



# Preventing debt and disconnection - the review

An independent review by  
Sohn Associates

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## **Foreword**

This report has been prepared by Sohn Associates on behalf of Ofgem and energywatch. Sohn were asked to prepare a report on the progress made by the six main energy suppliers with implementing good practice guidelines on debt prevention and management, first published in January 2003.

The objective of commissioning Sohn was to benefit from the many years collective experience of the Sohn personnel in energy utilities, and to bring an independent view to the project. Although Ofgem and energywatch have supported Sohn in the collection of material for this report, and in discussions with the energy suppliers, the findings and conclusions are Sohn's. Ofgem and energywatch will use the report and its recommendations to help in the development of policy and future monitoring work.

We would like to thank Peter Bennell, Grahame Hughes, and Andy Sutton of Sohn for their hard work and insights into the important area of debt prevention and management.

**Ofgem / energywatch**  
**March 2005**

## **Preventing Debt and Disconnection - the Review**

### **1. Summary**

The 'Preventing Debt and Disconnection' Guidelines were published by Ofgem and energywatch in January 2003. It is evident from the large number of initiatives being trialled and implemented by suppliers that the Guidelines have had a positive impact in driving action in this area, though much remains to be done.

The tragic case of Mr and Mrs Bates, and the publicity it generated, has ensured a high profile for this area of suppliers' work. This has been reinforced by the recent Trade and Industry Select Committee report<sup>1</sup> which made a number of recommendations many of which are mirrored by our own findings. Debt and disconnection must continue to be a focus for suppliers to ensure that improvements are made for consumers and especially for vulnerable consumers.

Substantial effort and progress has been made but this varies significantly between suppliers. Some have positively embraced the Guidelines and embedded the principles in their businesses, some have concentrated on specific areas, whilst others have implemented the Guidelines on a less integrated basis.

EDF Energy and Scottish Power have done most to implement the Guidelines. British Gas has focussed on measures to help vulnerable consumers, Scottish and Southern Energy has focussed on debt prevention and Powergen on debt management. npower has made the least progress.

The consumer research conducted as part of this review has highlighted a gap between the supplier view that they have strong communication channels in place for their consumers, and the consumer view that suppliers do not understand them, are unsympathetic and are difficult to contact. This gap needs to be bridged and we have recommended that suppliers conduct regular consumer research and use it to support their work in this area.

The report highlights a shortfall in the current arrangements for measuring supplier performance against the Guidelines. We have recommended a set of indicators as well as a structure to be used for future monitoring. We have also recommended that suppliers set themselves targets for the key indicators.

Ofgem and energywatch have reviewed suppliers' progress since the publication of the Guidelines. These reviews have been key to the progress that has been made. We recommend that Ofgem and

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<sup>1</sup> Debt and Disconnection: Gas and electricity supply companies and their domestic customers. Fifth Report of Session 2004-05 ISBN 0 215 02198 3



energywatch use the structures set out in this report together with the indicators and targets mentioned above to facilitate future reviews and that progressively, greater importance should be placed on output measures as suppliers' work develops.

There is evidence to suggest that the terminology (e.g. the words 'vulnerable' and 'register') that is currently being used is a barrier to greater consumer take up of supplier services. This could and should be easily remedied. More needs to be done on a proactive basis to identify vulnerable consumers in order that measures taken by suppliers can be more widely and effectively targeted at an earlier stage. Changes also need to be made to ensure that information on consumer vulnerability is not lost whenever the consumer changes supplier. In addition, many vulnerable consumers seem to be unaware of energywatch and the help that it can provide. Greater promotion of energywatch specifically targeted at the vulnerable would help to resolve problems for these consumers at an earlier stage.

There is wide agreement that Fuel Direct could be more widely used to benefit consumers as both a debt prevention and debt management tool. Suppliers have highlighted a number of issues which should be worked through with government if the full potential of Fuel Direct is to be realised.

Much has been achieved in the two years since the publication of the Guidelines although we have yet to see the benefits of the Guidelines in terms of outputs. An increased focus on measures and targets coupled with the wider adoption of the best practice identified in this report should drive results. The recent Trade and Industry Select Committee report makes it clear that more and faster progress is expected. The Guidelines are an excellent vehicle for achieving this.

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## 3. Background & Introduction

### 3.1 Background and the development of the Guidelines

Currently 5 % of domestic electricity and gas consumers are repaying debt to their energy suppliers. These debts will have arisen for various reasons such as high, unexpected bills following meter reading problems, inappropriate payment methods, billing delays or the consumer's personal circumstances. It is in the interest of both suppliers and consumers to have processes that identify problems at an early stage to prevent the build-up of debt and to facilitate repayment.

Particular attention needs to be given to the more vulnerable members of society. This was brought into sharp focus by the tragic case of Mr and Mrs Bates, a pensioner couple, who were found dead in their home after their heating supply had been disconnected for non payment of a bill. Ofgem and energywatch asked the industry to take strong action to prevent a recurrence of the situation. The industry responded via the Energy Retail Association (ERA) by introducing a safety net for vulnerable consumers. Suppliers have also worked to identify vulnerable consumers and all the major suppliers have signed onto and implemented the ERA commitment that vulnerable consumers will not be disconnected.

Ofgem and energywatch have been seeking a reduction in the number of electricity and gas consumers that fall into debt and a reduction in the number of disconnections. To that end, during 2002, Ofgem and energywatch, in conjunction with an advisory group consisting of suppliers, consumer groups and government, identified six key areas and developed guidelines aimed at improving suppliers' performance in debt management and recovery and in reducing disconnection. These areas are:

1. Minimising billing errors
2. Using incoming calls to identify consumers in difficulty
3. Using consumer records to target energy efficiency improvements
4. Demonstrating flexibility in debt recovery
5. Offering sustainable solutions to consumers in extreme hardship
6. Helping consumers who are unable to manage their own affairs

As a result, in January 2003 the Good Practice Guidelines (the 'Guidelines') were published and the six largest domestic energy suppliers were invited to develop strategies to implement them. These suppliers are British Gas Trading (BGT), EDF Energy, npower, Powergen, Scottish Power and Scottish and Southern Energy (SSE). The majority of suppliers have ongoing improvement programmes, based on the Guidelines. It is acknowledged that suppliers were already working in many of the areas covered by the Guidelines. However it is evident from the large number of new initiatives that have been trialled and implemented, that the Guidelines have had a positive effect in stimulating activity in this area.

All energy suppliers have licence conditions that set out the services they must provide to domestic consumers. These cover payment of bills and dealing with consumers in difficulty; energy efficiency advice; use of prepayment meters; services for consumers who are elderly, disabled or chronically sick; and services for consumers who are blind or deaf. The Guidelines, which are voluntary, reflect best practice in respect of interpretation and operation of existing licence obligations. In other areas, the Guidelines go beyond existing obligations and encourage suppliers to consider new and innovative approaches to help consumers avoid getting into debt and help vulnerable consumers. **It is encouraging that all suppliers have chosen to work with Ofgem and energywatch to achieve the Guidelines' aims.**

The six companies submitted their strategies during 2003 and these have been regularly reviewed by Ofgem and energywatch. This review began during the last quarter of 2004.

More recently the Trade and Industry Select Committee (TISC)<sup>1</sup> has conducted an enquiry into the incidence of fuel disconnections and the measures taken by Ofgem, the suppliers and energywatch to protect the most vulnerable consumers. The TISC report makes a number of recommendations, many of which are mirrored by our own findings. The TISC report challenges the industry to do more to prevent consumers falling into debt and to resolve debt problems at an earlier stage. The report goes further and recommends that a ban on disconnection should be introduced if the industry does not demonstrate a serious commitment to and success in addressing debt problems.

