

Social Action Plan

Annual Review 2004

March 2004

Summary

In 2001 around three million households in Great Britain were in fuel poverty and these numbers are now expected to have reduced further. Fuel poverty means a household would need to spend more than 10% of its income on energy to maintain a satisfactorily warm home. Low income, the standard of energy efficiency of housing, and energy costs are all factors which contribute to the causes of fuel poverty. In March 2000 Ofgem published a Social Action Plan describing the work being undertaken by Ofgem and others to help tackle fuel poverty and related issues such as debt and disconnections. This document reviews work on the Social Action Plan over the last year and sets out the priorities for the year ahead.

The past year

In terms of reducing fuel poverty a major focus of Ofgem's work has been in encouraging customers on lower incomes to take advantage of the benefits of competition and seek out lower tariffs. All suppliers have now signed up to a debt assignment protocol which allows prepayment meter customers with a debt of up to £100 to switch suppliers. This was successfully implemented on 2 February 2004. Ofgem has supported a pilot by the London Borough of Camden to raise awareness about competition and energy efficiency among ethnic minority groups. This involved providing information and training to volunteers from local ethnic minority community groups about how to save energy and switch supplier. The volunteers then provided advice and information to members of their communities.

Another important strand of Ofgem's work to reduce fuel poverty has been related to energy efficiency. To follow up a report on the quality of energy efficiency advice provided by energy suppliers published in 2002, Ofgem conducted a further mystery shopping exercise in 2003 to investigate the progress suppliers were making in this area. This showed that significant improvements had been made. Suppliers were invited to comment on the report and asked how they intended to make any necessary improvements. Suppliers have continued to meet their obligations for energy saving through the Energy Efficiency Commitment (EEC), and are expected to meet the target of half of the savings coming from the priority vulnerable group.

Towards the end of 2003 Ofgem initiated a study into the scope for reducing the costs of prepayment meters through innovation or improved efficiency. A questionnaire was sent out to suppliers, distribution network operators (DNOs) and Transco to seek

information on the potential development of new technology and the barriers to its introduction.

As well as its work on fuel poverty, Ofgem has continued to focus on other initiatives to help vulnerable customers on low incomes. Together with energywatch, Ofgem has been monitoring the implementation of suppliers' debt prevention strategies and further encouraging companies to reduce the numbers of disconnections. Ofgem has continued its involvement with the Factor Four project, to enable the integration of payment and energy advice with a credit union service for low income families as a way of helping reduce debt.

In December 2003, Ofgem published a report outlining the results of research undertaken into services provided to older, disabled, or chronically sick customers through the suppliers' Priority Service Registers (PSR). This raised some serious concerns about the level of awareness about these services. Ofgem has invited suppliers to respond to the research and a seminar was held in January for companies and other interested parties.

The coming year

Reducing fuel poverty remains a priority area within the Social Action Plan. Looking to the future, Ofgem regards energy efficiency as the most effective means of doing this. Particular initiatives that Ofgem will undertake in this area over the coming year will be to follow up on the provision of energy efficiency advice and to work with the government on its proposals for a second Energy Efficiency Commitment programme (EEC2). Given the prospect of rising fuel prices, Ofgem will work with government to examine the implications of different scenarios for the numbers in fuel poverty and will work with the companies to encourage them to consider how the assistance they provide to the fuel poor is best targeted. We will continue to take steps to ensure all customers can benefit from the competitive market – by monitoring the effectiveness of the debt assignment protocol and by continuing work with agencies that can help in getting messages across to target groups. Finally to help in reducing the costs of supplying prepayment customers we will continue our work on the removal of barriers to innovative metering and will bring forward proposals as part of the distribution price control review.

Another priority area is debt prevention and disconnection. Over the coming year we will monitor the progress being made by companies in implementing best practice and

will produce a report on progress at the end of the year. In addition we will continue our work to promote payment methods which can limit the extent of debt build-up including a new form of payment for people on benefits and the Factor Four Project, which may also help reduce costs for these customers. We will also continue the work we have been doing with companies on self-disconnection by customers with prepayment meters.

Finally, we will continue to pursue initiatives aimed at protecting the vulnerable. In particular we will explore the scope for working with other agencies to promote awareness of the PSR and will monitor the suppliers own efforts in this area. Further awareness research will be completed on the PSR at the end of the year to check improvements have been made in the weak areas highlighted in the December 2003 report. There are also links with the work on disconnections where we are looking to suppliers to focus, in particular, on avoiding the disconnection of vulnerable customers.

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1. Introduction

- 1.1. Ofgem's Social Action Plan was published in March 2000. It described how Ofgem is working with industry, government and others to help tackle fuel poverty. This document reviews work undertaken as part of the Social Action Plan over the past year, and in particular:
- ◆ considers the extent to which developments in the market are benefiting customers who are, or may be in fuel poverty
 - ◆ outlines the policy initiatives undertaken by Ofgem to monitor and improve relevant services to customers, and
 - ◆ describes the Social Action Plan priorities for 2004/5.

Background

- 1.2. Around three million households were in fuel poverty in Great Britain in 2001 and these numbers are now expected to have reduced further. Fuel poverty means a household would need to spend more than ten per cent of its income on energy to maintain a satisfactorily warm home. Fuel poverty has three main causes: the price of fuel, the standard of energy efficiency in the home, and the level of income. The government has set a target to eliminate fuel poverty among vulnerable households by 2010, and other households by 2016. The main contribution that Ofgem and energy companies can make is to maintain pressure on fuel prices, to promote energy efficiency improvements, and to enable vulnerable customers to benefit from competition and special services available to them.
- 1.3. Ofgem is required to have regard to statutory guidance from government on social and environmental issues when discharging its functions. This guidance has recently been simplified in the area of social issues, in the light of the Energy White Paper, to focus on Ofgem's contribution to the achievement of the government's fuel poverty targets. Ofgem welcomes the revised guidance and the opportunity to report on progress in this document.

1.4. The original Social Action Plan identified ten priorities for Ofgem's work, which are listed in Appendix 4. Taking these into account, work to date on the Plan has included improvements to licence conditions and codes of practice, the introduction of enhanced monitoring arrangements, a number of research projects, and work to improve the operation of fuel direct for customers on benefits. During the past year, the focus has been on:

- ◆ completing work with suppliers on the introduction of a protocol to enable prepayment meter customers in debt to switch supplier
- ◆ monitoring the introduction of good practice guidelines by suppliers on debt prevention, which Ofgem developed jointly with energywatch
- ◆ undertaking a second mystery shopping survey to test suppliers' performance on giving energy efficiency advice, following up the first survey done in 2002
- ◆ researching the provision of special services to older, disabled and chronically sick customers eligible for the Priority Service Register (PSR)
- ◆ administering the Energy Efficiency Commitment (EEC), which supports the development of energy efficiency initiatives for the Priority Group.

Wider context of fuel poverty work

1.5. In recent years there has been a significant reduction in the number of households in fuel poverty. The DTI Fuel Poverty Progress Report 2003 estimated that in 2001 there were 3 million households in Great Britain in fuel poverty, a reduction of some 2.5 million since 1996. The latest fuel poverty figures for Scotland, published in November 2003, are likely to have reduced this figure by a further half million. It is estimated that about half of the reductions in recent years result from lower gas and electricity prices. Given that prices are unlikely to decrease further, Ofgem sees the need for stronger focus on other means of ensuring reductions in fuel poverty, in particular energy efficiency.

1.6. Energy efficiency has played a part in reducing the number of households in fuel poverty to date. However, a significant increase in resources for energy

efficiency improvements is likely to be needed if the government is to meet its targets for eradicating fuel poverty. The Fuel Poverty Advisory Group for England (FPAG) has estimated accordingly that the resources needed for vulnerable households in England amount to £2.5bn for 2005 – 2010. FPAG say that to achieve this would constitute a doubling of priority expenditure for the Energy Efficiency Commitment and a 50% increase in other programmes. A large part of this money is needed for 'hard to treat' homes, such as those with solid walls or without a gas supply.

- 1.7. As a member of the government's Interministerial Group on Fuel Poverty, Ofgem is actively participating in discussions about fuel poverty programmes. Ofgem is also participating in the reviews by Defra of the Warm Front Scheme and the EEC, both of which come to an end in their current forms in March 2005.

Social Action Plan Review Group

- 1.8. Ofgem operates a Social Action Plan Review Group which brings together senior people from suppliers, consumer organisations, the Energy Saving Trust and DTI, who serve in an individual capacity. The role of the group is to provide guidance to Ofgem on how it carries out its work under the Plan. The new chairman of the Authority, Sir John Mogg, has taken over chairmanship of the Group from Callum McCarthy. The current membership of the Group is listed in Appendix 3.
- 1.9. During the period of this review, the Group has discussed debt prevention and disconnection, the better identification of those in need of help, switching rates, the EEC, and strategy and key issues for 2004/5. The Group endorsed Ofgem's focus on energy efficiency. However, it highlighted the need to consider other measures, including encouraging suppliers to offer innovative tariffs and help through the benefits system, where it was not economic to rely on energy efficiency measures alone.

2. Market Overview

Price rises

- 2.1. Prices have risen slightly in real terms over the last year, following a period of price falls since competition began. The period February 2003 to February 2004 saw average (median) standard credit electricity bills rise 1% and the equivalent gas bill rise by 3%. Over the same period, average direct debit bills rose by 8% in electricity and 2% in gas. Although average prepayment bills fell by 3% in electricity and 3% in gas, these are also due to rise this spring. Ofgem is concerned that rising prices may impact on the numbers of customers being taken out of fuel poverty and will continue to monitor suppliers' price levels carefully.

Competition and switching

- 2.2. The number of customers who have ever switched electricity supplier rose from 43% of customers in 2002 to 51% in 2003. The number of gas switchers rose from 39% in 2002 to 47% in 2003. Switching is most prevalent among customers who pay by direct debit, with prepayment customers switching less than other payment groups. Switching is reasonably even across social groupings, though customers in social groups D and E are marginally less likely to switch than other groups. Older (65+) customers are less likely to switch than younger customers, although the rate of switching amongst older customers has increased over the past two years. Further data on switching is provided at Appendix 1, indicator 5.
- 2.3. The table below shows current average bills for incumbent suppliers, by distribution region, compared with the best saving available from switching.

