this in mind, Ofgem considers the following to be good practice:

- ◆ Train and encourage staff not only to answer the customer's questions but also to use the opportunity to explore other ways of improving the efficiency of the customer's home
- ◆ Train and encourage staff to ask questions designed to gain a clear picture of the customer's circumstances, including type of property, construction and age, insulation, heating system and controls, and measures installed, and
- ◆ Train staff to use this information to provide relevant advice on behavioural changes and measures to install, with details of cost and potential savings

Following-up calls with printed information, energy audits and visits where appropriate

6.5. It is generally accepted that for advice to be effective, it should be provided verbally, ideally face-to-face, and followed-up with printed literature to reinforce the message. However, New Perspectives found that 28% of customers seeking advice were not sent any printed information and only 12% of callers received a printed Home Energy Report, confirming the detail of the discussion. While only 18% of customers reported being offered a visit, this rose to 58% among those calling specifically about grants. Ofgem encourage suppliers to offer visits, particularly to those customers who might have difficulty in translating advice received into actual measures that could help cut their bills or increase their affordable warmth.

6.6. With this in mind, Ofgem considers the following to be good practice:

- ◆ Ensure that the verbal advice referred to above is followed-up with printed information, including as a minimum a printed report of the recommendations specific to the customer's home and circumstances and details of how the customer can proceed, and

- ◆ Have arrangements for visiting customers (either in-house or through a third-party), where appropriate

Identifying and helping customers that might be eligible for grants

- 6.7. The research by New Perspectives found that suppliers are often not providing advice and access to grants and EEC schemes. For example, only 30% of callers who said they struggled to pay their bills were asked whether they were on benefit. Furthermore, callers sometimes encountered energy advisers who could not tell them how to apply for grants or how long the process might take. Printed information on grants and EEC schemes was rarely sent out.
- 6.8. With this in mind, Ofgem considers the following to be good practice:
- ◆ Train and encourage staff to ask questions that establish whether the customer is eligible for grants
 - ◆ Train and encourage staff to provide information on the help available, the application process and likely timescale and
 - ◆ Strengthen links with EEC team, possibly through the merging of EEC and advice offices, and seek opportunities to promote schemes

Ensuring easy access, professional help and positive outcomes

- 6.9. It is important that customers calling energy efficiency advice lines are able to get through quickly to speak to an advisor trained to provide the sort of advice discussed earlier. New Perspectives found that the number of callers who got through first time varied widely, ranging from 30% who called TXU to 87% calling Powergen. Some callers had to wait over 5 minutes to get an answer. When New Perspectives assessed the persuasiveness of energy advice lines it found that advice from good quality advice lines is twice as effective, in terms of measures installed, as that from advice lines that are inadequately staffed and trained. This signifies the importance of having an adequate number of lines and personnel to take the calls.

- 6.10. In respect to monitoring, Dr Boardman emphasised the importance of reinforcement and feedback in checking whether callers act on the advice given. There are different approaches to this, but Ofgem considers it to be an important part of the process, as it will enable suppliers to ensure continuous improvement in the effectiveness of their advice.
- 6.11. With this in mind, Ofgem considers the following to be good practice:
- ◆ Have a well-publicised local call rate or freephone advice line number, with targets for answering calls
 - ◆ Ensure that the advice line is adequately resourced and staffed by personnel trained to City and Guilds standard by National Energy Action, Energy Action Scotland or other such reputable organisations
 - ◆ Have a system of recording details of all incoming calls, advice provided and printed information distributed, and
 - ◆ Develop arrangements for monitoring the impact of advice, in terms of steps taken by customers and the effect on bills and/or SAP ratings.

7. Next steps

- 7.1. This section explains how Ofgem intends to take this work forward. As mentioned earlier in the document, it is proposed that this work is taken forward in three ways.

Invite suppliers to prepare strategies on energy efficiency advice

- 7.2. First, Ofgem intends to ask suppliers to develop and implement their own individual strategies on energy efficiency advice in the light of the findings of the mystery shopper research. These should encompass the principles and measures set out in the previous section, with ideas of their own designed to improve the effectiveness of their advice operation.
- 7.3. Ofgem is proposing that suppliers implement their individual strategies by 1 April 2003.