### **3.2 Objectives of this Review**

The introduction of the Guidelines was a significant event in Ofgem's and energywatch's continuing work in the interests of consumers. Sohn Associates were commissioned to prepare this report, in order to obtain an independent assessment of companies' progress and to advise on the future monitoring and development of the Guidelines. We were asked to:-

- Assess how companies have integrated the Guidelines into their operational procedures, staff training and management control mechanisms;
- Compare the suppliers using data supplied by them and by analysis of information obtained during the reviews and visits to suppliers' premises;
- Obtain the consumers' viewpoint by analysing the results from several surveys of consumers, both by telephone questionnaire and two small focus-group meetings;
- Determine the effectiveness of the current monitoring indicators and mechanisms; and
- Propose alternative indicators that will enable the suppliers' performance to be monitored more effectively in future.

### **3.3 Approach to this Review**

In reaching our conclusions in this review we have taken into account a number of sources of information. These include:-

- Documents provided by suppliers to Ofgem & energywatch in Quarter 2 2003 setting out their Debt and Disconnection Prevention Strategies. All suppliers have strategies to implement the Guidelines;
- Notes of meetings held between Ofgem, energywatch and suppliers in summer / autumn 2003;
- Quarterly statistical information provided by all suppliers relating to their Social Obligation Codes of Practice including the key areas described in the Debt & Disconnection Good Practice Guidelines. Some of these indicators are made public, others are confidential;
- Responses by suppliers to additional questions raised by Ofgem / energywatch in autumn 2004 seeking an update on progress;
- A visit to suppliers' premises along with Ofgem & energywatch in January 2005 at which there was the opportunity to discuss the progress being made with managerial staff and also see how front-line staff handle calls from consumers;
- energywatch complaint statistics;
- Comments from consumers obtained from telephone interviews and two focus group sessions conducted during January & February 2005;
- Comments and analysis from regional directors of energywatch; and
- Comments and analysis from other consumer agencies.

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<sup>1</sup> Debt and Disconnection: Gas and electricity supply companies and their domestic customers. Fifth Report of Session 2004-05 ISBN 0 215 02198 3



In the following sections of this report we will discuss the:-

- Effectiveness of the Guidelines (4.2);
- Examples of best practice (5.3);
- Observations in respect of each supplier (5.4);
- Quantified and qualified benchmarking of suppliers' progress in addressing the various issues (5.4, 5.5);
- Effectiveness of current performance measures (6.1); and,
- A suggested set of measures for future performance monitoring (6.2).

It is worth noting that there are differences between electricity and gas that impact on suppliers' approaches to implementing the Guidelines notably in meter fitting safety, settlement and seasonality. These are set out in more detail in Appendix 1.

## 4 Review of the Guidelines and Measures

### 4.1 Progress with the Guidelines

Since the Guidelines were published each supplier has taken a different approach to developing and communicating their strategies. This was mirrored by Ofgem and energywatch in reviewing the strategies with each supplier. Whilst this was effective at the time, it does not readily facilitate either inter-supplier comparison or the tracking of progress going forward. A more structured approach has been taken with this review which has made inter-supplier comparisons simpler and could also simplify future tracking of progress.

### 4.2 Effectiveness of the Guidelines

**In the two years since the Guidelines were published, suppliers have increased their focus on the issues raised in them. However, the current range of statistical measures does not provide clear evidence of the extent to which the Guidelines are having the desired effect.**

As part of this review, research was carried out with a sample of consumers. This did not aim to examine every aspect of the Guidelines but did confirm that consumers believe that the principles underlying the Guidelines are sound. The main finding from this research is that the difficulties around communication with consumers should not be underestimated. Consumers described situations in which they had experienced difficulty in both contacting suppliers and in making themselves understood. **Arguably there is more to do here if the Guidelines are to achieve their full potential and benefit all parties.**

Overall, the Guidelines are a rational set of objectives that, if followed, are likely to benefit consumers and suppliers. However, different suppliers are at different stages with their businesses. Some have recently completed or are close to completing major integration programmes involving the introduction of new consumer service and data systems, another is in the midst of a major integration programme and others are closer to a 'business as usual' status. This has affected the approach that suppliers have taken to implement the Guidelines (see section 5).

### 4.3 Categorisation of Supplier Measures

The Guidelines are structured into six principal areas as described in 3.1 above.

As supplier activity can impact on more than one of these areas it is difficult to measure progress against each key area. For the purposes of assessing progress in the simplest way, and to avoid repetition, we have grouped the activities under three broader but more distinct headings: *Debt Prevention*, *Debt Management* and *Measures to help vulnerable consumers*. These terms are defined below and better reflect the approach that suppliers have taken whilst being consistent with the Guidelines at an aggregate level. We have used these terms later in the report when considering the relative performance of suppliers and recommend that they are retained for future reviews.

#### **Debt Prevention**

There are many activities that can be included under the general heading of 'Prevention' including:-

- Ensuring consumers are on the contract or tariff that best fits their usage pattern;
- Setting consumers up with a payment method they can understand and budget for;
- Ensuring as many bills as possible are based on actual meter reads and that any gap (in value terms) between usage and bill is minimal;
- Providing advice on both energy efficiency and, where appropriate, guidance with budgeting; and,
- Providing access to energy efficiency measures which will genuinely help to reduce consumers' usage levels.

Highlighting measures as 'Preventative' also emphasises that long term reductions in the numbers of consumers in debt will mainly come through this type of activity.

## **Debt Management**

Once consumers fall into debt, suppliers need to balance the business need of recovering the debt in the shortest possible time, the consumer's ability to pay (in line with suppliers' licence obligations) and to adhere to any arrangement put in place. Activities typically falling into this area include:-

- Ensuring consumers understand all the options open to them including recourse to external advice agencies as appropriate;
- Ensuring that consumers are happy with their payment arrangement and understand that the amount that they have agreed to pay covers repayment of the debt and also ongoing energy consumption;
- Encouraging consumers to contact their supplier if their circumstances change; and,
- The use of prepayment meters when it is agreed by both consumer and supplier that they are the best solution for the circumstances.

The softer aspects of suppliers' processes are also important including:-

- The efforts made by suppliers to talk to consumers;
- Debt advisor visits to consumers in their homes; and,
- Promotion of Fuel Direct and other third party schemes.

Highlighting measures as 'Management' should allow suppliers to identify whether their plans are appropriately balanced between preventative and management measures.

## **Measures to Help Vulnerable Consumers**

The ERA definition of a "vulnerable consumer" in the context of avoiding disconnection has had broad input and is accepted by the industry: *A consumer 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.* This definition covers some consumers who would be eligible for inclusion on suppliers' Priority Services Registers (PSRs) but also includes some consumers who may not be eligible.

This category includes those activities that are specifically focussed on vulnerable consumers (rather than being more widely applicable). These activities will bear on both the prevention and management of debt but only for vulnerable consumers. Identifying these activities separately:-

- Makes it clear that Guidelines apply to consumers as whole and not just vulnerable consumers;
- Draws out clearly those activities that will improve the position for consumers as a whole; and,
- Highlights the additional measures that suppliers have taken to improve matters for vulnerable consumers.

Measures to help vulnerable consumers include appropriate energy efficiency advice; personal financial advice on budgeting; and specifically, with the consumer's consent, referring the consumer to an organisation which can provide this specialist service, in some cases social services. Some suppliers have established Trust funds with the intent of helping financially consumers judged to be in extreme hardship. These are also included in this category.

## 5 Company Performance

### 5.1 Overview

As part of this review meetings were held with the six major suppliers to explore progress, identify issues and best practice, and to seek their views on the ongoing relevance of the Guidelines. The meetings all took the same format: a discussion / presentation session, questions and answers covering progress updates on earlier meetings and the application of the Guidelines across the whole consumer acquisition/payment/debt process. At each meeting, time was spent listening to frontline staff handling live consumer calls. The same team of people from Ofgem, energywatch and Sohn Associates attended all the supplier meetings.

