

# Social Action Plan

Newsletter

## Disconnection of vulnerable customers to end

Energy suppliers have responded to a challenge from Ofgem Chairman, Sir John Mogg, to protect vulnerable customers from being cut off.



The Energy Retailers' Association (ERA) published a consultation in April 2004 containing proposals for how the industry would meet Ofgem's challenge. The proposals outlined new "safety nets" that suppliers will employ to avoid vulnerable customers being disconnected.

The document, "A strategy to define and prevent the disconnection of vulnerable customers", published on the Ofgem website, also includes guidance from the Information Commissioner on how the Data Protection Act applies in cases where a supplier might need to refer a customer to social services for assistance.

Sir John issued his challenge following an inquest into the deaths of George and Gertrude Bates, who were found dead in October last year, 11 weeks after their gas supply had been disconnected by British Gas.

The proposals provide suppliers with a common definition of "vulnerable", and outline the steps a supplier should take to establish whether a customer may be vulnerable and the options they should consider if they suspect a customer is vulnerable.

These options include providing the customer with a prepayment meter or allowing them to pay by Fuel Direct.

They might also include involving social services, if the supplier has reason to believe that the customer may be at risk.

Ofgem and the ERA received 25 responses to the consultation, which are currently being considered. The responses are also available to view on the Ofgem website. The ERA will publish revised proposals in the light of the responses. Ofgem has stressed that the challenge is for the industry to implement these before next winter.

## Message from the editor

The focus this quarter has been very much on vulnerable customers, with new proposals to avoid disconnections and guidance to the industry on the Priority Service Register among the publications reported on in this edition.

The Trade and Industry Select Committee is holding an inquiry into energy disconnections. Ofgem was invited to give evidence at a hearing as part of the inquiry on 22 June. John Neilson, Dave Barnes and Iain Osborne answered questions on a range of topics, including the new industry proposals to prevent disconnection of vulnerable customers and the debt prevention guidelines developed by Ofgem and energywatch.

National Energy Action, energywatch, Help the Aged, the ERA and British Gas also gave evidence at the hearing.

Looking ahead, the issue of debt will remain high on the agenda. We will be following up suppliers' progress on debt prevention. We also plan to look at options for improvements to Fuel Direct, in discussion with a range of stakeholders.

Enjoy your summer.

- Graham Knowles

# Watchdogs' focus on debt reduction

Over the past few months, Ofgem and energywatch have been working together on following up the debt prevention and disconnection guidelines. These focus suppliers on the development of debt prevention strategies.

Some new initiatives which have been put in place by suppliers include:

- some suppliers negotiating new contracts with meter reading companies to ensure that a higher percentage of bills are based on actual readings rather than estimates. This reduces the likelihood of billing errors, which can contribute towards debt problems
- ScottishPower introducing a pilot scheme to call customers who are due to receive bills over £250. They discuss possible reasons for the high bill and ask whether

energy efficiency advice would be helpful

- EDF setting up 'The EDF Energy Trust' to help vulnerable customers in debt who cannot afford to pay their energy bills, and
- British Gas writing a 'pre-debt money advice pack' in conjunction with the National Debt Line and the Money Advice Trust. The pack includes advice on managing money and energy efficiency.

Suppliers have made some progress in implementing their strategies on debt prevention.

However, codes of practice monitoring statistics show that the overall number of customers in debt has not fallen over the last six months. It is essential that suppliers focus on their approach to debt prevention to increase protection for vulnerable customers and to reduce the number of customers in debt.

Ofgem and energywatch plan to visit suppliers later this year to undertake a more extensive review on the progress of strategies. The project will be evaluated and a joint report will be produced early in 2005 on the effect the work has had on debt and disconnection overall.



## Guidance for industry on PSR

Distributors should be in a better position to provide services to their priority customers following two separate recent developments.

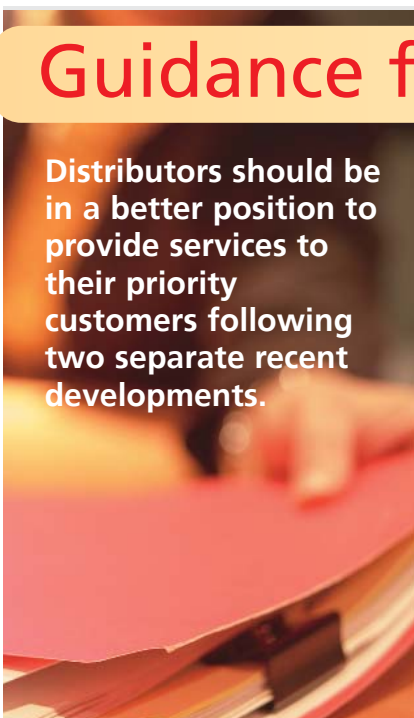
In April 2004, an industry working group agreed on changes to the way the industry passes on information about older, disabled and chronically sick customers. Under the changes, which become effective next year, a new coding system will allow distributors to identify priority customers more easily. Distributors have to give advanced warning of planned power cuts to customers who require electricity for medical reasons, such as running dialysis machines.

