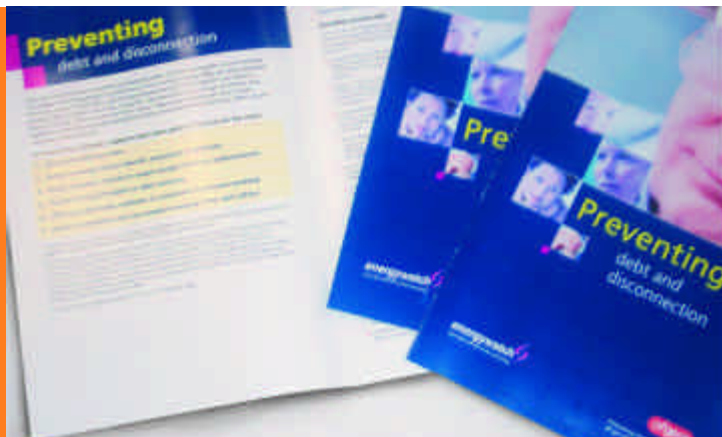


Social Action Plan

Newsletter

Debt prevention guidelines unveiled



Following wide consultation, energywatch and Ofgem have published debt prevention guidelines. These are designed to promote good practice, by focusing energy companies attention on improvements in **six key areas**:

- minimising billing errors
- using incoming calls to identify consumers in difficulty
- using consumer records to target energy efficiency
- demonstrating flexibility in debt recovery

- offering sustainable solutions to consumers in extreme hardship
- helping consumers who are unable to manage their own affairs

Ofgem and energywatch have issued a joint letter to companies, asking them to prepare **debt prevention strategies**, which take account of the guidelines. Anton Draper, Deputy Head of Social Issues said:

"Ofgem and energywatch recognise that companies will not be able to do everything that we have proposed immediately. Some of the measures will involve re-training staff or changes to IT systems. We have therefore asked that

strategies describe what they can do now and what steps are being planned for the future, with a timeframe for implementation.

"Ofgem and energywatch want this work to result in fewer consumers running up debts, by ensuring bills are correct, helping low-income consumers make their homes more energy efficient, and providing real support to consumers in difficulty."

Companies have been asked to submit their strategies by **31 March**. Ofgem and energywatch will monitor the implementation of strategies and formally evaluate their impact in 2004.

Message from the editor

A new year brings new challenges and a chance to reflect on the achievements of the last 12 months. Yes it's the reviewing and planning season, and we are very much involved in this process at several levels.

First up, our own annual review of the Social Action Plan will be published in March. This will provide an overview of our work during 2002/3, with an in-depth look at the progress of key projects, such as our work on debt and energy efficiency. It will also outline our work plan for the year ahead.

Ofgem is currently consulting on its Corporate Strategy for 2003-2006. The Strategy sets out Ofgem's key areas of work over the coming years. These include furthering the development of retail competition so that consumers can benefit easily and with confidence, ensuring electricity supplies remain secure and ensuring Britain's networks are ready for renewable generation.

Not to be left out, the Government will publish its Fuel Poverty Progress Report in

February. This will outline progress made under the Fuel Poverty Strategy and highlight issues that still need to be addressed. The report will follow on from the Fuel Poverty Advisory Group (FPAG)'s report to Ministers. FPAG is made up of experts from across Government, NGO's and industry and advises the Government on its Strategy.

As ever, all the documents which Ofgem publish are available on our website at www.ofgem.gov.uk

Hard copies are available via our distribution centre - please e-mail distribution@ofgem.gov.uk or phone 020 7901 7116.


- Graham Knowles

In November Ofgem issued good practice guidelines for suppliers providing energy efficiency advice. The document proposes that companies set up strategies that incorporate the guidelines, as well as sign up to the Energy Efficiency Partnership for Homes quality standard for energy efficiency advice.