Each supplier's strategy, together with earlier progress discussions and updates with Ofgem and energywatch were summarised using the template format attached as Appendix 2. The same template was used to record the suppliers' latest position on its range of initiatives together with our findings of the discussions held in January 2005. We have recommended that this format is retained for future reviews.

Supplier actions and initiatives were subsequently grouped under the Prevention, Management and Help for Vulnerable Consumers categories explained above using the template attached as Appendix 3. We have used the output from this analysis as the basis for comparing company performance.

### 5.2 General Observations.

**It is clear that substantial effort and progress has been made since Ofgem and energywatch issued the Guidelines.** It is also evident that emphasis and progress varies significantly between suppliers. **Some are actively embracing the Guidelines and embedding the principles in their businesses, some are concentrating on specific areas, whilst others are implementing the Guidelines on a less integrated basis.** The Guidelines proposed six statistical indicators to monitor progress against their objectives. Only one supplier (BGT) reported against these indicators as part of its update submission to Ofgem and energywatch. No supplier was able to produce a forward looking set of projections or targets covering these indicators (or any relevant substitute) and this lack of targets or projections is making progress difficult to quantify. **Overall we found that there was little evidence that the suppliers have the measurement and controls in place that would normally be expected for work of this importance.**

The contrast between suppliers' original strategies is very noticeable and is in some cases an indication of subsequent effort and commitment. Some were relatively superficial whilst others clearly indicated detailed and well developed thinking in all the areas associated with the issues of debt and disconnection. The better suppliers could be characterised by greater integration of debt processes across the retail business, senior level involvement with regular reporting to executive or senior management, and a greater understanding of prevention being the key driver in this area of their business. Essentially they had engaged with the Guidelines because they believe that they simply represent good business practice.

Whilst strategies vary, all suppliers were aware of the issues around vulnerability and all had active Priority Service Registers (PSRs) in accordance with their licence conditions. Most suppliers were aware that some vulnerable consumers were not eligible for their PSR and some were actively exploring ways of addressing this issue. A number of suppliers were registering vulnerable consumers on their PSR as a pragmatic way of identifying them in the absence of a special vulnerability flag. This is a sensible way forward in the short term but will lead to problems as activities become more established. A separate category for vulnerable consumers would be a helpful way forward and the sooner this is implemented the less retrospective work will be required. Alternatively the criteria for the PSR could be changed to include other vulnerable consumers.

The Guidelines were never intended to constrain suppliers from investigating and developing other initiatives. A fundamental issue will always be the identification of vulnerable consumers. Some suppliers are actively engaged through call centre and / or field staff training while some are looking at other, more analytical, techniques to identify these groups. **Targeting the consumer with an appropriate solution will be the key to ensuring that vulnerable consumers receive the help and assistance envisaged by the Guidelines.**

All suppliers have signed onto and are implementing the ERA safety net and say that they will not disconnect vulnerable consumers. There are, however, substantial differences in the approaches that suppliers have taken to identify vulnerable consumers and the degree of formality that they have adopted in their processes. Whilst a final authority for disconnection is required by all suppliers, the processes that lead to this are all reliant on the steps that have been taken in call centres and the field to identify vulnerable consumers. Given that these have been developed quickly we are not surprised that there is some scope for improvement. Later in this report we have drawn out what we consider to be best practice.

There was no evidence of a link between modern integrated IT systems and good progress in implementing the Guidelines. In fact, the better companies had good, basic but not necessarily 'state of the art' systems (some were still using what would normally be regarded as legacy systems) and in these cases IT had not been allowed to be a barrier to progress or to embedding the Guidelines into their business processes and their culture.

Relatively few suppliers were actively using consumer research and feedback, other than traditional analysis of the root causes of complaints, to improve their processes and procedures. The companies that have made the most progress were those that had understood the consumers' needs best.

Because suppliers have implemented the Guidelines in a diverse way, simple comparisons of progress are difficult. Some have chosen to focus across a narrow front in the six key areas whilst others had moved forward with a much broader approach. Not all were measuring the link between input changes and output effects, even in the more quantifiable aspects of Prevention and Management where inputs and outputs are more easily measured and correlated.

Ofgem has been constrained to use only data that was already available to them in their monitoring of the Guidelines and as a result the indicators proposed in the Guidelines have proved less useful than they might have been. Although the suppliers have to report on these there was little evidence of adoption of the Guideline measures by the suppliers in their own business monitoring.

**It is likely, despite the substantial progress made since the Guidelines were issued, that it is still too early to see the impact coming through in terms of lower debt levels and fewer consumers in debt.** This is perhaps not surprising given some of the long cycle times in the debt processes and so far only a few suppliers have increased their emphasis on debt prevention rather than management. Later in this report we recommend a number of indicators that will demonstrate progress across a range of activities and timescales.

We found that not all suppliers regard the provision of energy efficiency advice as of prime importance in their activities to prevent debt and disconnection and as a consequence, some have focussed their activity in other areas of the Guidelines. Other suppliers have taken a holistic view and have embedded their energy efficiency advice teams within their debt teams and are proactive in offering energy efficiency advice to vulnerable consumers in particular. The current balance of opinion favours a continuing focus on energy efficiency.

### 5.3 Best Practice summary

Since the Guidelines were issued, all suppliers have been developing and implementing initiatives and improvements. Whilst some have made more progress than others, during our discussions we found examples of what we believe illustrate 'best practice'. These should be taken as 'best practice' at this time and not the absolute position suppliers could attain. The list of actions,



initiatives or practices shown below have been drawn from all six suppliers and are in place, or being used by one or more of them.

## General

- Key Performance Indicators (KPI s) for all critical billing and debt measures;
- High visibility of KPI s and performance against them - reporting to senior management on a regular basis and communicating to staff regularly;
- Rigorous and methodological approach to delivering change and improvements; and
- Strong consumer culture and passion for improving indebtedness exhibited clearly by the management team.

## Debt Prevention

- Consistent meter reading frequency and access rate targets across consumer base. Access rate targets 80% with aspirations to move to 85-90%;
- Increasing number of options for consumers to self-help with meter reading that embraces modern technology and consumer behaviour (e.g. text messaging);
- Freephone available for consumers' self-help meter reading;
- Meter reading obtained at point of sale at consumer acquisition;
- Early action to minimise consecutive estimates (after two estimated quarters);
- Alignment of billing window (the period in which a meter reading can be used on a bill) and meter reading cycle, and the use of actual meter readings whether company or consumer reads;
- Setting up direct debits immediately following the consumer's account going live, and continuing to operate the arrangement even if there are billing issues in order to prevent a build up of debt;
- Using any consumer contact with the company to obtain telephone contact details;
- Proactive procedure for dealing with large bills. Large bill parameter set for the individual consumers and not a general figure. When a consumer cannot be contacted in advance of bill by phone or letter, a specific letter, with contact details, is sent with bill;
- Regularly and formally soliciting consumer research and feedback and using this to improve the billing/collection process;
- Robust cause and effect analysis of consumer's complaints; and
- Active attempts to analyse and segment consumer base to allow different approaches to both prevention and recovery.

## Debt Management

- Recognising action is required early in the recovery process. Consumers in receipt of red reminder invited to call specialist debt collection teams, not a general call centre;
- Solid training in a 'holistic approach' to debt including drawing parallels with everyday life issues that staff can relate to;
- Taking real account of consumers' ability to pay by opening with the question, "How much can you afford to pay.....";
- Use of company-employed, rather than third party agents, to attend when gas warrants (for disconnection of supply or fitting of a prepayment meter) are executed;
- Segmenting consumers throughout the debt path;
- Robust formal pre-disconnection procedure with management sign-off at key stages leading up to disconnection;
- ISO (international standards organisation) quality accreditation for disconnection process;
- Energy efficiency team based within the debt collection activity;
- Targets for energy efficiency advice; and
- Calling all consumers after the first reminder with energy efficiency advice.