The industry changes are timely. Ofgem identified in its report on services provided to PSR customers in December 2003 that the quality of data passed to distributors needed improvement and that inconsistencies existed between distributors on the information held on

priority customers. Ofgem decided that it needed to provide guidance to suppliers and distributors on their respective obligations. As a result, a guidance note was published on the Ofgem website in May 2004.

The guidance sets out the services that distributors must provide and explains which customers are eligible to receive them. It also clarifies suppliers' and distributors' roles in ensuring that their records are accurate.

As a result of both industry change and Ofgem guidance, distributors should be in a position to meet their licence obligations more effectively and efficiently.



# Suppliers raise bar on advice provision

## Most suppliers are now signing up to the Energy Efficiency Partnership for Homes' Code of Practice on Domestic Energy Efficiency Advice.

The Code has been developed so that consumers can be assured of accurate and relevant energy efficiency advice and information. Ofgem encourages suppliers to sign up to demonstrate their commitment to quality advice. So far, ScottishPower, Powergen and Novacroft (the company which provided advice on behalf of Atlantic) completed registration to meet standards for the 'heart' of the code and also the section for advice on the telephone.

EDF Energy, British Gas and npower are all hoping to complete the procedure and be added to the list of registered companies in the near future. The only supplier not signing up to the code is Scottish and Southern Energy. It believes the regulatory provisions of suppliers' own codes of practice and EEC obligations are sufficient guarantees for customers.

The codes of practice monitoring statistics show that the quantity of advice and information provided by suppliers to their customers increased over the first three months of 2004. This could be attributed partly to the time of year, but Ofgem's second qualitative survey of suppliers' advice lines, published last December, may also have had a role.

Among areas showing the most significant improvements are the number of Fuel Direct and Priority Service Register customers provided with energy efficiency information, and the number of energy efficiency codes of practice distributed. ScottishPower is one of the companies whose performance has improved markedly. British Gas is also worth a mention for its combined energy efficiency and money advice pack. During the past six months it has supplied over 61,000 customers in debt with energy efficiency information.

**Further information on the Energy Efficiency Partnership for Homes Code of Practice is available at [www.goodenergyadvice.org.uk](http://www.goodenergyadvice.org.uk)**



## EEC2 proposals announced

### Defra has unveiled its plans for the future of the Energy Efficiency Commitment (EEC), publishing a consultation paper on EEC post-2005 on 21 May 2004.

The paper follows on from the latest Fuel Poverty Strategy annual report and a paper entitled "Energy Efficiency - The Government's Plan for Action", both published in April, which set out the extent of work required for eliminating fuel poverty and reducing carbon emissions - the two key policy areas which EEC can address.

While reducing carbon emissions is the EEC's primary aim, it will also contribute to alleviating fuel poverty, along with the Government's Warm Front programme.

The Government is proposing to extend the EEC until 2011, with targets split over two three year phases. The proposals also include increasing the energy saving target for the first phase (2005 - 2008) to 130TWh - this is equivalent to curbing household carbon emissions by nearly 2 per cent. The cost to consumers is expected to be £9 per fuel per customer per year.

