

CONSULTATION ON TRIAL SUSPENSION OF 28 DAY RULE

COMMENTS FROM DR GILL OWEN

1. These comments concentrate on Sections 4 and 5 of the paper. The relevant paragraph numbers to which comments relate are noted in parentheses. The one general comment about the whole proposal is that elements of it seem overly bureaucratic and complicated and seek to place some unreasonable requirements that will serve to increase costs for doubtful consumer benefits. It needs to be remembered that no customer will join this trial unless they choose to. They will have to have written information on which to make a decision and will have a cooling-off period. The potential benefits are that customers will be offered a choice of a new contract type when at present all contracts offer pretty much the same – the only difference being unit price.
2. (4.8-4.10) The proposal to use an enabling power for derogation rather than modifying licence conditions directly seems sensible.
3. (4.19) Second bullet point – This initiative should be mainly about getting middle and higher income households to install energy saving measures. If suppliers can achieve significant take-up through energy services packages amongst these groups it would then enable them to concentrate the subsidies that they provide under EEC more on lower income groups (most PPM users are on low-incomes). In addition PPM users can get help through Warm Front if on passport benefits.
4. (5.7) The proposed size limits for the trial are reasonable
5. (5.9.1) The audit/advice component is sensible.
6. (5.9.2-5.9.8) The measurement of energy saved needs some further thought to avoid making the whole scheme too complicated. Customers may value comfort improvements as much as cash savings. The EHCS shows that many consumers (not just those on low incomes) under-heat their homes and that they will take some of the benefits in comfort as well as bill savings. This is why a carbon emissions measure might be useful as some measures may reduce carbon more than kWh due to the comfort factor. The best approach would be to allow flexibility over use of a carbon or kWh measure. Requiring suppliers to verify that customers are actually saving money sounds over-bureaucratic and unreasonable –it would also be difficult to separate out the effects of the energy saving measures and other things that might affect consumption (e.g. increase or decrease in household size, retirement). The supplier will have to present the customer (via the audit) with a good (written) case to show why the package would be beneficial – on bill savings and/or comfort terms – and customers should be expected not to sign up if they don't feel they will benefit.
7. (5.9.9) It is reasonable to allow customers to pay a deposit and also to say that suppliers should provide the credit, since this is a fundamental element of the package.

7. (5.10) Five years is a reasonable duration for the contracts.
8. (5.12.2) There is an alternative option for providing price certainty. This would be that prices would only rise if the supplier increases its prices to customers on its direct debit tariff and only by the amount that such customers' prices increase. As direct debit customers are the most desirable to suppliers and this is the most competitive tariff in the market this would provide the best protection to customers. It would also be much simpler to monitor (particularly for customers themselves) than an index. Suppliers should therefore either offer fixed prices or this link to increases in the direct debit tariff and customers should be notified when any such price increase is to be made. Notification would also be made easier if this option were adopted as customers could be notified at the same time as direct debit customers.
9. (5.12.5) The written quote proposal and details of what it should contain are reasonable.
10. (5.12.6) The independent second opinion proposal is unreasonable and will add costs for very limited benefit to customers. If the opinion consists of little more than checking calculations then it really adds nothing that is not present already. If it is to be more thorough then it will be more costly and many customers may not want to pay for this, being content to rely on the information they have been given by the supplier. It would be more reasonable to offer this service to customers who want it (and they could then pay for it) rather than expecting all customers to pay for a service that many may not want.
11. (5.12.8) Agreed that the cooling-off period should be two weeks.
12. (5.12.10) Agreed that product guarantees can be left to competitive forces.
13. (5.13-5.16) For the duration of trial the proposed reporting arrangements are reasonable.
14. (5.24) Given that the issue of objections is much broader than any concerns that may be raised by this trial it seems unreasonable to suggest that the derogation to put into effect the trial should be delayed whilst it is sorted out. The only additional concern that this trial would create is that a supplier might try to object to someone moving who is not on the trial either by mistakenly or otherwise assuming that they are on it and so can legitimately be stopped from moving. However, if suppliers are not currently required to give reasons for objections then this surely is the broader issue to be resolved. The obvious solution is to require a reason to be given to the customer in writing who could then pursue it if they want to switch and are being blocked for a given reason that is untrue (e.g. in debt or on an energy services contract). The trial should take place and these issues should be resolved outside it – but clearly as speedily as possible.

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