The guidelines are set out under four headings:

- ensuring advice is relevant to the customer
- following-up calls with printed information
- identifying and helping customers eligible for grants
- ensuring easy access, professional help and positive outcomes

Suppliers are encouraged to prepare and set up their own individual strategies for the provision of energy efficiency advice based on the four headings.

The guidelines follow on from research commissioned by Ofgem last year into the quality of advice provided by suppliers. This found that, although some suppliers were doing reasonably well in some areas, there was **room for improvement across the board.**

The Energy Efficiency Partnership for Homes is facilitated by the Energy Saving Trust. Its membership covers the spectrum of energy advisors from retailers of electrical appliances to dedicated

organisations providing specialised home visits. The quality standard will act as a form of **kite-mark** to demonstrate a commitment to quality standards of advice.

Ofgem received many responses to its guidelines from both industry and consumer groups. Support is broad, with most suppliers indicating they are likely to adopt the guidelines and sign up to the Energy Efficiency Partnership for Homes quality standard. Suppliers did express a couple of reservations, particularly with regard to how they can successfully monitor the effectiveness of the advice given and whether it is always appropriate to follow-up a call with written information.

Consumer groups reacted positively to the guidelines, although some pressed for stronger action. A number suggested that the guidelines should be mandatory within the auspices of a licence condition, rather than voluntary as Ofgem is proposing.

Ofgem will published a factsheet setting out the final guidelines later this month. All the responses are on the Ofgem website.



Energy efficiency good practice guidelines

2m measures approved for households on benefit (and that's not including lightbulbs!)



Data for the first 9 months of the Energy Efficiency Commitment (EEC) shows that Ofgem has approved schemes that should deliver 2 million energy efficiency measures (not including low-energy lighting) for households in the priority group.

Ofgem estimates that these measures will bring total savings of at least £75 million a year for consumers in receipt of income-related benefits. Measures being provided include loft and cavity wall insulation, new energy efficiency boilers, draught stripping and tank insulation. The overall average saving per measure is about £40 a year.

Further analysis of the data suggests that cavity wall and loft insulation account for almost half of all measures provided to priority households. It is estimated that these 900,000 measures will deliver annual

fuel savings of almost £50 million, or about £55 a measure. This means that a person living in a three bed semi who is provided with cavity wall and top-up loft insulation should save approximately £100 a year in fuel bills.

Ofgem will publish an annual review of EEC in July, outlining progress against targets. An 'EEC update' should arrive on your doorstep any day now. If you would like to be on the EEC mailing list you should send an email with your details to eec@ofgem.gov.uk.

Debt Blocking

Ofgem's latest proposals for reducing the barriers of debt blocking have been put to suppliers and consumer groups.

The proposals for a debt assignment protocol followed a trial of a new process by suppliers, to enable prepayment meter customers in debt to transfer suppliers.

The consultation raised a number of specific issues, many of which concerned experience gained during the trial. Concerns were raised about the likely cost of the protocol, the extent of benefits to customers, and potential effects on companies' commercial positions.

Consumer organisations wanted a number of additional safeguards concerned with customers being notified of their rights, streamlining the process, and links with the provision of advice. Other issues raised included the co-ordination of suppliers' work on preparing their IT systems.

The protocol provides for the factoring of debts, to give an incentive to the acquiring supplier. A standard approach of 90 per cent factor was

adopted for the trial, whereby the new supplier pays the old supplier for the debt less a 10 per cent discount. Some opinions varied on this, with views ranging between 70 per cent and 100 per cent for factoring.

"While some important issues were raised, Ofgem believes the objective of the protocol in promoting the removal of barriers to competition has been generally supported"

Ofgem continues to support the majority view of suppliers that a 90 per cent factor rate represents the best solution overall.

While some important issues were raised, Ofgem believes the objective of the protocol in promoting the removal of barriers to competition has been generally supported and that the thrust, balance, and content of the proposals remain valid.

