

Social Action Plan

Newsletter

New ERA for disconnection policy

The Energy Retail Association (ERA) published its report on 'Protecting Vulnerable Customers from Disconnection' in September, following a consultation exercise earlier in the year.

ERA has taken into account the views of consumer groups, charities and suppliers. Suppliers will not disconnect if a customer or member of the household falls into the following definition:

"A customer is vulnerable if, for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household."

The report gives guidance on identifying vulnerability and a safety net procedure which suppliers will follow. In addition to this, the report provides clarification on the Data Protection Act 1998 and the

circumstances under which details about customers could be passed to another person or organisation.

The ERA has consulted with the Association of Directors of Social Services. Suppliers are encouraged to collaborate with other advice agencies, local charities and help groups.

However, if a debt collection representative from a supplier is in doubt about a customer at risk they will discuss their concerns with a duty officer at social services. It is estimated that a local social services office should not normally receive (on average) more than one or two referrals per month where a supplier

is indicating a customer as being potentially at risk.

Ofgem welcomes the work of the ERA and believes the report demonstrates that suppliers have listened to concerns coming through the consultation. It is now up to suppliers to demonstrate that the safety net is implemented effectively. Ofgem will be monitoring this closely.

The ERA has committed to reviewing the guidance in 12 months time to decide if it needs to be improved to be effective and offer the necessary protection to vulnerable people. Copies of the report are available on the ERA website at www.energy-retail.org.uk.

Message from the editor

With the announcement of price rises by a number of the major fuel companies, and the colder weather of autumn and winter looming, fuel poverty has moved up the agenda again.

The Government is soon to publish its Fuel Poverty Implementation Plan, which will outline the action it will take to eradicate fuel poverty for vulnerable customers by 2010 and for others by 2016. Ofgem's message is that

customers should urgently consider three courses of action to bring bills down:

- switch to a cheaper supplier
- pay by a cheaper payment method, and
- install energy efficiency measures.

Finances generally seemed to be uppermost in the minds of Public Accounts Committee members when they questioned Ofgem's management team recently (not unreasonable, given their remit) and that seems to be reflected in this edition, with articles on debt, disconnection, Fuel Direct, price controls and the like. However, rest assured our world doesn't revolve

around money and the next edition will contain an update on how well suppliers have done at raising the profile of the services available to their older and disabled customers.

Finally, you may notice a new name in the cast list on the reverse. Jenny has left us to terrify impressionable freshers at Nottingham University and we welcome our newest recruit Kiera to the team. She has lately been working in Ofgem's connections policy team and will be looking to keep suppliers (and the rest of us) in line.

Graham

- Graham Knowles



From front to back: Jim Dearlove (Birmingham Credit Union Development Agency), Stuart Braley (STTF), Dave Barnes (Ofgem), Peter Kelly (Barclays Bank), David Threlfall (Chief Executive Officer, npower).

4 has the X-Factor

Ofgem helped launch the Factor Four pilot scheme at this year's NEA conference in Birmingham in September.

Ofgem played an active part in the conference, held at Aston University between 6 -8 September 2004, but was particularly pleased to help launch the Factor Four pilot which is based in South East Birmingham.

The pilot is built on research carried out under Ofgem's Social Action Plan and provides an integrated service to customers offering energy, budgeting and money advice, energy efficiency measures and bill payment services.

Participating in the launch were the sponsors of the project, NPower, Severn Trent Trust Fund, Barclays Bank, and the Birmingham Credit Union Development Agency. The pilot will run for three years initially,

and it is hoped that if successful, it will be extended and expanded.

Elsewhere at the conference, Maxine Frerk, Ofgem's Director of Enforcement, Consumer and Fuel Poverty Policy, chaired a seminar on engaging with hard to reach communities.

A constant theme throughout the conference was the potential impact of fuel price increases on the fuel poor, and the need to step up efforts on energy efficiency initiatives.

Anyone interested in the Factor Four project should contact Andrew Buswell, Service Development Manager at factorfour_net@yahoo.co.uk

Direct action at seminar

On Friday 24 September 2004, Ofgem hosted a seminar on the third party deductions scheme (known as Fuel Direct for gas and electricity customers).

The seminar, at Ofgem's London office, was attended by representatives from suppliers, consumer organisations, water companies, Post Office, Ofwat and DWP.

Dave Barnes, Ofgem's Head of Social Issues, began the seminar by outlining how Ofgem saw Fuel Direct progressing. Other speakers included Linda Lennard (National Consumer Council) presenting the consumers' point of view, Harry Metcalfe (British Gas) who gave the industry's perspective, and Tim Roscamp and Laurie Cairns (Department for Work and Pensions (DWP)) representing the government department responsible for the administration of the scheme.