Encourage suppliers to sign up to the Energy Efficiency Partnership for Homes code of practice

- 7.4. Second, Ofgem is encouraging all domestic suppliers to sign up to the Energy Efficiency Partnership for Homes Code of Practice when finalised, which will establish quality standards for all advice providers. A draft code is currently being consulted on. We expect the final code to be published by the end of the year.
- 7.5. It is expected that advice providers that agree to meet the standards in the Code will be awarded a 'kite mark'.

Monitor performance

- 7.6. Third, Ofgem will continue to monitor and report on suppliers' performance using data as set out in appendix 2, a follow-up mystery shopper exercise to be commissioned towards the end of 2003 and further questions relating to the level of service provided. It is proposed that these include:

- ◆ The number of qualified staff employed on advice lines and the qualifications held

- ◆ details of printed information sent to consumers, and
 - ◆ the circumstances in which consumers will be offered a visit.
- 7.7. Ofgem will report on performance in the annual review of the Social Action Plan and make quarterly data available on the Ofgem website.
- 7.8. In addition to qualitative and quantitative monitoring, Ofgem would also like to establish the impact of advice in terms of outcomes. The real measure of success is whether, as a result of receiving the advice, consumers have more comfortable homes and smaller bills. Suppliers could then use this feedback to make continual improvements to the effectiveness of their service.
- 7.9. In section 6, we encouraged suppliers and others to consider how such monitoring could be carried out. We look forward to receiving respondents' views on this.
- 7.10. We would hope that the implementation of strategies and adoption of the Energy Efficiency Partnership for Homes Code of Practice should lead to improvements in the quality of service provided by energy efficiency advice lines. This, together with the work suppliers are doing on debt prevention in raising awareness of the importance of energy efficiency among customers in need, should enable significantly more customers on low-incomes to access high quality advice and the financial help that is available to improve the efficiency of their homes.

Appendix 1 Licence conditions

- 1.1 This appendix includes gas suppliers licence condition 25 and electricity supply licence condition 25.

Condition 25. Efficient Use of Electricity

1. The licensee shall prepare and submit to the Authority for its approval a code of practice setting out the ways in which the licensee will make available to customers such guidance on the efficient use of electricity, in each case given or prepared by a suitably qualified person, as will, in the opinion of the licensee, enable such customers to make informed judgements on measures to improve the efficiency with which they use the electricity supplied to them.
2. The code of practice shall include, but shall not be limited to:
 - (a) the preparation and making available free of charge to any customer who requests it of a statement, in a form approved by the Authority, setting out information and advice for the guidance of customers in the efficient use of electricity supplied to them;
 - (b) the making of arrangements for maintaining sources from which customers may obtain further information about the efficient use of electricity supplied to them, including the maintenance of a telephone information service; and
 - (c) the preparation and making available free of charge to any customer who requests it of a statement or statements of sources (to the extent that the licensee is aware of the same) outside the licensee's organisation from which customers may obtain additional information or assistance about measures to improve the efficiency with which they use the electricity supplied to them, such statement or statements to include basic information which is publicly available on financial assistance towards the costs of such measures available from central or local government or through bodies in receipt of financial support from Government in connection with measures to promote the efficiency of energy use.

3. Where the Authority (who may have regard to the need for economy, efficiency and effectiveness before giving directions under this paragraph) gives directions to do so, the licensee shall:
 - (a) review and prepare a revision of the code of practice;
 - (b) take steps to bring to the attention of customers information on the efficient use of electricity supplied to them; and
 - (c) send to each customer a copy of any information in relation to the efficient use of electricity published by the Authority pursuant to section 48 of the Act,in such manner and at such times as will comply with those directions.
4. This condition is subject to the provisions of standard condition 27 (Preparation, Review of and Compliance with Customer Service Codes).