The full effect of the protocol was limited during the trial due to a number of factors, including the temporary nature of the systems employed, communication and data protection issues. Ofgem therefore expects a permanent process, once implemented, will give more effective results overall. Ofgem will consider with suppliers ways in which the clarity of the process can be improved for customers, and how additional help and advice can be given.

Modifications need to be made to the Standard Conditions of the Gas Suppliers' licence, and changes are required to the Master Registration Agreement (MRA) in electricity. These regulatory changes will be progressed over the coming months. Implementation of the protocol remains dependent on the extent of support of suppliers to these changes. If successful, Ofgem hopes to see the protocol implemented by the end of the year.

Helping minority ethnic groups to access services and reduce bills

Ofgem has been in discussions with the London Borough of Camden (LBC) and National Energy Action (NEA) about a pilot project to promote energy awareness among local minority ethnic groups.

The main objectives of the pilot are to:

- research the needs of local minority ethnic groups in relation to fuel poverty and energy efficiency
- improve local minority ethnic groups' access to advice, and
- provide local community representatives with the skills and support necessary to become community energy advisors.

Ofgem is supporting the pilot project, primarily through assistance with the production and translation of consumer leaflets and training materials.

Ofgem will work with NEA and LBC on the development of leaflets and training materials that encourage consumers from minority ethnic groups to think about how they can reduce bills through help with energy

efficiency, switching supplier and changing to cheaper payment methods.

Ofgem is also discussing with LBC and NEA how the pilot can be most effectively evaluated to enable it to be adapted for other areas with an interest in developing similar work.



Social Action Plan reviewed

(and reviewed again)

January saw the progress of Ofgem's Social Action Plan placed under the microscope twice in a week, when Callum McCarthy met both the Social Action Plan review group (January 15) and the Public Utilities Access Forum (PUAF - January 22).

The Review Group is made up of representatives from suppliers, government and consumer groups and provides guidance to Ofgem on how it carries out its work under the Plan. Dave Barnes, Head of Social Action Plan, and Virginia Graham, Director of Social and Environmental Affairs, outlined work undertaken during 2002. In addition, future work for the coming year was discussed.

The Group particularly focused on the issue of **prepayment meters** and debated how competition in the provision of metering services could lead to greater innovation and lower prices, as Ofgem hopes. Other topics debated included the **extension of the gas network** and the **operation of Fuel Direct**.

The group expressed concern that the numbers of customers on Fuel

Direct have fallen so low and continue to fall.

PUAF, whose membership is made up of charities, consumer groups and campaigning organisations, was particularly interested in whether switching was bringing benefits in terms of lower prices to all groups of customers, and whether prepayment customers especially always got a better deal when they switched. Callum McCarthy said that **switching was reaching all customers** and that prepayment customers could make savings of between 7% and 10% on their bills.

Other items discussed included the impact of suppliers' social schemes and how these were monitored and the impact of the Energy Efficiency Commitment on fuel poverty.

Social Issues



Team contact details

If you would like to receive a regular copy of the newsletter or have a general social action plan query, please email:

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Universal bank

From April 2003, benefits and tax credits will be paid into bank or post office accounts.

The new Government initiative means that around 3 million people will need to open accounts for the first time in order to receive their benefits in the future.

The DWP is preparing a publicity campaign to inform claimants of their three options - to open a current or savings account, open a basic bank account or open a Post Office card account. The latter two options constitute what is sometimes referred to as the Universal Bank.

This could help tackle some of the problems associated with **financial exclusion** and lead to more consumers being able to pay their

gas and electricity bills through the cheaper method of direct debit.

Low-income customers who have a basic bank account will be able to set up direct debits (those with a Post Office account will not), although both the Banking Code Standards Board and British Banking Association are concerned that, as most banks will charge up to £30 where a direct debit cannot be honoured due to a lack of funds, this may make problems worse for financially vulnerable customers.

Ofgem will be following developments to see how the options work in practice...