Table – incumbents current bills and cheapest offers (Feb 2004)

	Direct Debit		Standard Credit		Prepayment	
Incumbent supplier (electricity)	Incumbent's bill (£)	Best discount	Incumbent's bill (£)	Best discount	Incumbent's bill (£)	Best discount
Eastern	242	17%	247	11%	243	10%
East Midlands	242	16%	252	12%	244	10%

London	242	15%	250	10%	255	10%
Manweb	266	8%	279	8%	294	13%
Midlands	242	13%	253	9%	269	13%
Northern	252	18%	263	18%	287	15%
Norweb	250	16%	258	14%	258	10%
Seeboard	236	13%	244	8%	249	10%
Southern	256	15%	270	12%	285	13%
SWALEC	280	13%	295	9%	311	13%
SWEB	264	13%	273	7%	277	10%
Yorkshire	239	13%	250	13%	277	13%
Scottish Power	277	18%	291	14%	305	13%
Scottish Hydro	269	8%	283	8%	283	8%
British Gas (gas)	360	19%	402	21%	402	14%

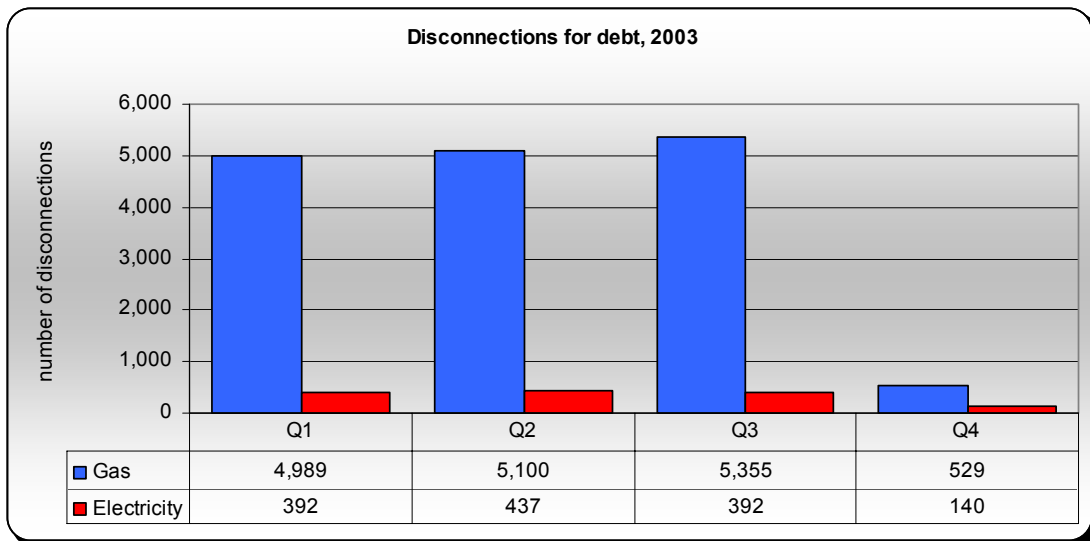
Source: energywatch (calculations are based on annual consumptions of 3,300kWh for standard rate electricity and 19,050kWh for gas. All prices include VAT at 5%)

Special schemes

- 2.4. All suppliers run special schemes targeted at low income or vulnerable customers. These take a number of forms. Some are special tariffs, like Powergen's Staywarm scheme aimed at older customers. Others, like British Gas Here To Help programme, use EEC funds to target energy efficiency measures and other help at vulnerable customers. The latest scheme is a trust fund launched by EDF. This provides debt advice and assistance to customers who are having difficulty in paying their bills.
- 2.5. Ofgem has always strongly supported these schemes. Research carried out by Ofgem this year on the PSR (see Chapter 4) suggests customers would welcome further schemes. Ofgem strongly encourages suppliers to consider developing specialised products to meet the needs of these customers. An outline of current schemes run by suppliers is provided in Appendix 2.

Social obligations

- 2.6. Ofgem continually monitors suppliers' performance under their codes of practice and publishes statistics every quarter on its website. The monitoring also contributes to the Social Action Plan's key indicators, details of which can be found at Appendix 1.
- 2.7. Gas disconnections dramatically tapered off at the end of 2003 to total 15,973, leading to a 27% drop against the previous year's figure of 21,780. However, this drop was due to a temporary suspension of disconnection activity by some companies while they reviewed their processes, and it is likely that the resultant backlog of cases will be dealt with during 2004. This may lead to an increase in disconnection activity during the coming year. Disconnections in electricity remain at a low level. Ofgem will watch the position carefully and is working with the industry to encourage alternatives to disconnection as explained later in this review.



- 2.8. Ofgem is also keeping a close eye on debt figures as part of its debt prevention work (see Chapter 5). There are currently 1.2 million customers in debt in both electricity and gas, with 0.5 million and 0.75 million respectively repaying through a prepayment meter. Average weekly repayment rates vary between £3.50 and £5 per week. Just over 65% of customers have debts of £100 or less to repay. There is a need for further progress on reducing the number of customers in debt.

2.9. A major area of focus during the past year has been the PSR. Numbers of customers on the PSR have remained static between 2002 and 2003. Over the coming year, Ofgem hopes to see a rise in the number of customers both on the PSR and receiving special services from suppliers. There has been some progress on numbers of customers who are referred for energy saving grants by suppliers, although the overall number of customers receiving energy efficiency advice and information is still relatively low.

3. Increasing access to competition and reducing costs

Debt assignment protocol

- 3.1. Work on the introduction of a new debt assignment protocol was completed during the year. This involved a lot of hard work by suppliers. The protocol will enable prepayment meter customers with a debt, whose transfer to another supplier would normally have been blocked, to move to a new supplier and take their debt with them when they do so. Initial work on this began with a trial in 2002 to test the practical implementation of new debt assignment arrangements. The main work completed during 2003 involved agreeing amendments to the Master Registration Agreement for electricity, and Standard Condition 46 of the Gas Suppliers' Licence, to make compliance with the protocol mandatory for domestic suppliers.
- 3.2. Following a period of systems testing, the protocol came into operation on 2 February 2004. Suppliers have agreed a £100 threshold as the level up to which debts will normally be accepted by acquiring suppliers, with some companies offering to accept higher amounts. Ofgem will be monitoring the operation of the protocol, and will keep the results under review.

Camden project

- 3.3. Over the last year, Ofgem has supported a pilot by the London Borough of Camden to raise energy awareness among ethnic minority groups. Ofgem's main contribution was to produce a booklet that explains the benefits of switching supplier. The booklet was designed with input from a number of sources, including seventeen community groups. Altogether, 15,000 booklets were printed. These are available in eight different languages spoken in Camden, as well as English.
- 3.4. In addition to this, London Borough of Camden has been recruiting volunteers from the local black and ethnic minority community groups throughout the borough to provide them with information and training about how to save

energy at home and reduce fuel bills. These volunteers have been able to act as intermediaries and pass on the knowledge and advice to others in the community, as well as distributing the leaflets within their communities.

- 3.5. The booklet was launched at the beginning of November, at an event organised by Camden Council in Chalk Farm. Ofgem will be evaluating the impact of the booklet, with the aim that, if successful, a similar model can be adopted by local authorities in other parts of the country.

Prepayment meter work

- 3.6. Ofgem has initiated a study into the scope for reducing the costs of prepayment meters through innovation or improved efficiency. A questionnaire was sent to suppliers, DNOs and Transco, seeking information on the potential development of new prepayment technology and the barriers to introducing this. Several main themes have emerged from companies' responses.
- 3.7. Most DNOs and Transco took the view that, without additional regulatory provision, there is little incentive for them to develop new systems. Now that competition has been introduced into metering, these companies see suppliers taking the lead role on progressing innovation. Some companies said that greater price transparency in metering would increase the incentive on suppliers to do this. Ofgem asked distributors about their policies for maintaining meters and for undertaking visits to customers' homes. Companies reported that they take steps to ensure work is undertaken efficiently in order to minimise costs.
- 3.8. Suppliers said they were reviewing and keeping abreast of new and more efficient technologies, although none are yet planning wide-scale prepayment meter replacement. They would like new technology to be supported by a number of suppliers to avoid redundant meters and stranded costs. This would include the provision of suitable infrastructure to support new meters, which could be independent of the company that supplies the customer.
- 3.9. Ofgem asked suppliers whether the prohibition on charging for more than one debt through a prepayment meter was seen as a barrier. Most suppliers agreed that this is not only a barrier to innovation, but also to delivering a higher standard of customer service. During the passage of the Energy Bill,

amendments have been laid to the Gas and Electricity Acts which would give Ofgem the power to relax the current prohibition, after consultation, where it was in customers' interests to do so. Ofgem considers that such a change could be helpful in introducing greater flexibility into future prepayment metering arrangements and increasing the scope for innovation.

- 3.10. Ofgem will be taking these issues forward in discussion with the companies. An important element of this is the work Ofgem is undertaking on the introduction of new price controls for electricity distribution companies, of which the treatment of metering forms an important part. We are considering the extent to which the prices which suppliers pay DNOs for metering reflect actual end-to-end costs for provision and maintenance and whether it might be practical to facilitate common approaches for suppliers and DNOs to install new types of prepayment meters.

4. Energy efficiency

Energy efficiency research

- 4.1. Electricity and gas suppliers are required by their licences to provide energy efficiency advice to their customers. This includes the operation of a telephone advice line. Ofgem published a report on these services in June 2002 which presented some mixed results. Only three quarters of calls made by assessors to the general call centres were successfully connected. Fewer than half the assessors were referred immediately to energy efficiency helplines. Assessors found that advice from suppliers' energy efficiency helplines varied quite widely, with some, for example, failing to provide follow up information.
- 4.2. A repeat study was published in December 2003¹ which looked at how the quality of advice had changed since the first survey. Once again, the research covered both the general call centres and expert energy efficiency helplines of the main suppliers. The research was again carried out by New Perspectives with Taylor Nelson Sofres, using mystery shoppers to assess suppliers' performance. Their research was divided into three stages:

(i) Mystery shopper calls to suppliers' general call centres

- 4.3. The first part of the mystery shopping survey consisted of 48 calls to suppliers' general call centres and was designed to check whether call handlers recognised the caller's need for energy efficiency advice and referred them to the energy efficiency helpline. Unfortunately there was little improvement in this area since the last study. Less than three quarters (73%) of callers were finally referred to the energy efficiency helpline, a 2% improvement on 2002.

(ii) Mystery shopper calls to suppliers' specialist advice lines

- 4.4. The second part of the mystery shopping survey consisted of 159 calls to suppliers' energy efficiency helplines. The assessors used one of eight different scenarios: high bills, a cold home, help to save energy, finding energy saving

¹ Report on the Quality of Energy Efficiency Advice from Electricity and Gas Suppliers' (172/03) December 2003
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Office of Gas and Electricity Markets

appliances, grants for energy saving measures, how to insulate solid walls, how to best control water heating and a request for a home visit to advise on the control of storage heaters.

- 4.5. This part of the survey showed some substantial improvements in a number of areas since the first study. More callers are now being asked detailed questions by advisers or being sent a home energy audit questionnaire, so that the adviser can recommend the most appropriate measures and grant schemes and send a Home Energy Report. More callers are now being asked about benefits and age to help determine eligibility for a grant to install energy efficiency measures. More are now being given advice on suitable measures for their property and behavioural changes they could make to save energy; more people are being told about grants. And most callers are now being provided with a general booklet giving energy advice and other relevant literature.
- 4.6. There is, however, still room for improvement. Although more customers are being given information about possible grants, suppliers still appear reluctant to let customers know about their own energy efficiency schemes. Only one in five callers was told about the EEC scheme.

(iii) Researching the experience of customers who had received advice

- 4.7. Assessors were also asked to record their impressions of the call handler's knowledge of energy efficiency, whether the call was handled in a polite and professional manner and how easy or difficult they found it to understand the verbal advice and explanations given by the caller.
- 4.8. Overall, impressions of the call handler's knowledge of energy efficiency were good. For the majority of suppliers there was a significant improvement on 2002, with the average rating of all energy advisers' knowledge increasing by 13%. Energy advisers were rated particularly well for their professionalism and politeness in handling calls. Most of the verbal advice provided by energy advisers was rated as either 'very easy to understand' (60%) or 'quite easy to understand', (30%) almost identical to 2002.
- 4.9. The research also looked at the likely take-up of energy efficiency measures which the helplines had advised. Of the 159 mystery shoppers who had called the suppliers' helplines, approximately half said they were likely to install some

of the measures recommended. This was a marginal improvement (8%) on 2002. EDF Energy appeared to give the most persuasive advice with three quarters of callers planning on installing measures, whereas Powergen were the least persuasive with only a quarter of customers planning on installing measures.