As now, it is proposed that 50 per cent of each supplier's energy

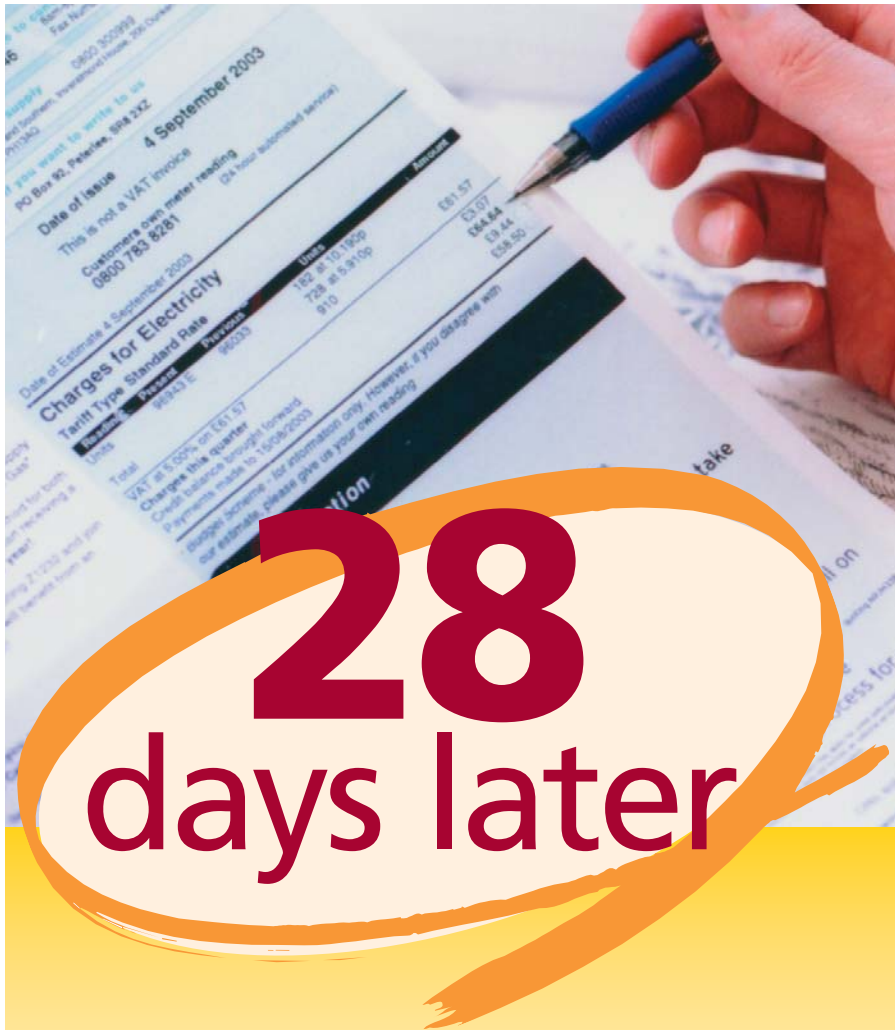
saving target should be delivered to a priority group, defined as being those in receipt of one or more 'passport' benefits. This will be important to ensure that poorer customers who contribute receive much of the benefit.

Customers will carry on making an annual saving for the lifetime of the measure(s) they have installed. For example, a boiler lasts for 15 years. Up to 1 million new boilers and 3 million insulation measures could be installed under the scheme according to Defra projections.

Ofgem will continue to administer the EEC by monitoring suppliers' activity and ensuring compliance with their targets. Ofgem will be consulting on its proposals for administering the EEC shortly.

The consultation will detail the types of measures that suppliers can offer to deliver energy efficiency improvements within domestic consumers' homes and the mechanisms for them to report their progress to Ofgem. EEC2 is due to commence on 1 April 2005.





# 28 days later

**A two year trial aimed at allowing customers to make long-term savings on their energy bills started in May 2004. Ofgem will allow suppliers to offer customers a package of energy efficiency measures in return for customers signing up for longer term contracts.**

Under current rules, customers can end any contract with their supplier by giving 28 days notice of their intention to switch. This is often known as the "28 day rule".

Ofgem has agreed to trial a suspension of the 28 day rule in clearly defined circumstances to test whether it can boost take up of effective energy efficiency measures. The trial will also test whether adequate consumer protection can be assured where consumers have lost the right to switch suppliers.

The trial, which is limited to a maximum of four per cent of each supplier's customer base, removes the 28 day rule from Energy Services Contracts (ESC).

An ESC is a contract for gas/electricity supply to a domestic customer that also provides for the

provision and installation of energy efficiency measures.

At the end of the fixed contract, the supplier will have had the guarantee both of receiving its money back for the measure and of the customer staying for an agreed period.

The customer, meanwhile, will have a more efficient home, saving them money on bills, plus the benefit of not having to pay up front to receive the measures.

Up to a million customers could benefit from the trial. Ofgem will be monitoring the trial to ensure customers receive the energy savings promised and to evaluate its effect on competition. Ofgem has also outlined how prices should change in these contracts to ensure customers are not over charged.

## Social Issues



### Team contact details

If you would like to receive a regular copy of the newsletter or have a general Social Action Plan query, please email:

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