The discussion at the seminar focused on the potential for widening the eligibility for Fuel Direct to include a greater range of benefits and the possibility of operating the scheme as a modified form of direct debit available to benefits' claimants with bank accounts.

The view of many of those attending was that this scheme could be operated more efficiently in the future. Participants of the seminar discussed the benefits of Fuel Direct for vulnerable customers.

Ofgem will take into account the concerns of those attending the seminar and take forward their views with the DWP. The seminar brought to light issues which need to be considered if the scheme is to be extended. Ofgem will continue to engage with all parties involved to consider the next steps.

PAC up your troubles in your old kit bag ...

Ofgem's Chief Executive, Alistair Buchanan, and Managing Director of Corporate Affairs, John Neilson, appeared before the Public Accounts Committee (PAC) on Monday 13 September 2004 to answer questions on the Social Action Plan and Energy Efficiency Commitment.

The hearing was scheduled as a result of the publication on 22 July 2004 of a report by the National Audit Office (NAO) on the same topic entitled "Social Action Plan and Household Energy Efficiency".

Members of the PAC, including MPs Edward Leigh, Richard Allan, Brian Jenkins and Alan Williams, questioned Alistair and John on the report's findings and recommendations and also quizzed them on recent price rises. Questions on the Social Action Plan side concentrated on prepayment metering and levels of debt and disconnection.

The NAO report was positive about Ofgem's work under both the Social

Action Plan and the Energy Efficiency Commitment, with Head of NAO John Bourne saying: "Ofgem's actions are to be applauded both in their attempts to help vulnerable consumers and in their attempts to increase energy efficiency."

The report produced a number of findings on the Social Action Plan side, based largely around the themes of debt and prepayment meters, and included three recommendations for Ofgem.

These included encouraging suppliers to offer prepayment meters as cost effectively as possible, making consumers more aware of their energy consumption and

reviewing the operation of the debt assignment protocol (the scheme whereby prepayment meter customers in debt can switch supplier and take their debt with them).

The PAC is expected to report in the autumn, outlining its findings from the hearing.

Minutes of the hearing are available on the PAC website at www.parliament.uk/parliamentary_committees/committee_of_public_accounts.cfm, while the NAO report can be downloaded from the NAO website at www.nao.org.uk.

Ofgem meters out justice

Ofgem published its latest document on the Distribution Price Control for 2005-2010 on 27 September 2004.

The document entitled, "Electricity Distribution Price Control Review - Update Paper" follows on from the initial proposals outlined in June 2004 and includes a more detailed outline of how the price control will

affect the cost of metering, in particular prepayment metering.

The document sets out, among other things, the maximum price that distribution businesses can charge suppliers for metering.

The new charges reflect the costs that distributors incur in providing metering and suppliers are now able

to look for cheaper deals or better quality meters from alternative providers.

On average, Ofgem does not expect distribution charges to rise for customers as a result of the new charges.



Spotlight on debt policy

Over the coming months, Ofgem and energywatch will once again be visiting suppliers to review progress on their debt prevention and management strategies.

Ofgem and energywatch met with suppliers this time last year and were presented with strategies based around the good practice guidelines published in 2002.

We will be talking about how effective these strategies have been one year on, and looking at how each supplier has performed.

Ofgem and energywatch have written to all suppliers and sent out questionnaires to find out in detail what suppliers are doing in this area. A key part of the project, which has been under the spotlight in recent months, is the identification of vulnerable customers.

Ofgem and energywatch have asked suppliers specific questions on the checks undertaken to prevent disconnection of a vulnerable customer and about the training staff have been given on identifying vulnerable customers.

Through this, we will ascertain how suppliers are implementing the guidelines produced by the Energy Retail Association on protecting vulnerable customers.

Ofgem and energywatch will evaluate the project and a joint report will be published in early 2005 setting out the effect the work has had on improving debt prevention and management.

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:

sap@ofgem.gov.uk

To request Ofgem's consultation documents, please email:

distribution@ofgem.gov.uk

For further information you can also visit our website on:

www.ofgem.gov.uk

Maxine Frerk

Director, Enforcement and Consumer and Fuel Poverty Policy

maxine.frerck@ofgem.gov.uk

020 7901 7291

Dave Barnes

Head of Social Issues

david.barnes@ofgem.gov.uk

020 7901 7034

Graham Knowles

Social Issues Manager

graham.knowles@ofgem.gov.uk

020 7901 7103

Kiera Bower

Social Issues Manager

kiera.bower@ofgem.gov.uk

020 7901 7460

Marc Grillet

Social Issues Officer

marc.grillet@ofgem.gov.uk

020 7901 7230