## **Measures to help vulnerable consumers**

- Offering any consumer a benefit entitlement check;
- Proactively identifying vulnerable consumers;
- Close links developed with social services;
- Consumers who are, or have been, identified as vulnerable are handled separately across the debt process;
- Documented vulnerability training and consumer identification for agents;
- Specific points of contact within the company for consumer agencies such as CABs and Money Advice Trusts, and a number of communication options available – phone, letter and e-mail;
- Separate team for managing vulnerable consumers who are in debt manned by highly experienced staff; and
- Trust funds and social tariffs.

## **5.4 Company Detail**

A summary of each supplier's progress, views and activities obtained during our discussions is set out below.

### **5.4.1 British Gas (BGT)**

#### **Overview**

From a historical national gas consumer base and an electricity base built organically BGT is continuing to address the issues of debt prevention and debt management with a national perspective rather than the more regional focus of some other suppliers. It differs from the other six suppliers in that it has only added domestic consumers organically rather than by corporate acquisition.

BGT believes that its progress in implementing the Guidelines has been constrained by the development and implementation of a major new integrated brand-wide business IT system and an associated moratorium on changes to its IT systems. It is interesting to note that other companies who have integrated businesses or delivered system changes, have not chosen to adopt this approach and as a consequence have managed to make quicker progress in some areas.

BGT has developed a number of high profile initiatives which can be expected to make major improvements for financially disadvantaged consumers. These are exemplified by the establishment of the British Gas Energy Trust, which BGT has funded with £10 million, and the carrying out of benefits entitlement checks.

As part of BGT's programme to identify vulnerable consumers, comprehensive training has been devised for its office and field based staff across the business, including non-energy supply operations, backed up by simple documentation for use by debt representatives at the consumer's home. This is being rolled out to all contact points across the business.

BGT's operational locations, with the first stages of debt management in Edinburgh, are possibly a factor contributing to a less holistic approach to debt in the context of the retail business. This is exemplified by a relative lack of pro-activity compared to some other companies in terms of developing Prevention strategies. Creating centres of excellence for Debt collection (Edinburgh), Energy Efficiency advice (Southampton) and its PSR (Leeds) has generated expertise and activity focus. However its implementation of the Guidelines appears to be an 'add on' rather than an integrated part of the retail business management process.

The drive for improvement in the debt process seems to be coming predominantly from a centralised, experienced management team with less structured input from front line staff, rather than trialling new systems, or, more particularly, from consumers themselves. However the relationships BGT have with National Debt Line and CAB's, for example, are used as surrogates for

the consumers' views and fed into process improvement. In addition, there appears to be significant effort in developing a large range of initiatives to implement the Guidelines but their fit within an overall BGT framework and the extent to which they will be embedded in the retail business was not visible. This is borne out (see below) by BGT's good progress in developing Measures to Help Vulnerable Consumers, such as their 'Here to Help' programme, whilst making relatively less progress with Prevention and Management measures.

Significant effort has been directed toward identification and treatment of vulnerable consumers, although there are no measures in place to quantify the effect of these measures on debt prevention. BGT questions the impact of the energy efficiency aspects of the Guidelines in preventing and managing debt in the short term, but believe with effective targeting they will deliver longer term benefits. The new IT system will help facilitate a targeted approach and they have therefore chosen to concentrate their efforts on other parts of the Guidelines for the time being.

In summary, BGT has high expectations from its new IT systems, and re-engineered processes, which are supported by a programme to deliver the implementation and to drive out the business benefits. BGT plans to deliver a number of key improvements in debt prevention and management using its new systems.

## **Examples of Activities and Initiatives**

BGT has demonstrated commitment in its desire to implement the good practice Guidelines within the constraints of its IT change moratorium. A number of specific actions and initiatives that BGT has adopted are highlighted below.

### Debt Prevention Activities

- BGT has renegotiated meter reading agent contracts with specific targets for access rates and for readings that are aligned with bill cycles. This should reduce the number of estimated and consecutively estimated bills and help to prevent a build up of debt caused by low estimates;
- A range of methods is available for obtaining consumer meter readings where there has been a succession of estimates is being trialled including the use of newer technologies. This should allow the debt caused by high catch up bills to be reduced by ensuring that it is tackled at an earlier stage;
- Prepayment consumers acquired from other suppliers are visited to read and reset the meter at the point of transfer to reduce the incidence of debt arising from misdirected payments especially with token type meters; and
- An Energy Efficiency Strategy Team has been put in place to co-ordinate all associated activity across the British Gas Group.

### Debt Management Activities

- BGT has recognised the need for a more consumer-centric, integrated approach to the retail business and has committed substantial investment to developing and implementing a new IT system, with an integrated approach to debt prevention and management. This should deliver benefits such as greater automation and consistency to both consumers and the business. BGT has appointed a project manager outside of the normal management line to drive the benefits of this technology into its debt Prevention and Management plans.

### Help for Vulnerable Consumers

- BGT offer benefit entitlement checks as part of the "Warm-a-life" scheme, as well as free energy efficiency measures in the home;
- BGT's Money Management Pack is issued to consumers who are considered vulnerable: this includes advice on energy efficiency, money management, debt and benefits;

- An independent Trust Fund has been established to help any financially disadvantaged consumers who are deemed to be in extreme hardship, and also provides sign posting for other sources of help such as benefits entitlement check;
- Vulnerable consumers are removed from the normal debt follow-up procedure and managed by a dedicated team ensuring that they can be dealt with sensitively by experienced staff and that the full range of special measures that BGT has put in place can be brought to bear for the benefit of this group;
- BGT has implemented a check list to help front line staff identify vulnerable consumers and to provide a safety net for vulnerable consumers at the later stages of its debt paths; and
- Prepayment meters are not fitted where consumers are above the age of 80, thus avoiding the associated access, understanding and purchase problems.

## **5.4.2 EDF Energy**

### **Overview**

EDF Energy has successfully integrated three supply businesses (London, SWEB and Seeboard) and has not allowed the management challenges, which usually come with such a process, to prevent substantial progress being made in implementing the Guidelines.

EDF Energy sees the implementation of the Guidelines as an integral part of ‘business as usual’. This is reflected in its organisation, reporting, management style and culture and although the debt centre is at Exeter, and is separate from EDF Energy’s other operations, the processes used, the inclusion of the energy efficiency advice team and the way that the debt team works with the other parts of their business are indicative of the holistic approach EDF operates.

EDF Energy is one of the few suppliers who involve the debt team at the earliest stages of the debt process, and in more parts of the consumer acquisition to collection process. It is too early to see whether this approach is delivering quantifiable benefits, in terms of lower consumer debt, although EDF Energy believe it is the correct way to move forward. (EDF Energy believes that many of its measures result in short term deterioration of the Guideline indicators, e.g. the work that is being done on consecutive estimates raises catch up debts sooner.)

EDF Energy has moved forward by implementing solid processes which combine business need with some consumer focus, and a good understanding of the debt process. EDF Energy is now well positioned to tackle the key issues around debt prevention in the vulnerable consumer group with a more scientific approach than has been traditionally used in the industry.

IT systems support the process but are not ‘state of the art’, indicating that robust ‘work-arounds’, solid training, and an enthusiastic culture can make up for system shortfalls. EDF Energy has used its IT capability effectively – an intranet, which is available to all staff at Exeter carries information about relevant policies and procedures and is seen as reinforcing their staff training programme as well as providing an easily accessible one stop shop for frequently needed information.

