



*Campaigning for Warm Homes*

## **Ofgem's three year strategy 2005-8**

NEA welcomes the opportunity to comment on Ofgem's future plans. We have been actively campaigning for the eradication of fuel poverty for more than 20 years and have a distinguished record of establishing projects which demonstrate how improved energy efficiency represents the sustainable long-term solution.

In our response to consultation last year we made it clear that in our view social issues are the major challenge facing the fuel supply industry. At that time we acknowledged the significant contribution made by Ofgem in securing price reductions which have led to a substantial reduction in the number of UK households in fuel poverty, whilst expressing our concerns that such a strategy is not sustainable in the longer term. The significant price rises affecting domestic customers which have occurred over the past twelve months amplify this concern and confirm our assessment that the priority for Ofgem is to pursue alternative mechanisms for protection of low-income consumers. Consequently the suggestions made last year about the action Ofgem should take to respond to the challenge of increasing fuel costs remain pertinent. Without repeating these in full, we advocate action on:

### **Switching**

Considerably more effort must go into ensuring that low-income consumers take advantage of the savings available from changing methods of payment and/or switching suppliers. We think that Ofgem could go further and faster in building on the support it has offered to the Factor 4 project.

Money advice agencies which are in regular contact with people in financial difficulty are clearly well placed to facilitate an informed choice of supplier and tariff. However we also believe that this kind of advice should be available as a matter of course where consumers are also receiving energy efficiency advice. This will be of particular value to vulnerable consumers claiming assistance via Warm Front grants, but could also usefully be offered by Energy Efficiency Advice centres responding to requests from all classes of consumer.

### **Debt and disconnection**

We believe the industry's latest efforts to develop a voluntary code of practice on disconnection to be less than adequate. In the absence of an outright ban we believe

that Ofgem should insist that this code also precludes disconnection of any consumer during the heating season and that it should set targets for a progressively declining number of disconnections.

We consider that Ofgem should take a similar approach in the case of consumer debt. Establishing a ceiling beyond which the consumer is no longer liable for a proportion of the debt would eliminate problems associated with inadequate meter reading and failed billing procedures. Setting targets for a progressive reduction of the number of customers in debt and the amount of arrears owed would be a further useful advance. Finally, Ofgem should take action to ensure that the current limited debt assignment procedure, allowing some prepayment customers to switch supplier, is extended to all consumers in debt regardless of payment method.

### **Energy Efficiency**

In NEA's view improved standards of energy efficiency are the only long-term sustainable solution to fuel poverty. Although we acknowledge that Ofgem has a limited range of powers and functions in this respect it could nonetheless be more vigorous in pursuing the options available to it.

Monitoring of Energy Efficiency Commitment programmes should incorporate assessment of their social impacts, not simply environmental gains. Furthermore Ofgem should issue guidance to suppliers on the use of existing consumer information about consumption, debt and other personal circumstances as a means of directing EEC programmes at those likely to be in greatest need. For example, in practical terms we would suggest that negotiation of any payment arrangement to deal with arrears, or any addition to the Priority Service register, should be accompanied by an energy audit of the customer's property and the offer of EEC funded improvements (or referral to Warm Front where appropriate).

### **Extension of the gas network**

The UK Fuel Poverty Strategy acknowledges that extending the mains gas network could make a valuable contribution to the provision of affordable warmth in communities which currently have no access to natural gas. Little has happened in the three years since publication of the strategy. Since it now appears that the sale of local distribution networks by NGT is liable to raise significant sums, NEA believes that Ofgem should do what it can to ensure that consumers as well as shareholders benefit from the sale of these assets. We believe that extending the gas network would be an appropriate means of achieving this end, supporting the industry by increasing the number of gas consumers whilst also helping to tackle social exclusion in deprived rural areas.

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