Table showing the overall ranking of suppliers for the 2003 energy efficiency help line mystery shopping survey.

Supplier	2003 Rating (max99)
EDF Energy	77
Scottish & Southern	69
Npower	65
Scottish Power, including Manweb	64
British Gas	64
Atlantic	63
Powergen, including TXU	62

4.10. Overall, Ofgem welcomed the improvements that have been made since the last study, particularly by those suppliers which performed poorly last time. Ofgem wrote to suppliers to seek comments on these findings and their proposals for ensuring improvements are made where needed. Ofgem drew particular attention to the need to improve the performance of the general call centres which are often the first point of contact with customers. Suppliers were also urged to sign up to the Energy Efficiency Partnership for Homes' Code of Practice for Energy Advice.

4.11. Suppliers' responses have been generally positive. EDF Energy, which ranked at top place overall had, previous to the survey, already been promoting energy efficiency awareness among its call centre staff. This includes a poster campaign across all call centres and updates in an internal staff magazine. Npower said it aims to improve the rate of immediate referrals from the general call centre to the energy efficiency helplines. Furthermore, once npower has signed up to the 'Energy Efficiency Partnership for Homes Code', only energy efficiency helpline staff trained to NVQ level 2 in the provision of energy efficiency advice will be permitted to provide advice.

4.12. Suppliers said they were improving service provided by their energy efficiency helplines. Most suppliers have stated that they will look at ways to improve the provision of verbal advice. Some have suggested shaping future training

programmes to address the weaker areas highlighted in the study. Powergen say that advisors are already encouraged to 'expand the call' and to help the customer explore a wider range of energy efficiency options than they originally called about. Powergen have also stated that they are currently recruiting more staff to deal with the rise of inbound calls to their advice line (over the last half of 2003) and following training of staff, plan to increase the availability of their service by 75%.

- 4.13. Since the mystery shopping exercise, Atlantic has introduced a Home Energy Report, which is sent out to customers with an additional energy efficiency information leaflet – 'Lifestyle Hints & Tips'. A covering letter encourages the customer to call one of the energy efficiency advisors to discuss the report and any possible improvement measures. The contractor which Atlantic use for these reports (and home visits) is registered with the Energy Efficiency Partnership for Homes' Code. Powergen has also stated that it has signed up to the Partnership's Code of Practice. EDF Energy has established a new process since early 2003, which allows it to flag a call back date to ensure that a personalised service is available and maintained once a customer has received a home energy report. Scottish and Southern Energy said it has reviewed the amount and scope of supplementary and printed information available to energy advice line staff.

Energy Efficiency Commitment (EEC)

- 4.14. The EEC programme places an energy savings obligation on electricity and gas suppliers over a three year period (2002-5). The programme recognises both the social benefits of energy efficiency and the contribution it can make to the reduction of carbon emissions. In practice the EEC involves helping households install energy efficiency measures in their homes. Suppliers are required to target at least half of the energy savings from the measures at the 'Priority Group' - households that receive certain income related benefits or tax credits. Over the last year Defra amended the legislation for the EEC to broaden the Priority Group to include those households in receipt of Working Tax Credit and Child Tax Credit (where their income is below £14,200) and Pension Credit. It is estimated that the Priority Group now comprises around 8.8 million households.

- 4.15. In January Ofgem finalised each supplier's EEC target to be met by 31 March 2005. Twelve suppliers have been set an energy saving target under the EEC, totalling 62 TWh. Ofgem's role is to oversee suppliers' work by accrediting each energy efficiency scheme they set up and by monitoring progress. Suppliers provide quarterly reports to enable Ofgem to monitor the delivery of their schemes. Over the last year Ofgem has conducted its first round of auditing of the suppliers' schemes to check that the measures claimed are actually being sold and installed.
- 4.16. Suppliers' most recent quarterly reports, detailing the schemes set up and the measures delivered up until the end of December 2003, show that they are on track to meet their overall energy saving target. Although the data suggests that more focus needs to be paid to the Priority Group, with only 45% of the total energy savings currently being made in Priority households, suppliers are expected to meet the 50% target by March 2005. Suppliers are now beginning to complete some of their schemes and 'bank' the energy savings achieved against their targets.

Measures targeted at the Priority Group

- 4.17. Over the last year suppliers have continued to concentrate on partnering social housing providers and local authorities to help target the Priority Group. Such partnerships enable suppliers to locate areas of Priority households and pool resources to extend existing, and develop new, projects to assist deprived areas.
- 4.18. Priority Group customers often receive measures free, with full funding provided by a supplier or joint funding provided by a supplier and a social housing provider. Insulation accounts for the majority of this work, with low energy lighting contributing most of the remainder of the energy savings.
- 4.19. Recognising the importance of such partnerships, suppliers have continued to explore ways to add further value. One approach akin to Warm Zones is to 'blitz' particular areas. Suppliers also involve charities to identify householders in need and provide other goods and services to help them. For example, Powergen's HeatStreets aims to assist each household within an area to ensure that they are adequately insulated and heated. British Gas's Here to Help

programme works with charities to provide energy efficiency measures as well as additional services such as security devices and free benefits health checks.

- 4.20. Suppliers are also integrating with central government schemes (Warm Front in England, Warm Deal in Scotland and Welsh HEES) as another way to help the Priority Group. Suppliers can integrate with these schemes by purchasing measures installed by each of the programmes. The energy savings from the measures purchased can then count towards the supplier's EEC target. The managing agent of the government programme must use the money from the sale of measures to install similar measures within households. Such integration has enabled Warm Front to provide insulation measures to additional households and to install insulation where the grant maxima have been exceeded, for example where the grant has been spent on the installation of a heating system.

Factor Four

- 4.21. Ofgem has continued its involvement with the Factor Four project – a pilot project based around a credit union in Birmingham. The Factor Four concept was developed by National Energy Action (NEA) and New Economics Foundation. It aims to integrate help in four key areas: energy advice; budgeting and money advice; the take up of energy efficiency measures; and bill payment. Funding is being provided by npower, Severn Trent Trust Fund and Barclays Bank. Ofgem is funding NEA to evaluate and report on the project.
- 4.22. Over the last year the steering group has met several times to discuss the development of the pilot by the Birmingham Credit Union Development Agency. A Service Development Manager was recruited in December and is working to bring together the various elements of the project. So far, publicity material has been designed, a referral network of money advice agencies built up and the methodology for the research evaluation has been agreed. In addition to this, the Factor Four service has become a member of Advice UK.

5. Protecting the vulnerable

Debt prevention and disconnection

5.1. In last year's annual report Ofgem described the work undertaken with energywatch to tackle debt and disconnection. During spring 2003 Ofgem and energywatch wrote to suppliers, asking them to prepare strategies, focusing on the six key areas described in good practice guidelines developed jointly to promote debt prevention. Once these strategies were received, Ofgem and energywatch met with suppliers to discuss these in more detail and see how they were being put into action.

5.2. Initiatives which have been put into place include:

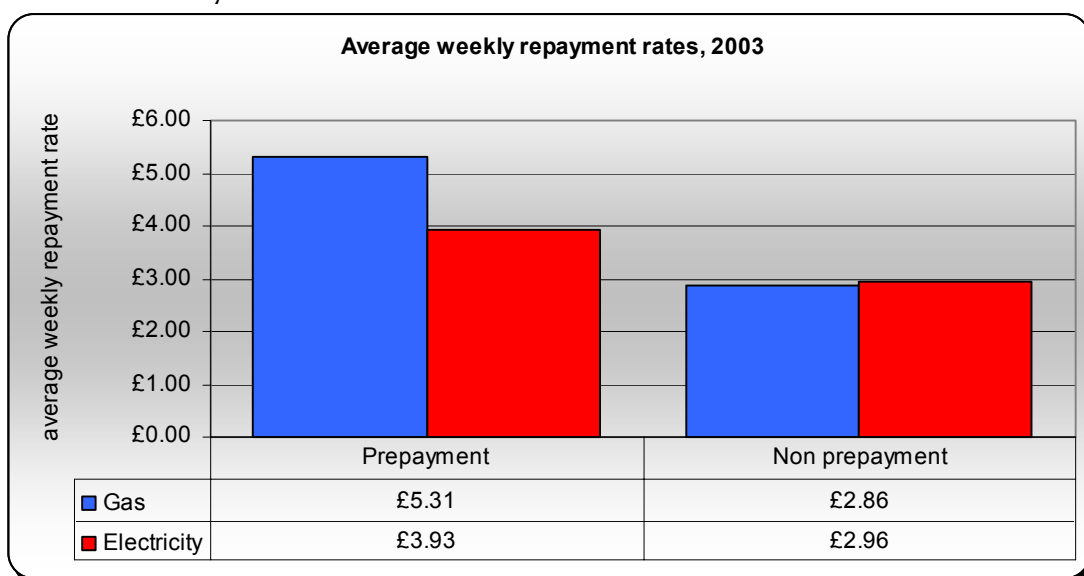
- ◆ New contracts negotiated with meter reading companies, so that a higher percentage of bills are based on actual readings rather than estimates, hence reducing the likelihood of billing errors which may contribute towards debt.
- ◆ Scottish Power has introduced a pilot scheme to call customers who are due to receive bills over £250. This is to discuss possible reasons for the high bill and whether energy efficiency advice would be helpful.
- ◆ Major promotion of special services available, for example, PSR newsletter and welcome packs.
- ◆ EDF has set up 'The EDF Energy Trust', the energy industry's first trust fund to help vulnerable customers in debt who cannot afford to pay their energy bills. EDF has pledged £2 million to start the programme.
- ◆ Better information on debt advice provided to customers, for example, British Gas has written a 'pre-debt money advice pack' in conjunction with the National Debt Line and the Money Advice Trust. This is a comprehensive advice pack about managing money which also includes energy efficiency advice to help reduce energy bills.

5.3. Generally there is evidence that suppliers are making good progress on developing strategies around the guidelines. However there are some suppliers

who have made a number of acquisitions and have made markedly slower progress than others due to the integration of IT systems and other consolidation issues, as a result of these acquisitions.

- 5.4. Continuing with the project, Ofgem and energywatch will issue a progress report in the coming months which will look at progress using the Codes of Practice monitoring statistics for 2003. We aim to keep work around debt and disconnection a high priority on the agenda for suppliers. Ofgem and energywatch plan to visit suppliers again in the summer months of 2004 to undertake a more extensive review of how they are progressing with their strategies. The project will be evaluated and a joint report produced at the end of the year to see what effect the work has had on debt and disconnection overall.

The graph below illustrates repayment rates for customers in debt. These are monitored to ensure they remain affordable.



Care for vulnerable customers

- 5.5. Ofgem is working with suppliers to improve protection of vulnerable customers. This work was initiated following media reporting of the case of two pensioners who were found dead 11 weeks after their gas supply was disconnected in August 2003. Although in the Coroner's Inquest report no blame was attached to the gas supplier concerned, the question arose as to whether social services should have been alerted to the case, and whether more guidance was needed on dealing with vulnerable customers with energy debts.

- 5.6. As a result of the case, the Information Commissioner was asked to clarify the circumstances in which the Data Protection Act (DPA) would permit at risk cases to be notified by energy suppliers to third parties, such as social services departments. Ofgem is working with energy suppliers, through the Energy Retail Association, on development of a common approach. This will take into account guidance on the DPA, and build on the existing winter moratorium on disconnection. Ofgem's objective is to ensure that suppliers adopt sensible procedures, which are acceptable to relevant interested parties, for dealing with vulnerable customers. Ofgem is expecting that a consultation process on these procedures, involving social services professionals, consumer bodies and government departments, will be launched around Easter.