Improvements are generated from within the business by a team who have management support although it was not evident that consumer views were proactively sought as part of this process. However, there was a robust quality assurance programme which aims to ensure there is a consistent approach through internal assessment and staff feedback.

EDF Energy believes that energy efficiency and measures to help the vulnerable will make a real contribution to the business and to the underlying debt issue. It was clear that issues around fuel poverty, vulnerability, energy efficiency and its PSR were an integrated part of the business and this approach is reinforced with the energy efficiency and vulnerability training given to the EDF Energy meter readers.

## Examples of Activities and Initiatives

A number of specific actions which we believe are contributing to EDF's progress in implementing the Guidelines and in developing measures to help vulnerable consumers are listed below.

### Debt Prevention

- On-going senior level sponsorship following the organisational decision to take an integrated approach to debt, energy efficiency and vulnerability. There is regular executive review of their output measures;
- A range of methods is available to encourage consumers to provide their own meter reading including offering an incentive to minimise the numbers of estimated bills and consecutive estimates;
- Ongoing support for front line staff through use of the intranet helps to ensure consistency of approach in applying processes and policies, as well as other relevant information;
- EDF Energy has a team employed to analyse debt, debt avoidance and develop debt prevention strategies. EDF Energy is working towards a structured and targeted approach to all initiatives. The team endeavour to understand the impact of the initiatives that they devise on a before and after basis;
- Energy efficiency advice was prominent following EDF Energy's recent price increases; and
- EDF Energy has a consumer-focussed culture driven throughout the organisation but coupled with a clear understanding of the business drivers with targets for debt reduction.

### Debt Management

- EDF Energy's Prepayment meter electricity tariff has been equalised with their equivalent credit meter tariff so there is no additional cost burden for those consumers opting to retain their prepayment meter as a budgeting device after debt has been repaid. Similarly EDF Energy can now use PPMs for arrears collection without imposing a cost penalty on its electricity consumers; and
- Energy efficiency advice is included in a 'debt pack' sent to those consumers in debt. There is a focus on reducing energy use as part of the recovery package for consumers.

### Help for Vulnerable Consumers

- An independent trust fund has been established to help those consumers who are deemed to be in extreme hardship. Consumers can be referred to the trust by EDF Energy agents. The trust is being actively promoted;
- There is a comprehensive 12 week training period for new staff including both formal and practical sessions and includes training on the PSR and on recognising vulnerable consumers;
- Specific ongoing training aimed at assisting front line staff, including EDF Energy field staff, to identify and help vulnerable consumers with campaigns such as the 'winter risk campaign';
- EDF Energy has an internal target to increase the number of PSR consumers, and performance is subject to executive review; and
- Vulnerable consumers are identified and removed from the normal debt paths and handled by a specialist team.



## 5.4.3 npower

### Overview

npower's domestic consumer base grew from successive acquisitions from the supply businesses of Calortex, Midlands Electricity, Independent Energy, Yorkshire Electricity and Northern Electric over the period 1999 to 2001. In addition, npower has run an organic growth strategy. Since that time it has been operating from various sites and working to integrate the businesses that it has acquired. npower currently has several separate IT systems for serving its domestic consumers.

npower operates its front line debt collection activity from two sites each servicing mainly geographically different groups of consumers and with prepayment consumers being managed from a third location. npower has an intention to move forward to offer consumers an improved choice of 'packages' which would mean segmented debt paths dependent on the package but are currently limited by the number and capabilities of their billing and debt management systems. npower is adopting a pragmatic approach to the timing of such consumer offerings, which will depend on the consolidation of IT systems onto a common platform. This fragmented operational delivery capability has made it difficult for npower to undertake a large number of activities to implement the Guidelines.

Clearly npower's integration and IT challenges have made the adoption of the Guidelines difficult. npower states that it had been able to put in place manual working practices to enable it to make some progress towards implementing the Guidelines. To date, npower's approach has been more opportunity based than strategic and has been hampered by the difficulty of having to make changes to a large number of systems and processes to cover its entire consumer base.

As with some other suppliers some effort is being directed toward the identification and separate treatment of vulnerable consumers but there are no measures in place to quantify the effect on debt prevention.

### Examples of Activities and Initiatives

The following list includes some examples of the specific actions that npower is taking to implement the Guidelines.

#### Debt Prevention

- A dedicated team, Second Line Support, has been established to support front line staff within the Contact Centre. It takes responsibility for a range of activities from amended and disputed accounts to filtering energy efficiency referrals. In particular it manages the resolution of complex billing queries, particularly consumer expectation; and
- npower has implemented several initiatives to obtain meter readings for new consumers including outbound calling two days after the supply start date. It is working within the Customer Transfer Programme to develop solutions which include readings at point of sale, triangulation methodology (matching meter serial number, readings and supply numbers) to resolve meter/ consumer disputes and a backstop process at Supply Start date plus 14 days. This helps reduce catch up bills for new consumers.

#### Debt Management

- Debt agent contracts are structured to reward consumer contact with penalties for cases that go to warrant stage.

#### Help for Vulnerable Consumers

- npower is trialling mosaic (a commercially available consumer classification database) and other techniques to identify consumers who may be vulnerable during the early stages of the debt process so that they can be handled separately; and

- npower is establishing a trust as part of a package of measures designed to help consumers who are deemed to be in hardship. npower plan to administer the trust itself and to focus on those consumers committed to keeping up payments.

## 5.4.4 Powergen

### Overview

Powergen like most of the other suppliers has grown its consumer base by acquisition, the latest being the supply business of TXU, in late 2002, and organically. However it differs from other suppliers in that it has outsourced part of the consumer service activity, including debt collection, for a substantial proportion of its consumers (those acquired from TXU) to Vertex, part of United Utilities. Our discussion was held at Powergen's Nottingham centre which predominantly serves consumers originally supplied by East Midlands using Powergen staff.

Powergen's consumer service operation appears to be well run, self contained and cost focussed. Initially Powergen contributed to the development of the Guidelines and produced a full plan for their implementation. However the number and range of new activities has not kept pace with other suppliers. Debt related policies and processes are applied in common across its entire consumer base including those consumers managed by Vertex.

Powergen is making progress with the migration of its consumers onto a single IT platform and has not allowed the issues of merging acquired businesses or implementing IT systems to prevent the deployment of some improvements, particularly in billing. Powergen expects its migration to a single platform for the entire consumer base to be completed in the first half of 2005.

The IT system at Nottingham currently supports the debt collection process and this, together with Powergen's 'credit management guidelines', ensures a consistent approach to the collection of debt across both in house and outsourced debt management. The drive for improvement appears to be coming from the central management team with no apparent involvement of either front line staff or consumers apart from traditional complaint analysis. There was little evidence that Powergen is planning to be more proactive in debt prevention; however it is continuing to reinforce its focus on debt management.

Powergen, in the context of debt management, has developed a number of good processes to support vulnerable consumers who have fallen into debt. These range from formalised arrangements with collection agencies to using experienced dedicated staff at different stages in the debt path, including working very closely with a number of consumer agencies. Powergen also calls all consumers who have been sent first stage reminders to offer energy efficiency advice.

It was clear that the anticipated results of the various initiatives that had been introduced were understood, although there was no apparent overall measurement of progress either in terms of overall output or individual activity. Powergen displayed a good degree of enthusiasm for the Guidelines.

### Examples of Activities and Initiatives

Powergen has made progress in adopting the good practice Guidelines and a number of specific actions are listed below.