Condition 25. Efficient Use of Gas

1. The licensee shall prepare and submit to the Authority for its approval a code of practice setting out the ways in which the licensee will make available to its customers such guidance on the efficient use of gas, in each case given or prepared by a suitably qualified person, as will, in the opinion of the licensee, enable customers to make informed judgements on measures to improve the efficiency with which they use the gas supplied to them.
2. The code of practice shall include, but shall not be limited to:
 - a) the preparation and making available free of charge to any customer who requests it of a statement, in a form approved by the Authority, setting out information and advice for the guidance of customers in the efficient use of gas supplied to them;
 - b) the making of arrangements for maintaining sources from which customers may obtain further information about the efficient use of gas supplied to them, including the maintenance of a telephone information service; and
 - c) the preparation and making available free of charge to any customer who requests it of a statement or statements of sources (to the extent that the licensee is aware of the same) outside the licensee's organisation from which customers may obtain additional information or assistance about measures to improve the efficiency with which they use the gas supplied to them, such statement or statements to include basic information which is publicly available on financial assistance towards the costs of such measures available from central or local government or through bodies in receipt of financial support from government in connection with measures to promote the efficiency of energy use.
3. Where the Authority (who may have regard to the need for economy, efficiency and effectiveness before giving directions under this paragraph) gives directions to do so, the licensee shall:

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

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

4. This condition is subject to the provisions of standard condition 27 (Preparation, Review of and Compliance with Statements and Customer Service Codes).

Appendix 2 Monitoring returns for 2001

2.1 The tables below show all the data provided by electricity and gas suppliers, in relation to the provision of energy efficiency advice and information for year 2001.

2001	Customers provided with energy efficiency advice	Advice about insulation	Advice about new appliances	Advice about usage	Advice about grants	Other advice	Energy efficiency codes of practice distributed	Number of customers in debt provided with energy efficiency information	Number of fuel direct customers provided with energy efficiency information	Number of PSR customers provided with energy efficiency information	Referrals to HEES and EESoPs contacts
Amerada	136	30	15	13	6	61	7	1	0	5	0
British Gas	22,959	3,950	9,263	6,699	1,531	11,695	3,897	276,046	19	157	1,514
Cambridge Gas	8	5	0	1	0	2	0	0	0	0	2
Countrywide Gas	10	0	0	0	9	1	10	4	0	0	0
Enron	28	18	1	8	0	1	0	0	0	7	0
London Electricity	10,877	1,387	2,125	4,198	1,024	4,941	11,240	302	18	330	294
Northern Electric	2,758	878	583	77	1,226	266	6,448	2	0	1	161
Npower	21,172	197	963	5,902	862	2,955	319	16	18	29	151
Powergen	8,412	1,583	818	2,234	1,639	2,925	0	624	5	50	1,253
SSE	12,192	1,073	442	3,327	3,830	3,520	733	153	8	635	980
Scottish Power	957						0	0	0	0	0
Seeboard	3,098	273	350	1,250	652	1,153	747	0	0	0	77
Telecom Plus	5	5	0	5	0	0	8	0	0	0	4
TXU Energi	20,150	3,172	707	7,999	4,713	5,444	339	4,485	7	119	81
Utility Link	0	0	0	0	0	0	0	0	0	0	0
Yorkshire	1,796						464	0	0	0	0
Total	104,558	12,571	15,267	31,713	15,492	32,964	24,212	281,633	75	1,333	4,517

Appendix 3 Ofgem's principal objective and general duties

- 3.1 Ofgem's principal objective¹² in carrying out its statutory functions is to protect the interests of present and future consumers, wherever appropriate by promoting effective competition. Ofgem has a primary duty to carry out its functions in the way best calculated to further the principal objective and must have regard to:
- ◆ The need to secure that all reasonable demands for electricity are met and, so far as is economical, all reasonable demands for gas are met
 - ◆ The need to secure that licence holders are able to finance their activities which are the subject of statutory obligations.
- 3.2 In performing that duty, Ofgem must always have regard to the interests of individuals who are disabled or chronically sick or of pensionable age, living on low incomes, or residing in rural areas.
- 3.3 Ofgem is also required to carry out its functions in the manner which it considers best calculated to:
- ◆ Promote efficiency and economy on the part of persons authorised to carry on any activity, and the efficient use of electricity conveyed by distribution systems and gas conveyed through pipes
 - ◆ Protect the public from dangers arising from the generation, transmission, distribution or supply of electricity, the conveyance of gas through pipes or from the use of gas conveyed through pipes, and
 - ◆ Secure a diverse and viable long term energy supply
- 3.4 In carrying out its functions Ofgem must have regard to the effect on the environment of activities connected with the generation, transmission, distribution or supply of electricity, and the conveyance of gas through pipes.

¹² As set out in the Gas Act 1986 and the Electricity Act 1989, as amended by the Utilities Act 2000

- 3.5 Finally, Ofgem is required to have regard to the social and environmental guidance to be issued from time to time by the Secretary of State.