PSR research

Background

- 5.7. In its last annual review, Ofgem undertook to "[research] the help given to customers who are eligible for priority services, to assess the quality of these services and whether these meet customers' needs."² To this end, Ofgem published a report in December 2003 outlining the results of research undertaken during Summer and Autumn 2003.³
- 5.8. The research was undertaken in four areas. Ofgem commissioned Accent Marketing and Research to undertake a mystery shopping exercise testing the awareness and helpfulness of the general call centres and advice lines of the six major suppliers; Ofgem commissioned MORI to undertake some qualitative and quantitative research to test customers' awareness of the PSR and services provided by customers and to gauge their views on those services; Ofgem also commissioned MORI to conduct a telephone interview with 100 customers who had received a free gas safety check from their supplier to gauge their satisfaction with this service; finally, Ofgem undertook some desk research into services provided by DNOs and gas transporters.

² P.30 Social Action Plan Annual Review 2003, March 2003

³ Priority Service Research Project (165/03) – A report on services to vulnerable customers, December 2003
Social Action Plan Annual Review 2004

5.9. The results and conclusions of the report are set out below. Ofgem invited all companies covered by the report and other interested parties to respond by 20 February 2004, and hosted a seminar on the report in January. In particular, Ofgem invited companies to set out how they intended to take work forward to improve their performance in this area. A summary of the responses is provided in paragraphs 5.22 – 5.24.

Research results and conclusions

Mystery shopping

5.10. 90 mystery shops were undertaken by Accent, across the six major suppliers, using customers who were eligible for the PSR. The shoppers used a range of scenarios, including general requests for information about the PSR and requests for specific services such as alternative format bills and a free gas safety check. The number of shops was relatively small, meaning that the research was largely qualitative, but the shoppers rated the service they received which allowed a degree of benchmarking. Scottish Power were rated highest and EDF energy lowest, but there was not a large variation in the service provided by suppliers.

Overall ranking of suppliers in PSR mystery shopping exercise

Company	Rank	Overall rating mean score*
Scottish Power	1	1.69
British Gas	2	2.00
Powergen	3	2.15
Scottish and Southern	4	2.27
Innogy	5	2.36
EDF Energy	6	2.40
All		2.13

* mean score based on a scale from very positive (1) to very negative (5)

5.11. The results of the mystery shopping showed an inconsistency in the way suppliers respond to requests for help from customers who are eligible for the PSR. Awareness among frontline staff seemed particularly patchy, and often the shoppers did not receive the services that they requested. Only a minority of shoppers received offers to join the PSR. Suppliers were also fairly poor at sending out written information, with the majority of shoppers having received nothing 2 weeks after being promised a leaflet.

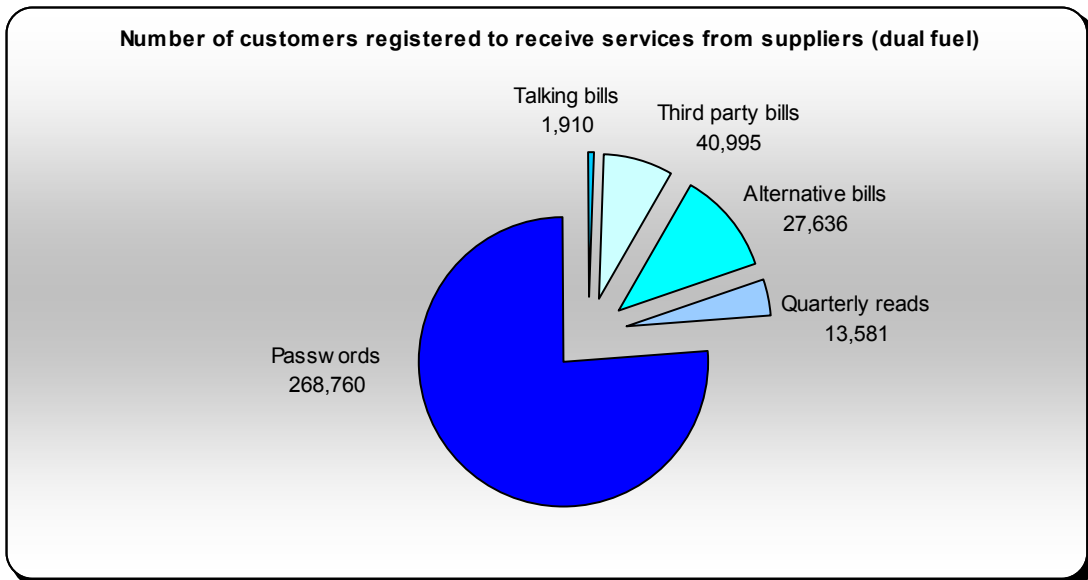
5.12. Ofgem recommended that suppliers improve their training of staff, particularly the awareness of their frontline staff. Ofgem also recommended that suppliers review their arrangements for stocking and distributing literature.

Qualitative and quantitative research

5.13. MORI tested awareness of the PSR amongst potentially eligible customers as part of its regular General Public Omnibus survey. Of the 768 potentially eligible customers questioned, 76% had not heard of the PSR, and only 53% recognised one or more free services available to eligible customers.

5.14. MORI also conducted five focus groups and 12 in-depth interviews with customers who were of pensionable age, disabled or chronically sick to test attitudes to services available and whether these met customers' needs. This research found that customers thought that the services available were both appropriate and welcome, although again most customers interviewed were previously unaware that the services were available.

Take-up of registered services offered by energy suppliers (December 2003)



5.15. Ofgem recommended that suppliers should do more to publicise the PSR and its benefits and consider approaches more relevant to the target audience. Ofgem will test awareness amongst eligible customers again in late 2004 to see whether improvements have been made. Ofgem also recommended that suppliers improve their communication with customers who are already on the PSR by providing regular reminders of the services available.

Free gas safety checks

- 5.16. MORI conducted 100 interviews with customers who had recently received a free gas safety check to gauge their satisfaction with the service received. The survey also sought to establish whether inspectors were punctual, whether the customer recalled the inspector carrying out all the appropriate checks, and in cases where faults were identified, what follow-up action was taken.
- 5.17. The research found that customers were overwhelmingly satisfied with the service received and that over 80% intended to have another check the following year. It found that inspectors were mostly punctual, mostly used passwords where requested to do so and to a lesser extent also showed ID cards without being prompted. Only a small number of problems were identified as a result of the checks. However, suppliers rarely offered assistance in these cases, although customers reported finding it useful where it was given.
- 5.18. Ofgem recommended that suppliers do more to promote the safety check (only a third of eligible customers in the General Public Omnibus survey were aware of the service) in ways that are relevant to the target audience. Ofgem also recommended that suppliers should put in place a mechanism for identifying customers who have failed or partially failed a safety check and should proactively contact them to offer help and advice.

DNOs and transporters

- 5.19. Ofgem wrote to all DNOs, Transco, and the six major suppliers, to gather views on the services provided by DNOs and Transco in respect of PSR customers, and the means of communication between suppliers and DNOs/Transco.
- 5.20. Suppliers said that, overall, both DNOs and Transco were meeting their obligations in respect of PSR customers and some good practice was identified. However, the research showed there was a lack of consistency in the mechanism for referring eligible customers to DNOs. Because the obligations on DNOs and suppliers differ, this seemed to cause confusion as to which customers should be referred and who was responsible for determining whether a customer should be registered on DNOs' registers. There was also concern about the quality of

some of the data being passed.

- 5.21. Ofgem undertook to issue guidance to suppliers and DNOs regarding the referral of customers to DNO registers. Ofgem recommended that DNOs and Transco take note of good practice identified in the report and emulate it. Ofgem is also progressing work on improving services to customers on DNO registers as part of the 2005 price control review.

Responses to the report

- 5.22. Ofgem received 13 responses to the PSR report, which comprised 6 from the major domestic supply businesses, 4 from DNOs, and 1 each from Transco, Age Concern and Ofwat.
- 5.23. Suppliers accepted that they need to do more to raise awareness among their staff and improve training. All suppliers also said that they would make greater efforts to promote the PSR and services to customers. Some suppliers raised issues concerning branding and noted that the term "Priority Service Register" was not universally used. They suggested that both staff and customers might only recognise the PSR by the brand name given to it by individual companies. There were also suggestions that the name "Priority Service Register" may put customers off registering.
- 5.24. Some suppliers raised issues concerning the cost to suppliers of providing the free gas safety check and that difficulties arise in offering assistance to customers who have failed a check, with the perception that suppliers have a vested commercial interest in customers needing repairs and appliances. Age Concern supported the report and suggested that suppliers should provide a number of additional services, including appointments for meter reading, and the provision of alternative cooking and heating facilities for pensioners in cases where appliances or mains gas are switched off owing to appliance failure. DNOs all supported Ofgem's suggestion that it should provide guidance on data transfer.

6. Work plan for 2004/5

- 6.1. Ofgem's Corporate Strategy was published in March 2004. This highlights fuel poverty issues as one of seven themes for Ofgem's work for the period 2004-2007. The strategy noted that a significant element in the reduction in the number of fuel poor since 1996 have been falls in energy prices. Given prices are now starting to increase, Ofgem said that it saw the need for a strong focus on other means of ensuring reductions in fuel poverty. Ofgem regards energy efficiency as the most effective means of doing this. We shall want to ensure that the schemes for which we have responsibility operate efficiently, and will press Ministers to provide the necessary resources for other schemes such as Warm Front.
- 6.2. The strategy states that we intend to continue to work closely with government and industry. We must act to ensure that all parties maintain their focus on competitive energy markets and efficient network operation to avoid a resurgence of fuel poverty. In developing new policies, we will pay particular attention, in our RIAs, to assessing their impacts on vulnerable customers. We will collaborate closely with energywatch to improve the way advice about the benefits of switching can be targeted to help vulnerable customers. In all of this work, the active involvement of industry is essential. We shall intensify our co-operation with industry to identify imaginative solutions and encourage the development of best practice, for example in developing new tariffs for vulnerable consumers and debt prevention.
- 6.3. Ofgem will focus on a number of specific projects aimed at reducing fuel poverty, reducing debt and disconnection and protecting the vulnerable as follows:

Reducing fuel poverty – future planning

- 6.4. During the coming year the government will be finalising its plans for EEC2. Important questions remain to be addressed as to how the targeting on priority groups will work in the new scheme. Given the important role that energy efficiency has to play in reducing fuel poverty, Ofgem will work closely with

government to encourage Ministers to make available the appropriate resources to enable EEC2, Warm Front, and other government schemes to work effectively together. Given the prospect of rising fuel prices, Ofgem will work with government and build its own understanding of the implications of different scenarios so that it can make an informed contribution to government's plans for eliminating fuel poverty in vulnerable households by 2010. This is an extremely challenging target and a clear plan is required by government if the target is to be achieved.