## Debt Prevention

- A programme to align gas and electricity meter readings and to move to 'four in four'<sup>1</sup> readings to offer dual fuel bills by end 2005. This is planned to reduce estimated bills and the debt that results from the subsequent catch up bills;
- A programme to outbound call new consumers for opening meter reading has achieved satisfactory success rates. This improves billing for gained consumers reducing catch up bill issues later;
- Powergen is exploring a range of initiatives to encourage consumers to provide meter readings including using the internet;
- Powergen is proactively offering all prepayment meter consumers energy efficiency advice; and
- Powergen is offering an online home energy survey with outbound telephone calling to encourage consumers to complete it. This is being promoted with price change communications.

## Debt Management

- Contracts with collection agencies required individual agents to formally acknowledge that they have received training in handling vulnerable consumers and that individual agents understand the procedures.

## Help for Vulnerable Consumers

- Vulnerable and PSR consumers are removed from debt paths and handled by experienced agents allowing Powergen to bring to bear the full range of tactical initiatives that it has to help vulnerable consumers; and
- Powergen is offering a benefits entitlement check for all high using Staywarm consumers, Fuel Direct, PSR and Heat Street consumers.

### **5.4.5 Scottish and Southern Energy (SSE)**

#### **Overview**

Southern and Scottish Energy (SSE) has successfully managed the integration of its acquisitions and is moving forward with a national strategy and a commitment to implement the Guidelines. SSE's office locations are each dedicated to a part of the retail business processes and whilst this could result in handoff problems, it has adopted the necessary organisational and management processes to give a holistic view of debt. This was reinforced during discussions at Basingstoke (debt and payment arrangements, excluding the former Swalec consumer base) where the impact of debt prevention and management was clearly understood.

The holistic approach to debt is underpinned by its management style and culture and is incorporated in its very good staff induction and training programmes. The consumer and business culture was illustrated by the pride it shared with other parts of the business with its excellent performance in terms of energywatch complaints. SSE claims to have moved from an 'aggressive approach' to debt collection over the past five years to an approach which balances consumers' ability to pay with business financial drivers. This was exemplified by a strong emphasis on satisfying the consumer at each stage of the debt process.

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<sup>1</sup> Four in four means that a meter reader is sent to read the consumer's meter every quarter, i.e. four attempted reads every year (four quarters)

SSE's front line staff are supported with good IT systems which were not seen as an obstacle in moving forward. It was evident that whilst committed to the Guidelines, it had adopted a careful approach to their implementation by developing and then implementing initiatives in a measured way with a thorough understanding of the impact on consumers and the business. So far this approach has focussed on debt management with fewer initiatives around prevention and vulnerable consumers compared to some of the other suppliers. However, the changes that have been made appear to have been carefully and deliberately planned and delivered and have been solidly embedded in all aspects of the business.

SSE clearly recognises the contribution that energy efficiency and help for vulnerable consumers make to its business and the role that they play in the Guidelines. Energy efficiency advisers have been appointed in each of their regions to give direct at home advice. SSE is now increasing its engagement in all these areas with the recent appointment of a specialist to manage the approach to PSR and vulnerable consumers. Their announcement of a social tariff is further evidence of their direction.

Compared to some other suppliers, SSE currently has relatively few third party contacts amongst consumer agencies, though this may change following its appointment of a manager to oversee vulnerability and PSR activity.

Whilst SSE, like the majority of suppliers, was not using the output measures in the Guidelines to assess progress or report internally, it was clear from reference to many statistics during discussions that the management team had a solid grasp on the business and of the impact of the measures that had been implemented. We were not, however, able to identify any output measure targets for the Guideline implementation as a whole.

## **Examples of Activities and Initiatives**

SSE has made solid progress toward implementing the Guidelines and the list below identifies a number of key contributions.

### Debt Prevention

- Although meter reading frequency (at 'two in four'<sup>1</sup>) is lower than some other suppliers, SSE has implemented complimentary procedures to obtain meter readings directly from the consumer and thereby reduce consecutive estimates. If all fails and a bill is generated with a consecutive estimate, the consumer receives an accompanying letter asking them to make contact. SSE has achieved an excellent position in the energywatch billing and service complaint league tables whilst operating a 2 in 4 reading policy. There is no sign that reading only 2 in 4 quarters is holding SSE back in any way;
- SSE is achieving high read rates for routine and change of supplier readings and using these readings to bill;
- energywatch complaints are seen as a key driver of consumer satisfaction and debt. Daily meetings are held at each site by the senior management team to review complaints and position. The daily, weekly and annual tally of complaints is displayed prominently for all staff to see. There is a strong consumer satisfaction culture; and
- New prepayment accounts are monitored until payment appears to ensure the consumer understands the process and to spot potential self disconnection. If credits do not appear on the account the consumer is contacted to ensure that they understand their meter and the payment process.

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<sup>1</sup> Two in four means that a meter reader is sent to read the consumer's meter two quarters in every year (four quarters), i.e. every other quarter.

## Debt Management

- A solid process is in place to handle 'high bills', with realistic parameters and a combination of outbound telephone and letter contact. Great emphasis is placed on consumer satisfaction at each step of the process;
- Where a consumer is found to be on a low income but not on benefit the same repayment rates can be applied- £2.75 per week; and
- New ideas are communicated quickly and effectively by SSE's management structure.

## Help for Vulnerable Consumers

- SSE's strong consumer ethic comes through in its excellent training programme which includes pragmatic life skills and vulnerability training as well as the expected process and system training. Some of the training material places staff in everyday situations and they are then asked to visualise the same situation through the eyes of a vulnerable consumer;
- SSE has recently appointed a manager to champion PSR and vulnerability matters within SSE; and,
- SSE provides funds to Energy Action Scotland's 'Beat the Cold' handbook.

## **5.4.6 Scottish Power**

### **Overview**

From its early acquisition of the Manweb business, Scottish Power has developed a national business without losing its regional focus. Subsequently organic growth has been important to Scottish Power including its attention to internet sales. Scottish Power's holistic approach to debt prevention, debt management and measures to help vulnerable consumers was supported by a clear strategy which had executive sponsorship. Against this background it is not surprising that it has made substantial progress in implementing a range of initiatives which demonstrate its commitment to the Guidelines.

Scottish Power sees debt prevention as an integral part of its business and this is reflected in its culture which is based around the six sigma approach to quality improvement business drivers, the consumer and business improvements driven by listening to its consumers. Consumer feedback was proactively being used as an essential component of a robust, structured, quality driven change control programme delivering a variety of initiatives. In terms of organisation, Scottish Power involves the debt teams earlier in the debt cycle than most of the other suppliers.

The management team were clearly committed to the company's quality methodology and are using the same process to introduce several initiatives aimed at debt prevention. They are working closely with other parts of the retail business, such as sales, where there are good links with debt.

Scottish Power has a strong reporting culture with key targets and progress widely communicated to staff. The entire organisation is involved with weekly reporting of key indicators at executive level and weekly senior management meetings where a range of key indicators are reviewed. As with other suppliers who have demonstrated commitment to the Guidelines and who place great emphasis on actively measuring their business, the results of the initiatives so far have yet to be reflected in many of the published figures. Again we believe this may be a combination of timing and the current indicators themselves.

Scottish Power demonstrated considerable commitment in working to help vulnerable consumers. Like many other suppliers, it has a training programme for call centre and collection agents but, with the appointment of a specific manager, it has taken a particularly proactive stance by 'educating', and providing contact points for, other consumer agencies.



## Examples of Activities and Initiatives

Scottish Power with a consumer focussed approach to introducing change has progressed substantially against the Guidelines and some of its key actions are listed below.

### Debt Prevention

- Scottish Power has a measuring and reporting culture that regularly monitors business improvement and other key statistics, with executive and staff level visibility;
- The change programme that is used to implement initiatives incorporates consumer feedback over and above complaint analysis, and is based on quality principles;
- Scottish Power has a range of options available for consumers to leave their own meter readings, and is introducing an increasing number of communication methods;
- Consumers due for billing but for whom there is no meter reading are contacted by telephone, with a good success rate, in advance of bill production. This reduces estimated bills; and
- The energy efficiency team who operate alongside the debt teams have completed over 100,000 home energy surveys. Marketing materials have been gradually improved and take up rates are now just below 20%.

