

# PUBLIC UTILITIES ACCESS FORUM

**Chair:** Gill Owen

**Vice-Chairs:** William Baker (Energy), Claire Milne (Communications), Martin Fitch (Water). **Treasurer:** George King

**Secretary:** Neil Ritchie, c/o NEA, St Andrew's House, 90-92 Pilgrim Street, Newcastle upon Tyne, NE1 6SG

Tel: 0191 261 5677 Fax: 0191 261 6496 email: neil.ritchie@nea.org.uk

**Founded in 1989, the Public Utilities Access Forum (PUAF) is an informal association of organisations which helps to develop policy on the regulation of the public utilities providing electricity, gas, communications and water services in England and Wales. PUAF facilitates the exchange of information and opinions between bodies concerned with the provision of those utilities to consumers with low incomes or special service needs, such as the elderly and people with mental and physical disabilities. It draws the particular problems of such consumers to the attention of the industries, the regulators and other relevant bodies, promoting the adoption of policies and practices which cater for their needs, exchanging information about service provision and promoting research.**

## **PUAF response to Ofgem consultation on its proposed corporate strategy 2004-2007**

### **1 General**

1.1 PUAF is concerned that the main thrust of the proposed Corporate Strategy is economic and market-driven, not social or environmental. It suggests that the most appropriate way of addressing consumer issues is through refining markets, as an end in itself. PUAF recognises that Ofgem's remit is primarily set by Government. Notwithstanding this, we would prefer an approach driven by meeting politically defined social and environmental objectives. We would therefore prefer to replace the slogan "promoting choice and value for all gas and electricity consumers" with "regulating energy for people and the planet".

1.2 PUAF would like to see the economic activity of the energy industry serve the ends of sustainable development, not, as appears to be the case in the layout of the consultation document, have sustainable development considerations 'tagged on' to the paramount concern of economic matters. For this reason, we would suggest that the energy regulator's strategy be organised in a very different way. The following table shows the seven substantive themes arranged in the way we suggest Ofgem should consider.

Rank	Theme
1=	Protecting society
1=	Protecting the environment
1=	Protecting security of energy supply
2=	Creating and sustaining competition
2=	Regulating network monopolies
3	Engaging with the EU
4	Working effectively and efficiently

1.3 We draw attention to our phrase "Protecting Society" as our preferred title for the theme which Ofgem refers to as "Helping Tackle Fuel Poverty". The proposed Strategy views inequality of access to energy supplies as requiring remedial measures aimed at individuals. Instead, we suggest that the wider social and economic context to inequality must be considered, as well as specific measures to ensure that

households are able to access energy supplies satisfactorily. If the social dimension of sustainable development is to be taken seriously, it is essential that we direct attention at the way energy policies impinge upon social and economic arrangements, as well as mounting rescue attempts to bail out the casualties of the energy market.

## **2 Specific comments**

### ***2.1 Regulatory Impact Assessments***

PUAF would like Ofgem to clarify that these will include assessments of the potential social impact of proposals, as well as business and environmental implications.

### ***2.2 Retail markets***

2.2.1 Given the essential nature of energy services, PUAF would like Ofgem to include a commitment to monitoring the effects of withdrawal of retail price controls, especially for people on low incomes, and publication of the results. Monitoring should include analysis of tariff differentials, both by company and overall, and the impact on different income groups. This becomes even more vital in the context of recent price rises and the prospect of more to come. Ultimately, PUAF would prefer all tariff differentials to be eliminated, with the possible exception of progressive ‘social tariffs’ as an interim measure until all energy costs are truly affordable.

2.2.2 PUAF would also like to see issues of ‘affordability’ take greater prominence in consumer protection. All companies should aim for a zero disconnections policy, accompanied by minimal arrears. We are not convinced that the current good practice guide to debt recovery has sufficient teeth and would urge Ofgem to introduce more stringent measures to ensure all companies adopt current ‘best practice’ ( i.e. licence changes). As an interim measure, PUAF would like the current requirement that companies recover arrears according to ‘ability to pay’ to be more precisely defined, for example through use of the Fuel Direct rate.

2.2.3 All barriers to debt blocking should be removed. PUAF considers this will encourage suppliers to manage credit more effectively and take proactive steps to ensure bills are affordable for low-income consumers.

2.2.4 PUAF would like Ofgem to require companies to provide annual statements of energy consumption and costs to consumers, plus other forms of consumer feedback about consumption on bills or energy statements. We also believe companies should be required to provide more regular actual meter readings and provide clear and comprehensive information on bills/statements that is accessible to all consumers.

2.2.5 PUAF notes the poor performance of supply companies to publicise and market their Priority Service Registers, despite the change of name and Social Action Plan ‘best practice’ research. This suggests more stringent measures are required, such as changes to license conditions and further attention to the nature of services offered to consumers who are registered.

### ***2.3 Regulating network monopolies***

2.3.1 Money from customers' charges is one way in which companies can secure funds for investment but it is not the only source. Companies can also raise money on the capital markets via equity or borrowing. In particular, financing investment costs through long-term borrowing means that the costs can be spread across generations rather than being borne by present-day consumers. The consumer research should investigate consumers' perspective on an appropriate balance between raising money from consumer charges and long-term borrowing on capital markets (para.3.12).

2.3.2 PUAf does not consider that the introduction of metering competition will encourage companies to install more advanced, or SMART, meters which we consider will benefit all consumers (for example, it will reduce the supposedly additional costs of providing a prepayment meter infrastructure, as well as provide enhanced feedback functions to consumers). We urge Ofgem to investigate this market failure and to propose options for introducing a national programme, possibly through the network monopolies.

February 04