Reducing fuel poverty – promoting switching and energy efficiency

- 6.5. Ofgem will continue its focus on encouraging customers to take advantage of the competitive market. We will be reviewing the success of the debt assignment protocol and continuing to promote the benefits of switching and energy efficiency. energywatch in their annual plan have announced a campaign to highlight the benefits of switching supplier. We will be looking to work with them to help identify innovative ways to take this work forward.
- 6.6. Ofgem will continue its ongoing involvement in several other collaborative projects. The results of a pilot being run by the London Borough of Camden to promote awareness of switching and energy efficiency among ethnic minority groups will be evaluated in the summer to consider the next steps. Ofgem is also working with a number of partners on the Factor Four pilot project, which is based around a credit union in Birmingham. Factor Four aims to integrate help for low income families in four key areas: energy advice; budgeting and money advice; the take up of energy efficiency measures; and bill payment. Ofgem is funding an evaluation of the pilot by NEA.
- 6.7. As part of its work on the Energy Efficiency Commitment, Ofgem will be considering how resources can be most effectively targeted on the fuel poor. We will be hosting a seminar bringing together interested experts and suppliers to share best practice in techniques for delivering this. Ofgem will also be following up on the research carried out in 2003 into the provision of energy efficiency advice by suppliers to check the necessary action is being taken to continue to improve the provision of this service.

Reducing fuel poverty – removing barriers to innovative metering

- 6.8. Ofgem began a study last year into the scope for reducing the costs of prepayment meters through innovation or improved efficiency, with the ultimate aim of securing lower tariffs for prepayment customers. This has involved collection of a considerable amount of relevant information and data. In the light of this, Ofgem is currently in a dialogue with companies about steps which can most usefully be taken to remove barriers in this area. Prepayment meters have historically been owned, maintained and operated by the Distribution Network Operators (DNOs) in electricity and Transco in gas, with the provision of payment infrastructure being the responsibility of suppliers – although this is changing with the introduction of competition in metering. As part of the work on new price controls, Ofgem is examining how DNOs recover the costs of metering. We are considering the extent to which the prices which suppliers pay DNOs for metering reflect actual end-to-end costs for provision and maintenance and whether it might be practical to facilitate common approaches for suppliers and DNOs to install new types of prepayment meters which are cheaper to maintain and operate. Ofgem will be bringing forward proposals for charging for prepayment meter provision as part of its review of price controls for DNOs, and will host a seminar for interested parties.

Reducing debt and disconnection - promoting best practice

- 6.9. Early in 2003 Ofgem published, jointly with energywatch, good practice guidelines for suppliers to follow on the prevention of debt and disconnection. These guidelines drew on the expertise of a wide range of interested parties. Subsequently, Ofgem and energywatch encouraged suppliers to prepare strategies adopting the guidelines. These strategies have been discussed with each of the major energy suppliers, and Ofgem and energywatch are currently monitoring their implementation. A joint report will be prepared and published at the end of the year, examining the progress which has been made by suppliers.
- 6.10. Ofgem will also continue to work with energy suppliers and other interested parties on an initiative to improve the protection for vulnerable customers in debt. This is in the light of a tragic event shortly before Christmas, which was

covered extensively in the media, of the deaths of two pensioners. Ofgem is pleased that suppliers have whole heartedly supported the need for additional steps, beyond the existing winter disconnection moratorium, to ensure those most at risk are identified and helped.

Reducing debt and disconnection – alternative payment methods for customers on benefits

- 6.11. In its report on the operation of the Fuel Direct scheme, which was published in 2001, Ofgem identified the potential for introducing a new form of payment for people on benefits, which could operate more efficiently than the current Fuel Direct scheme, and be available whether people were in debt or not. This would build on new arrangements being introduced by the government, starting from 2003, to make payment by Automated Credit Transfer (ACT) into bank accounts the norm for the payment of benefits. Ofgem sees wider availability of direct debits from bank accounts for customers on benefits as providing a number of advantages. For companies this would provide a guaranteed and secure method of payment, although this depends on payments being phased weekly or fortnightly before claimants draw their money and its attractiveness will depend on the level of charges being reasonable. For benefits claimants, the advantage is a convenient method of payment, without worries about budgeting, disconnection or becoming overdrawn. Ofgem was pleased that in its work on *Everyday Essentials: Meeting Basic Needs*, the National Consumer Council supported this concept.
- 6.12. Now that new arrangements for payment of benefits into bank accounts are being implemented, Ofgem is keen to make progress in this area. As a first step, we will host a meeting bringing together a wide range of interested stakeholders including energy suppliers, other utilities such as water companies, DWP, DTI, Banks, the Post Office, and consumer bodies, to consider the steps needed to introduce a new payment scheme. Ofgem will examine the costs of doing this and the savings which could result to the current Fuel Direct scheme through the introduction of a more efficient method of deductions.

Helping vulnerable customers - reducing the incidence of self disconnection

- 6.13. In 2001, the major energy suppliers, under the auspices of the Electricity Association's Fuel Poverty Task Force, published a study into the proportion of households with prepayment meters that reported self-disconnection and its frequency. This showed that although some 25 per cent of prepayment customers reported some incidents of self-disconnection, only around ten per cent did so regularly. Working with energywatch, Ofgem has been encouraging energy suppliers to put in place arrangements for identifying customers who self-disconnect regularly, and for providing help in the form of information and advice, and the provision of energy efficiency measures. During the year, Ofgem will be reviewing the progress that has been made by suppliers, and considering whether further action needs to be taken.

Helping vulnerable customers – improving the uptake and quality of services provided to customers on the Priority Services Register (PSR)

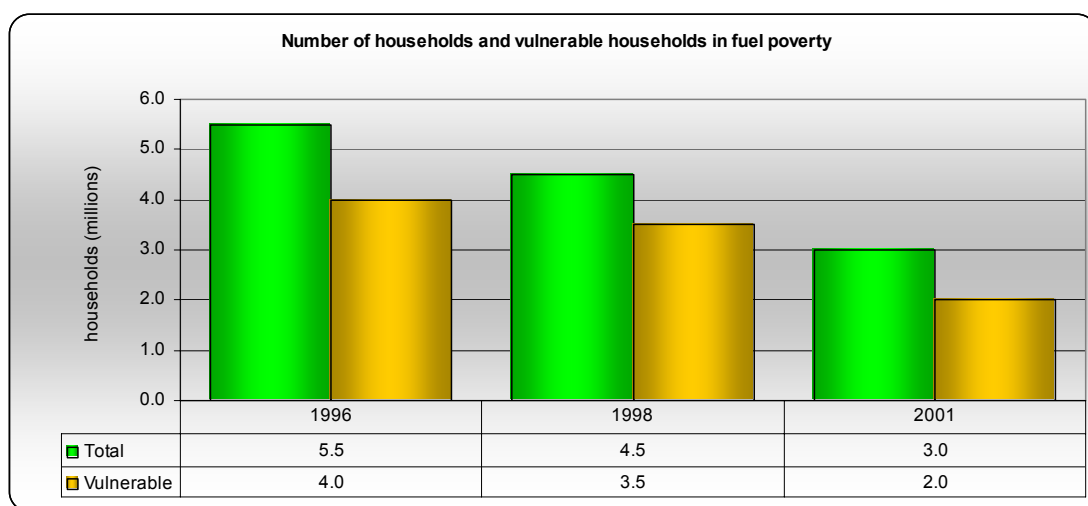
- 6.14. As reported in this review, a major project in 2003 involved research into the operation of the PSR. During the coming year, Ofgem will be working with energywatch and other agencies, if appropriate, to help raise awareness of the services provided to customers on the PSR. Ofgem has challenged suppliers to review their performance in order to improve the provision and publicity for these services and to address the problems identified in the 2003 report. We will be looking carefully at how companies have responded and considering the next steps. Awareness research showed that last year around 75 per cent of eligible customers had not heard of the PSR. This research will be repeated by Ofgem towards the end of the year to see if awareness of special services has increased. This work also links with the work referred to above to find successful alternatives to disconnection of vulnerable customers.

Appendix 1 Social Action Plan indicators

- 1.1 The Social Action Plan has a series of 12 indicators to assess progress and inform future work. The data are drawn from a range of sources, including suppliers (as part of their codes of practice monitoring returns), DTI and market research carried out by JD Power.

Indicator 1: Total number of households in fuel poverty

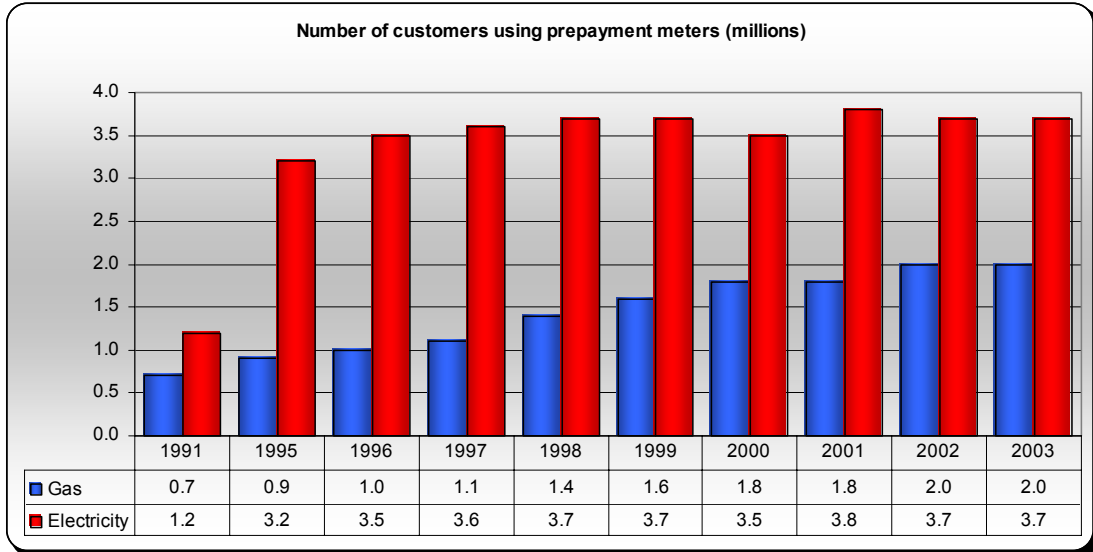
- 1.2 The chart shows the latest government estimates for the number of households in fuel poverty. A fuel poor household is one which needs to spend more than 10% of its income on household fuel use. Vulnerable households are defined as including pensioners, disabled, chronically sick and families with young children.



(Source: The UK Fuel Poverty Strategy 1st Annual Progress Report, DTI, March 2003. Figures are UK estimates)

Indicator 2: Number of customers using prepayment meters

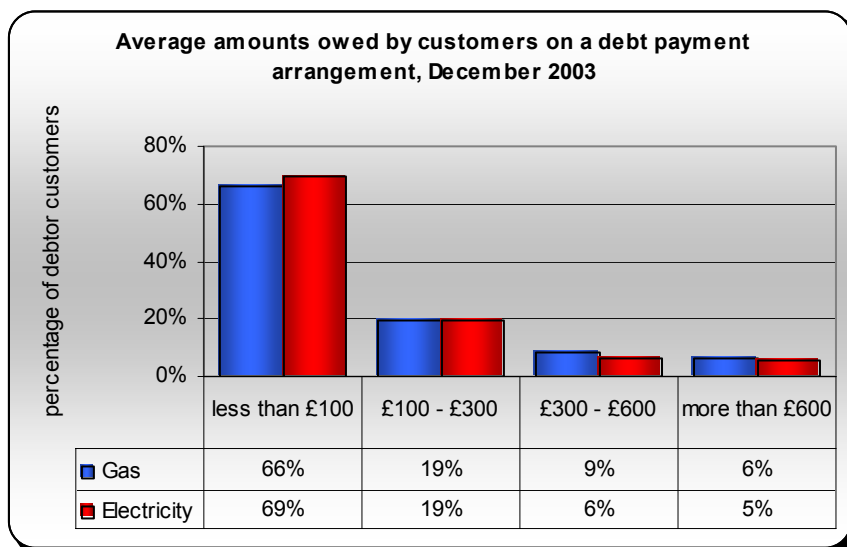
- 1.3 Customers who pay through a prepayment meter often pay more for their energy than those paying by other payment methods. Just over a third of gas prepayment customers and less than a sixth of electricity prepayment customers are currently repaying debts. Customers with debts under £100 are now able to switch supplier, allowing them to make savings on their bills (see Debt assignment protocol, Chapter 3). The number of pre-payment customers for both gas and electricity has remained the same from 2002 to 2003.