### Debt Management

- Scottish Power has achieved ISO 9001:2000 certification for its disconnection process due to the sensitive nature of this area; and
- Collection agents are required to formally acknowledge that they have received training in identifying vulnerable consumers and that they understand the procedures.

### Help for Vulnerable Consumers

- Scottish Power has provided a single point of contact for CABs which they can use to help to resolve problems; and
- Scottish Power has an ongoing dialogue with local CABs and Money Advice Trusts and has established a special helpline which agencies can use.

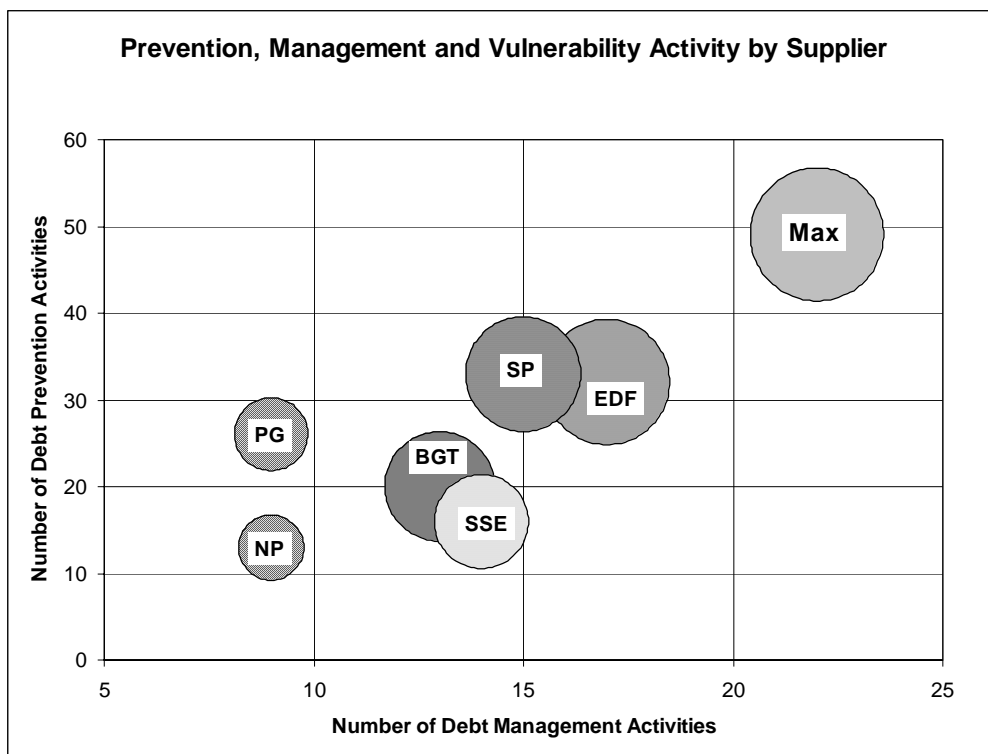
## 5.5 Comparison of Supplier Activity & Progress

The issues with the current reporting recommendations contained in the Guidelines have been touched on above and are set out in some detail later in this report.

Notwithstanding this, it is still worthwhile to make a comparison of the activities of the suppliers. To this end we have set out below the results of our analysis of the information provided by suppliers and that we gathered during supplier visits. This is based on inputs and only reflects the breadth (rather than the depth or both breadth and depth) of effort being put into the implementation of the Guidelines by the suppliers. It is quite possible that a greater degree of focus on a smaller number of activities may well produce bigger and more sustainable improvements in the desired output measures. In spite of this, the chart does sit comfortably with the impressions formed by the review team during the visits.

Supplier activities in the three areas of *Prevention of Debt*, *Management of Debt* and *Help for Vulnerable Consumers* have been counted (using the template set out in Appendix 3) and presented on the chart below. *Management* and *Prevention* activities are shown against the horizontal and vertical axes respectively with the number of activities categorised as *Help for Vulnerable*

Consumers determining the size of the bubble (Area). The bubble labelled ‘Max’ shows the position of a fictitious supplier undertaking the entire range of activities that were identified and is shown to give some indication of absolute performance. As the activities already undertaken start to bear fruit, other measures will begin to provide a better indication of relative performance.



Based on input measures EDF Energy and Scottish Power (SP) are performing most strongly. British Gas (BGT) has a strong performance on helping vulnerable consumers but ranks similarly with Scottish and Southern Energy (SSE) in terms of the actions it is taking to prevent and manage debt. Powergen (PG) is undertaking more preventative activity but less debt management activity. npower (NP) has made least progress.

### 5.6 Consumer Views

Two separate research projects have been carried out as part of this review in order to sample consumers’ opinions of suppliers’ current performance in the areas covered by the Guidelines.

Debt is a sensitive subject and needs to be explored carefully and sensitively if meaningful results are to be obtained. Consumer views were not sought directly when the Guidelines were devised. However, having done so at this review it is suggested that suppliers could carry out their own consumer research in future as part of their strategies for implementing the Guidelines.

Telephone interviews and focus groups were used to ascertain consumer views. The results from this research are set out below.

#### Telephone Research

A total of 125 telephone interviews were held with consumers. Of these, 30 calls were to consumers who had complained to energywatch about some aspect of their supplier’s handling of the debt problem and who had had their complaint resolved. The balance was to consumers that had been selected by suppliers (and who had consented to taking part in the research) who had recently been in contact with their supplier about debt. All suppliers provided consumer contacts and we are grateful for their help in this area.

The questionnaire for the interviews with those consumers provided by the suppliers, together with a summary of the results of all calls, are attached as Appendices 4 and 5. The questionnaire for the

consumers provided by energywatch was similar and referred to their complaint but omitted the prepayment questions asked of the others. The research was intended to sample consumer experiences and was not designed to be statistically significant at a detailed level or provide supplier-specific information. Individual feedback has been provided to suppliers, though only the aggregated results for suppliers are shown in the appendix.

Consumers were generally pleased to take part in the research.

The main findings from the telephone research amongst energywatch complainants and consumers contacting their supplier were:

- energywatch were highly regarded for their role in resolving the consumer's complaint. Many consumers could even remember the name of the energywatch person who had handled their complaint;
- Many of the consumer's problems had arisen as a result of billing and metering issues. This applied to both energywatch and supplier provided consumers. Generally consumers were dissatisfied with supplier's use of estimated readings. The vast majority of consumers felt that the problem that had caused them to become indebted could have been easily avoided. The most frequent action that would have avoided the debt was cited as communication with better meter reading and flexible payments in second and third place;
- Consumers had experienced difficulty getting through to their supplier; nearly half of the supplier-provided sample described this as a difficult process;
- Consumers who had complained to energywatch were dissatisfied with the way that they had been handled by suppliers. Many complained of broken promises, difficulty getting through to suppliers and a failure to return calls. The majority described their supplier as unhelpful. Consumers who had not complained to energywatch were more satisfied with the way that they had been dealt with, about three quarters describing their supplier as helpful once contact had been made;
- Very few suppliers enquired into individual consumers circumstances although it was clearly a relevant question in many cases. Consumers could recall virtually no mention of Fuel Direct, Benefits Entitlement Checks, Energy Efficiency Advice or the Priority Services Register;
- There was a wide variation in the range of options offered to consumers. Some suppliers were reported as offering a number of ways forward whilst others were reported as offering only a single option. Consumers who had been presented with a choice felt more positively about the outcome of their calls;
- Compensation was offered by suppliers in about half the cases where the consumer had complained to energywatch but in only around 5% of other cases. However the amounts were felt to be reasonable by only a minority of the consumers that had complained to energywatch;
- Around a third of the consumers had had a prepayment meter fitted and of these around three quarters felt that it was useful because it helped them to budget and meant that they didn't have to worry about bills. Around a third of the consumers contacted had often run out of credit with a significant proportion (about a fifth) citing running out of money as the main reason. No consumer was without supply for more than a few hours, though, suggesting more complex underlying issues are affecting these results; and
- Overall, consumers felt that suppliers should listen more carefully to what consumers say, care about consumers' circumstances more, improve their meter reading, be more professional on the telephone, keep their promises and return telephone calls.