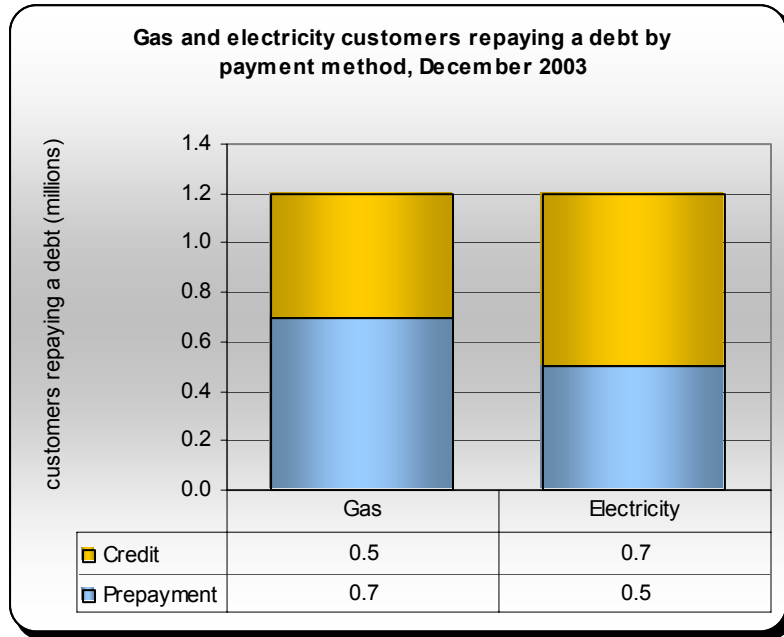


(Source: Ofgem)

Indicator 3: Debt repayment levels

1.4 The charts below sets out the number of customers repaying debts by size of debt and payment method. The majority of customers are repaying a debt of under £100. The total number of customers in debt has remained broadly constant over the last year.

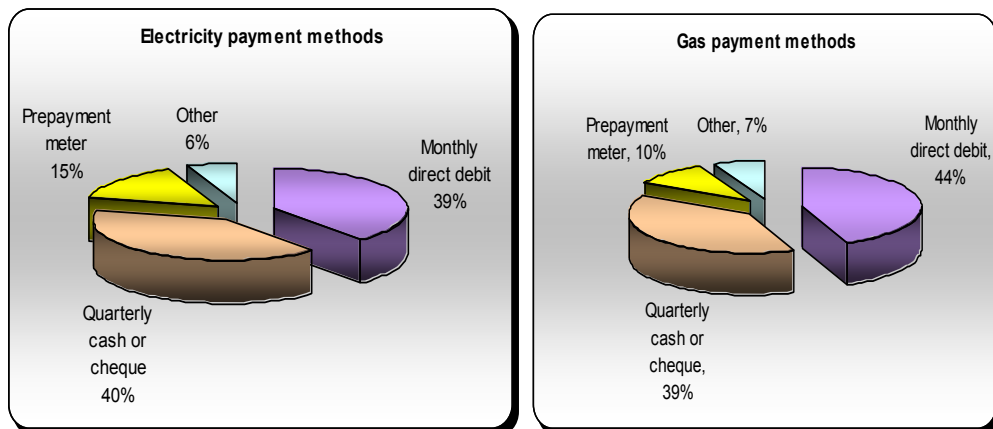




(Source: Ofgem)

Indicator 4: Tariff and payment choice

1.5 There has been a slow but steady increase in recent years in the number of customers paying by the cheapest payment method, monthly direct debit. Fewer than 10 million electricity and 8 million gas customers now pay on receipt of the bill.

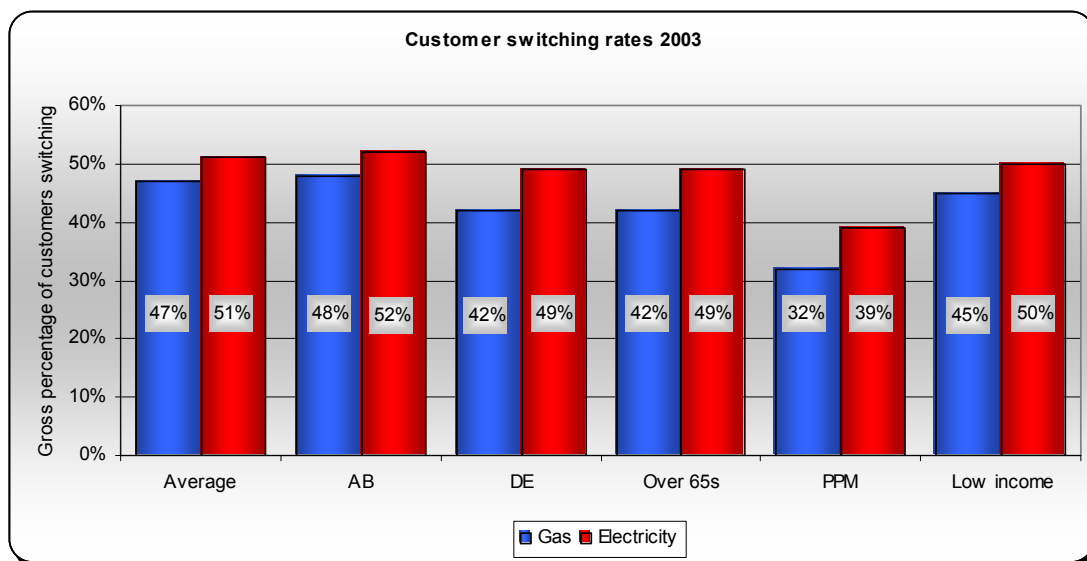


(Source: Ofgem)

Indicator 5: Switching rates

1.6 The gross number of customers switching supplier is between 47% (gas) and 51% (electricity). This includes customers who have switched a number of times, and includes those who may have switched back to their original

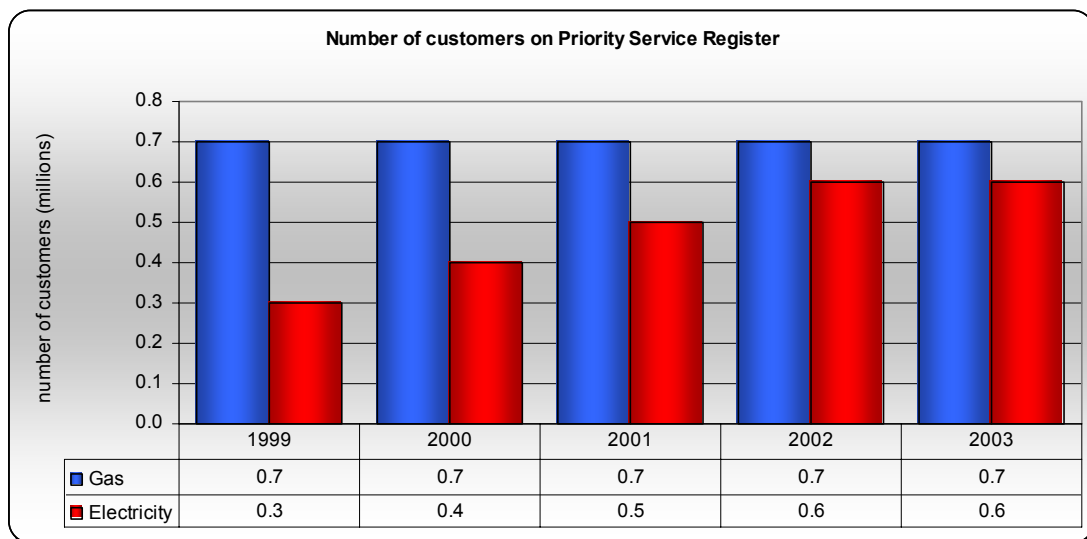
supplier. Switching is slightly lower than average for those over 65 and in social groups D and E. Prepayment meter customers lag behind other groups.



(Source: JD Power)

Indicator 6: Priority Service Register

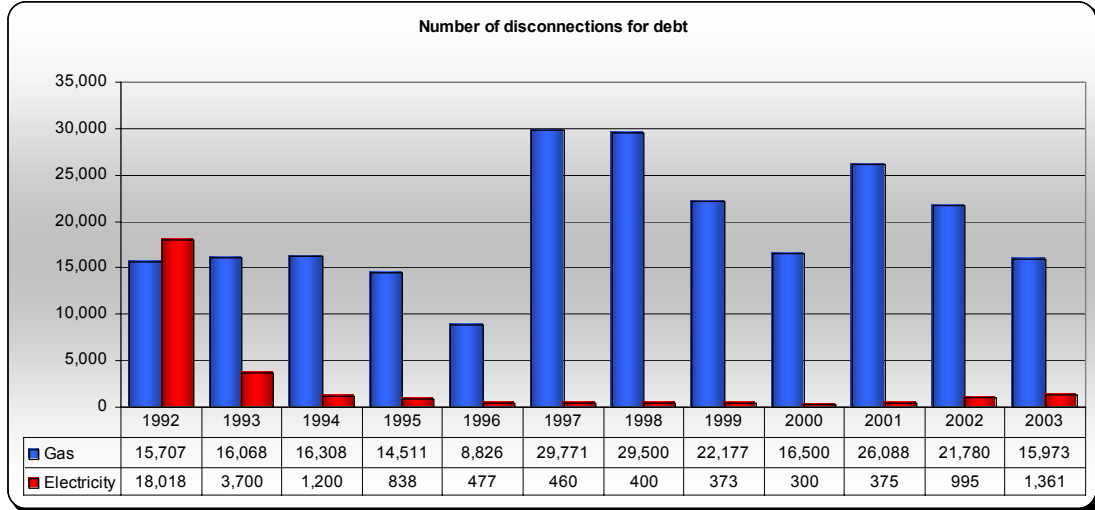
1.7 Research carried out by MORI suggests that 76% of eligible customers are unaware of the Priority Service Register. Numbers on the PSR have not changed between 2002 and 2003 for both gas and electricity. Take-up of associated services remains low.



(Source: Ofgem)

Indicator 7: Disconnections

1.8 Gas disconnections fell by 27% in 2003, partly as a result of a steep drop in disconnection activity in the final quarter of the year. Electricity disconnections remain at a low level.



(Source: Ofgem)

Indicator 8: Self-disconnections

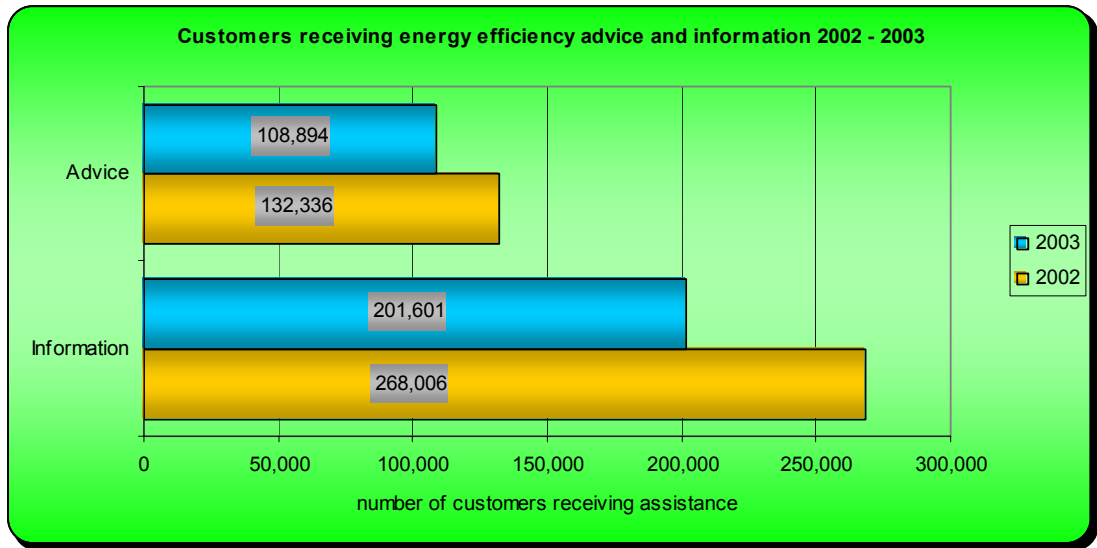
1.9 The proportion of households with prepayment meters that reported self-disconnection and its frequency in a study undertaken during 2000 for the EA Fuel Poverty Task Force is set out below. As described in the Work Plan for 2004/5 section of this review (see Chapter 6), Ofgem will be undertaking further work in this area.

Incidences of self-disconnection	electricity	gas
None	76%	73%
Once	10%	8%
Twice	8%	9%
Three to twenty times	5%	8%
More than twenty times	1%	2%

Indicator 9: Effective energy efficiency advice

1.10 Just under 110,000 customers received verbal advice from their supplier in 2003, representing a drop of 18% on 2002. Just over 200,000 customers received printed information about energy efficiency over the same period.

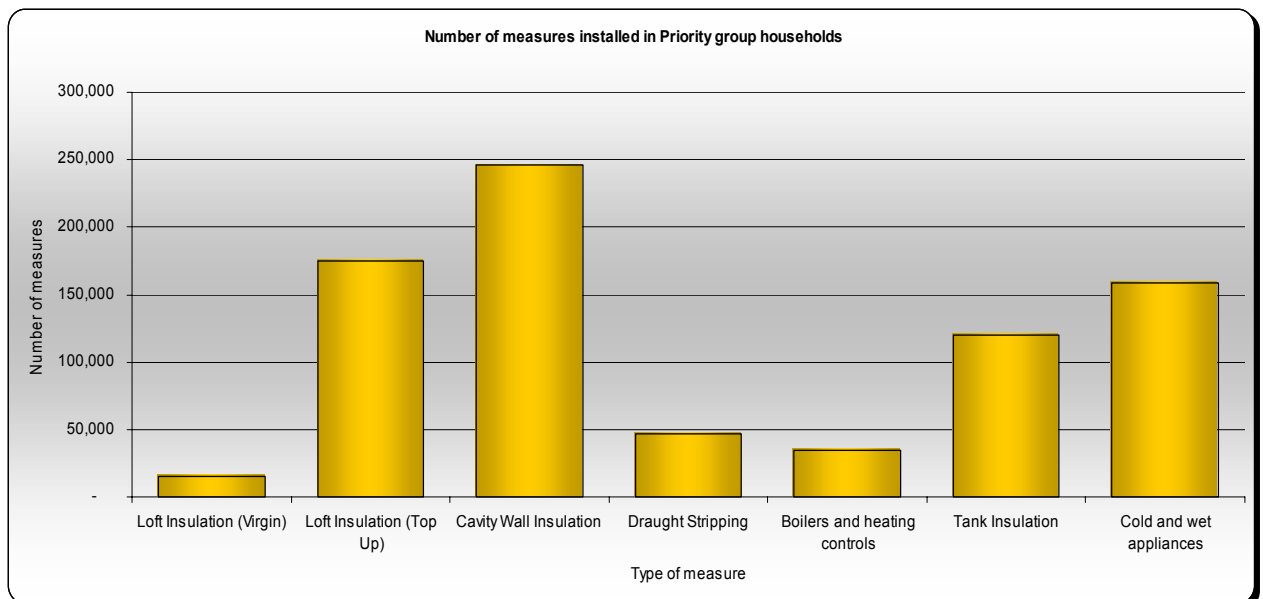
Suppliers referred around 10,000 customers to contacts for Warm Front and EEC grants during the year.



(Source: Ofgem)

Indicator 10: Warm homes initiatives

1.11 The number of measures installed (excluding lighting) for customers in the Priority Group under the EEC is set out below, broken down by type of measure. In total almost 800,000 measures have been installed to date for customers in the Priority Group, leading to estimated annual savings on fuel bills of around £32million. On average, each measure leads to a saving on fuel bills of about £41 per year.

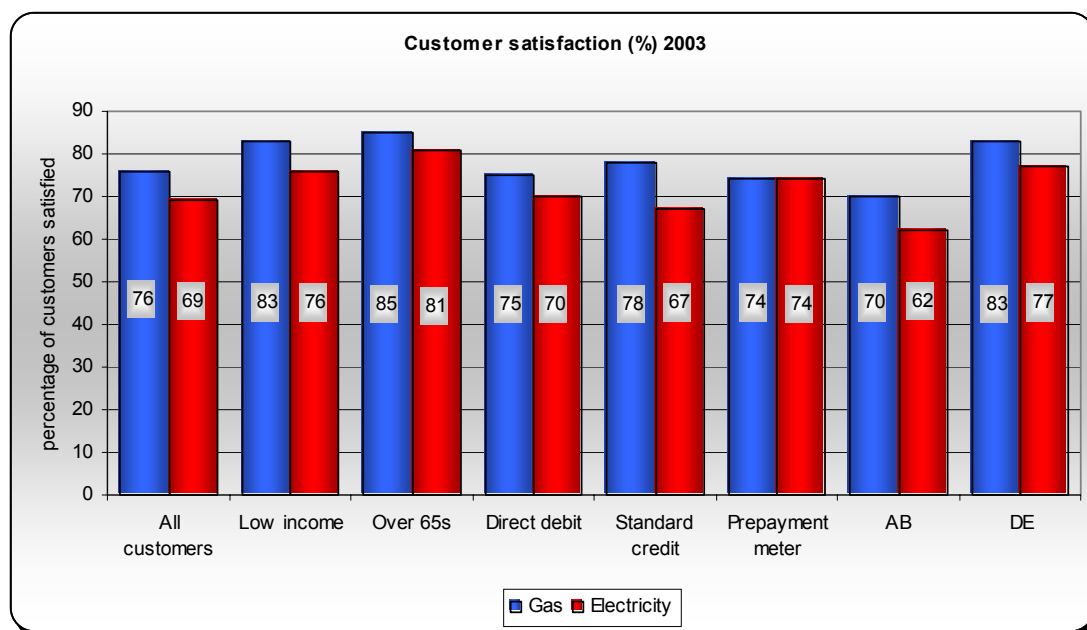


Measure	Estimated average annual saving per measure		Number of measures installed to date
	kWh/a	£	
Loft insulation (virgin)	7414	103.79	14,926
Loft insulation (top-up)	3766	52.72	175,320
Cavity wall insulation	4889	68.44	245,870
Draught stripping	670	9.38	46,703
Tank insulation	800	11.20	119,585
A and B rated boilers and heating controls	2138	29.93	34,119
Cold and wet appliances	194	13.55	158,476

(Source: Ofgem)

Indicator 11: Customer satisfaction

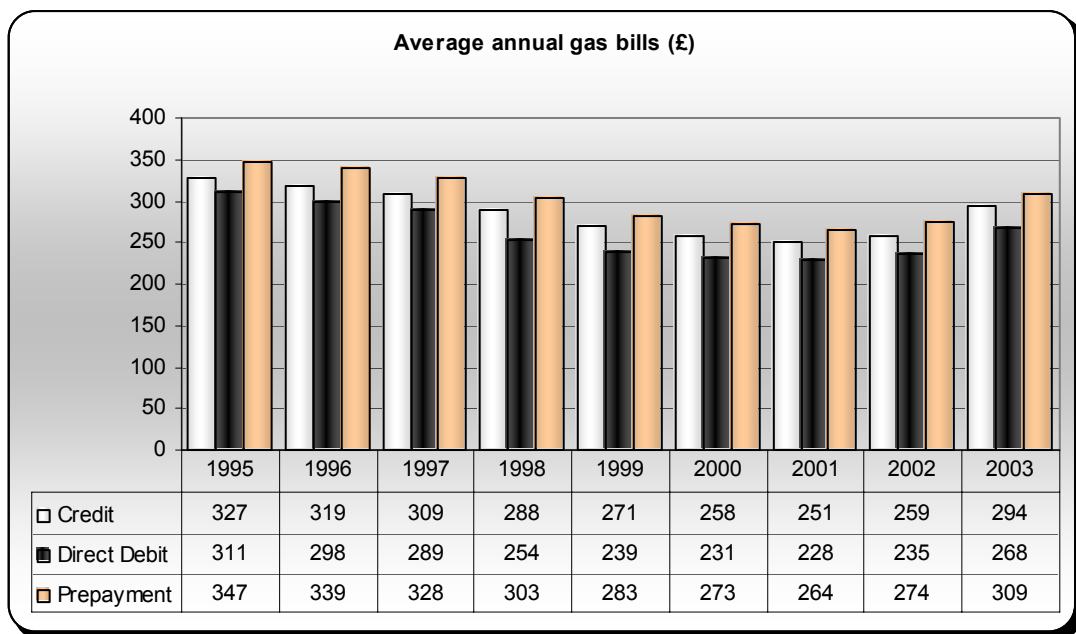
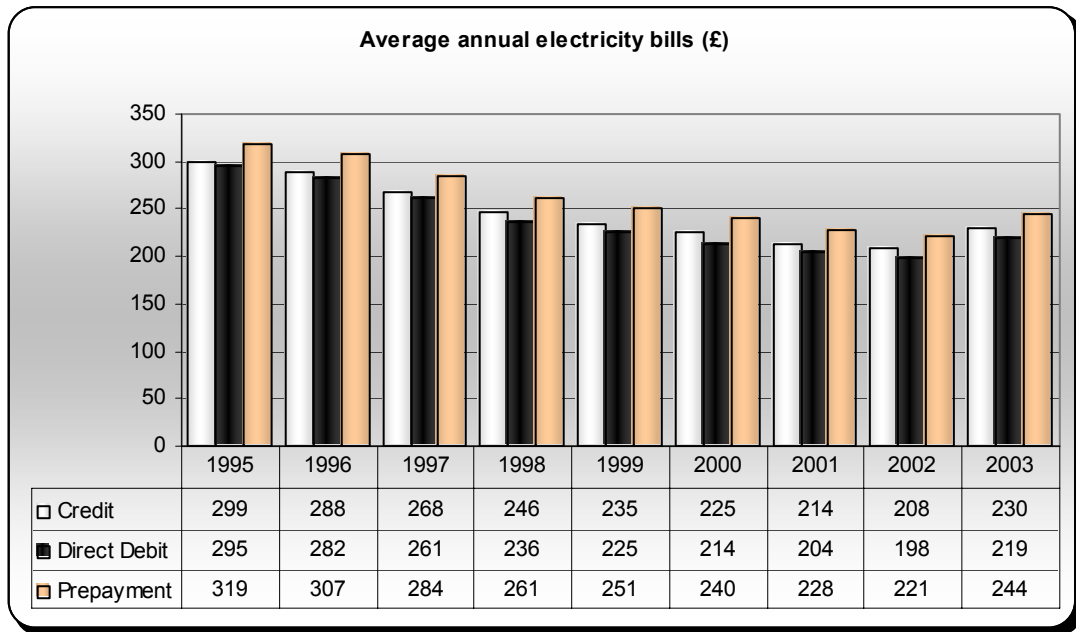
1.12 The chart below shows levels of customer satisfaction with their supplier. Overall, levels of customer satisfaction are quite high. The rate is highest among those on low incomes, those in social groups D and E and the over 65s.



(Source: JD Power)

Indicator 12: Prices

1.13 Prices rose in real terms last year. This follows a long trend of falling prices since the mid-nineties.



(Source: DTI Based on a quarterly survey of suppliers and assumes 3,300kWh per annum consumption for electricity customers and 18,000 kWh for gas customers. The figures are calculated in real 1995 terms, using the GDP deflator).

Appendix 2 Company social initiatives

2.1 Suppliers assist customers in a number of ways. All provide some assistance through their EEC schemes, and some suppliers also support Warm Zones, which are government backed schemes to provide concentrated assistance in certain areas. A description of other schemes run by energy companies is outlined below. The outline is based on information provided by the companies. It is not an exhaustive list, but provides an overview of major activity in this area.

Company	Name of Scheme	Description of Scheme
British Gas	Here to HELP	This is an EEC funded scheme aimed at 500,000 households over 3 years. The scheme takes a partnership approach, working with local authorities, housing associations and seven major national charities. Assistance offered includes energy efficiency measures and grants, benefits health checks, security measures and referrals to charity partners for specialist, products, services and advice.
	REECH (Realising Energy Efficient Communities and Homes)	This is a pilot programme in partnership with NEA designed to increase the uptake of energy efficiency advice and grants amongst ethnic minority households. There are currently 3 pilot areas - London, Bradford, Oldham and Rochdale and a new pilot is being launched in Birmingham in March 2004. REECH provides fuel poverty and energy efficiency training, advice and grants to community groups and bi-lingual advice workers.
	Warm-a-life	An EEC funded scheme aimed at British Gas customers on income related benefits. The scheme provides free energy efficiency measures (home insulation and lighting) and one-off bill discounts (£7.50 for electricity or gas, £15 for dual fuel). Customers are also entitled to a benefits health check which on average can realise additional income of £850 per year.
	Social Housing	This is an EEC funded programme that supports energy efficiency schemes in the Social Housing sector. British Gas provides funding to Local Authorities and Housing Associations to extend insulation and heating programmes.

Company	Name of Scheme	Description of Scheme
EDF Energy	EDF Energy Trust	The EDF Energy Trust is an independent charity assisting those who are unable to pay fuel bills. EDF Energy has committed £2 million to the trust this year to help people in financial hardship or distress and to fund the services offered by agencies providing money advice and debt counselling. The Trust's objectives are to help relieve fuel poverty now and to reduce debt levels over the longer term.
	The Energycare Network	The Energycare Network, established in association with the Energy Conservation and Solar Centre (ECSC), is reaching the end of its third year. The programme was created to provide a simple and effective gateway for vulnerable customers to be referred through to available energy efficient grants. The network now has around 450 trained volunteers in the community identifying customers who may benefit from either free or subsidised energy efficiency measures and has provided help and advice to over 6,000 customers all of whom have received energy saving light bulbs. Nearly 40% of these customers have benefited from insulation measures provided through EEC.
	WRVS Partnership	A partnership with the Women's Royal Voluntary Service (WRVS) has been established to provide assistance to vulnerable customers during power cuts. WRVS have agreed to work with EDF Energy Networks in the Eastern, South Eastern and London distribution areas in providing 24-hour emergency cover. The volunteers visit the homes of vulnerable customers who have been without power for more than four hours. They provide a hot meal, hot drink and other items such as torches and blankets. The WRVS have nominated emergency service managers within each of the distribution areas who ensure that a volunteer is at the customer's premises within an hour. The volunteer also checks on the customer's welfare and calls for help from other support organisations if needed. Customers visited during 2003 included those with essential medical equipment, elderly and disabled customers and those with young families.

Company	Name of Scheme	Description of Scheme
Innogy	Factor Four	This is a pilot scheme in Birmingham which

	Health Through Warmth	<p>builds on research carried out under the Social Action Plan. Factor Four is an integrated service offering energy advice, budgeting and money advice, energy efficiency measures and bill payment. The scheme is administered through two Birmingham credit unions.</p> <p>This scheme is based on partnership, working to assist people who are suffering ill health due to living in cold damp homes. The scheme works by training district nurses, health visitors and other key community workers to recognise households in poor living conditions that are in need of energy efficiency measures and refer them on to a specialist team. The team then links the clients to grants such as Warm Front and EEC programmes. The scheme was initially set-up in the West Midlands in 2000. The scheme has been expanded across England and Wales and is currently working with 54 Primary Care Trusts and 34 local authorities. Over 6,200 key workers have been trained, resulting in over 6,100 referrals to the scheme. Total funding is forecast at £10m.</p>
	Social schemes under EEC	<p>To date, npower have contributed to the installation of over 90,000 heating and insulation measures in social housing properties throughout Great Britain. It has distributed 1.5 million low energy light bulbs to around 375,000 households. It also operates a Fridgesavers scheme (replacing inefficient old fridges with new A-rated models at a reduced cost) which has been taken-up by 8,000 customers.</p>

Company	Name of Scheme	Description of Scheme
National Grid Transco	Affordable Warmth	<p>This scheme works in conjunction with government and social housing providers to make the installation of central heating equipment affordable. The scheme is based around 'heat leasing', whereby efficient gas central heating equipment is installed in the customers' home and leased to them. The scheme works in conjunction with Warm Zones. Through Affordable Warmth, 263,518 households have received some kind of assistance (some through heat leasing and some through other schemes). The aim is to reach 1 million households.</p>

Company	Name of Scheme	Description of Scheme
Powergen	Age Concern Energy Services	This is a tariff aimed at the over 60s. The tariff offers a cold weather payment and some EEC funded energy efficiency measures including light bulbs and kettles.
	HeatStreets	This is a partnership scheme with local authorities currently operating in Sunderland, Knowsley, Burnley, and Bradford. The scheme has recently been extended into London boroughs and further authorities are planned to be added shortly. The scheme provides a range of energy efficiency measures including insulation, heating systems and low-energy lighting together with the offer of a free benefits healthcheck. To date some 3,700 households have benefited with an aim of helping over half a million households by 2010.
	Staywarm	This is a commercial tariff offering fixed-price energy regardless of usage. Aimed at the over 60s, the tariff offers piece of mind to customers worried about high winter bills. Staywarm also refers eligible customers for Warm Front grants and measures.
	Fuel Poverty Action Plan	Powergen objective is to remove 250,000 households from fuel poverty by 2010, using a combination of energy efficiency programmes, social energy products and community projects.

Company	Name of Scheme	Description of Scheme
Scottish and Southern	Budget Warmth	Under this scheme, customers have an unmetered electric storage heater installed in one room of their house to provide fixed-cost heating, with payment spread across the year.
	Equipower/Equigas	Under this tariff, all customers pay the same price, regardless of payment method. This means that prepayment meter customers are effectively subsidised by direct debit and credit customers who voluntarily forego their discounts.

Company	Name of Scheme	Description of Scheme
Scottish	HelpCo	This scheme provides packaged energy services

Power	NestMakers	<p>for domestic customers. The HelpCo package, operated by GLEEN, includes energy efficiency measures, energy monitoring, advice and finance. HelpCo also utilises the facility of the direct debit tariff enabling its customers to pay by cash therefore benefiting those who may otherwise not have access to a direct debit facility. This enables local authorities to use HelpCo as a tool to fight fuel poverty in their wards.</p> <p>This is a joint Scottish Power and EAGA initiative, which uses a neighbourhood-based approach. NestMakers local advisors offer disadvantaged households the opportunity to heat their homes more effectively through the provision of energy efficiency measures and flexible bill payments.</p>
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Appendix 3 Review Group membership

3.1 Current membership of the Social Action Plan Review Group is as follows:

- ◆ Allan Asher, Chief Executive, energywatch
- ◆ John Belcher, Anchor Trust/non-executive member of the Authority
- ◆ Charles Berry, Executive Director, Scottish Power
- ◆ Mark Clare, Managing Director, British Gas
- ◆ Andy Duff, Managing Director, npower
- ◆ William Gillis, Director, National Energy Action
- ◆ Peter Lehmann, Chairman, Energy Saving Trust and Fuel Poverty Advisory Group
- ◆ Ann Loughrey, Director, Energy Action Scotland
- ◆ Dr Gill Owen, Chairman, Public Utilities Access Forum
- ◆ Graham White, Director of Social, Environmental and Consumer Issues, Department of Trade and Industry

Appendix 4 Priorities of the Social Action Plan

The original Social Action Plan identified ten priorities for Ofgem's work. These are shown below, cross-referenced with relevant chapters in this document describing work undertaken during the period of this report. We intend to review the priorities during the coming year to decide whether any amendments are needed.

Priority 1	Ensure that consumers using expensive payment options have a better means of accessing cheaper fuel. <ul style="list-style-type: none"> • <i>Factor Four/Camden pilot (chapters 3 & 4)</i> • <i>Debt Assignment Protocol (chapter 3)</i>
Priority 2	Overcome barriers that prevent disadvantaged customers from participating more actively in the competitive market. <ul style="list-style-type: none"> • <i>Factor Four/Camden pilot (chapters 3 & 4)</i> • <i>Debt Assignment Protocol (chapter 3)</i>
Priority 3	Ensure that suppliers enter an effective dialogue with customers in debt. <ul style="list-style-type: none"> • <i>Debt and disconnection work (chapter 5)</i>
Priority 4	Encourage the development of tariffs and cost-effective payment methods that meet the needs of vulnerable customers. <ul style="list-style-type: none"> • <i>Factor Four/Camden pilot (chapters 3 & 4)</i>
Priority 5	Overcome barriers to suppliers' access to cost-effective prepayment meter systems and other regular payment methods. <ul style="list-style-type: none"> • <i>Prepayment meter work (chapter 3)</i>
Priority 6	Encourage and develop innovative schemes to improve energy efficiency in disadvantaged households. <ul style="list-style-type: none"> • <i>Research on energy efficiency advice and EEC (chapter 4)</i> • <i>Factor Four pilot (chapter 4)</i>
Priority 7	Cut costs to customers through price controls and ensuring greater competition in generation. <ul style="list-style-type: none"> • <i>BETTA work to bring benefits of competition in generation to Scotland (not covered specifically in this report)</i>
Priority 8	Put in place measures to resolve the difficulties encountered by prepayment meter customers. <ul style="list-style-type: none"> • <i>Prepayment meter work (chapter 3)</i> • <i>Debt Assignment Protocol (chapter 3)</i>
Priority 9	Ensure that the special needs of the elderly, disabled or chronically sick customers are taken fully into account. <ul style="list-style-type: none"> • <i>Priority Service Register research (chapter 5)</i>
Priority 10	Ensure companies report on their activities under the Plan. <ul style="list-style-type: none"> • <i>Monitoring Codes of Practice (chapter 2 and appendix 1)</i>