All suppliers say that they encourage consumer communication at all stages of their debt collection processes. Many of the consumers surveyed had experienced problems contacting their supplier and some had then had difficulty making themselves understood. This suggests that more could be done by suppliers in this area.

This research was straightforward, low cost and simple to conduct. It was also largely welcomed by consumers who, in the main, appeared to be happy to help. Whilst care has to be taken interpreting the results of such a small sample (and because of the way that the sample was derived) the results do have the potential to highlight basic concerns and to provide some measure of supplier performance particularly if conducted over an extended period. Given the nature of the issues and the size of the investments being made by suppliers we believe that all suppliers would derive benefits from running a structured research programme of this nature as part of their strategies.

## Focus Groups

Two focus groups were held to explore consumers' attitudes and views about the way that suppliers handled consumers in debt. The groups were held in January 2005 in Slough and near Norwich and were attended by four and five consumers respectively. The numbers were deliberately kept low as debt is a sensitive area and potentially a difficult one to explore in bigger groups. The members of the Slough group were in the age range 22 to 37 and for the Norwich group between 49 and 71. The consumers were drawn from a mix of low wage, income support, pensioners and benefit recipients; most were married or partnered. The main selection criterion for participation was that all had had recent contact with their energy supplier. Not all suppliers were represented in the sample. The discussion guide is attached as Appendix 6.

The main points to come out of the discussions were:

- Consumers had difficulty understanding their bills. One consumer produced a bill that ran to four pages. Electricity and gas bills were rated the most confusing of all bills. Older consumers tended to check their bills more than younger consumers and tended to keep paper records too. The younger consumers in particular had difficulty following the calculations on their bills;
- It was felt that meter readers were not as helpful as they used to be. One consumer had to read her own meter whilst the meter reader supported the necessary ladder;
- Most of the consumers had provided meter readings to their suppliers and had been able to use the various technologies to do so. Most of the consumers would only do so, however, if a freephone number was provided. They saw the meter as the supplier's and resented the fact that they had to read it. There was a feeling that some suppliers did not use consumer supplied reads;
- The selection criteria for the groups included recent contact with their supplier and many of the consumers had experienced problems recently with their suppliers. The problems all centred on billing, including high catch-up bills, obviously wrong estimates, direct debits applied to the wrong account, long periods without bills etc. It was surprising to find such a concentration of billing problems in a group selected using a contact criterion (normally a broader range of issues would have been found) and this may be indicative of deeper underlying issues in this area. Many believed that poor meter reading and record keeping by suppliers was to blame though one consumer acknowledged that they had been aware that there was a problem but had done nothing about it;
- The majority had contacted their supplier by telephone and were unhappy with the way that their calls had been handled. Difficulty getting through, rude staff, failure to call back, and failing to take the time to understand the consumers' problems were all cited;
- Consumers had ideas for improving the service: "doing what they say they will"; simpler bills; better meter reading; advance notification of price increases, and an alert if consumption suddenly increased all featured;
- Some consumers had received energy efficiency advice and were quite energy aware; others (especially younger consumers) had not and saw this as someone else's problem as they tended to live in rented accommodation;

- Most had thought about contacting other consumer agencies but only three had done so (CAB & Age Concern). They were all pleased with the advice and help that they received. Consumers held a view that suppliers should encourage this and promote energywatch more; and
- Most were confused by suppliers' pricing and reluctant to switch if there were problems on their accounts.

**Overall the main message must be the continuing need to focus on communicating with consumers, bridging the gap, especially with those who are less articulate or are vulnerable. This applies across all media including the telephone, bills and other written communication.**

The messages from the focus groups are largely the same as those from the telephone research though the communication issues come out more. In cost terms, focus groups are considerably more expensive on a per consumer basis than the telephone interviews but despite this they could add value to suppliers' programmes if run periodically, especially if observed by senior staff.

## 5.7 Consumer Agency Views

A questionnaire was used to gather the views of consumer agencies (Appendix 7). The main findings from the survey respondents (predominately Citizens Advice Bureaux "CABs") were as follows.

There are some relationships with suppliers, both formal and informal though these tend to be mostly local and, at best, at regional level. Where relationships exist, these are seen as helpful in resolving individual cases especially where suppliers have provided dedicated telephone lines. A number of suppliers have strong relationships regionally (Scottish Power, EDF Energy and British Gas were all named) and a number have some weaker relationships.

Energy debt issues represent a small but growing proportion of the work of the respondents and one respondent pointed out that they represent a disproportionate number of the cases that are handled which are thought to have wider social policy implications. Citizens Advice Bureaux Scotland, for example, found that over 5% of all the cases referred, which they categorised as having wider implications, were in fact related to energy debt. This was despite the fact that their energy debt category cases represented only 1.8% of all cases referred to the bureaux in Scotland. This supports the need for continued focus on the Guidelines.

The main reasons underlying the cases reported by the respondents were billing and transfer of supply issues. Citizens Advice England highlighted accurate billing, better information and billing the correct consumer as key areas for improvement and also reinforced the need for more to be done to enable consumers to get through to suppliers by telephone.

**The Guidelines were valued by the respondents and were thought to have resulted in both attitude and service improvement.**

The difficulty of establishing and maintaining good relationships was acknowledged together with the presence of some frustrations on the part of both respondents and suppliers. Overall there is a need to continue to explore how suppliers can work with agencies such as the CAB and to quickly identify, communicate and replicate successful initiatives.



## 5.8 Issues

During the review, a number of issues were identified which would benefit from the attention of all parties as a mutual approach is most likely to produce the quickest and most beneficial resolution. These are set out below:

### Terminology

**All suppliers expressed the view that some current industry terminology was causing difficulties with consumers.** This is manifested by consumers not wishing to be on “a register”, or in some cases to be regarded as “vulnerable”. The practical consequences of this are that the special measures provided by suppliers are denied to a proportion of consumers who would benefit the most from them. No work has been done to quantify the scale of this problem but anecdotally it is a significant barrier to the wide scale implementation of many measures targeting this group. A review of terminology is required and this should include consumer testing of options to identify those which are most likely to be best received.

### Social Services

**Generally suppliers were experiencing difficulties in building relationships with Social Services departments.** Whilst two suppliers had had some success this was normally on a local rather than a national basis. In our view more could be done on a co-ordinated basis as there is little point in six suppliers all treading the same path with the same Social Services departments. We support the efforts the ERA is making on behalf of all suppliers to raise the awareness among social services departments and representative bodies. This co-ordinated approach will also minimise the time that Social Services departments would have to spend getting up to speed with the issues and putting procedures in place.

### Gas Prepayment Meters

For safety reasons it is necessary to purge consumers’ gas installations of air following the fitting of a gas prepayment meter. There is no equivalent requirement in electricity. This leads to problems when the consumer is not present, e.g. when these meters are fitted on a warrant visit. On these occasions the normal practice has often been to disconnect the gas supply unless there are signs that the consumer is vulnerable. Some suppliers have had limited success fitting prepayment meters under these circumstances but only when their agents can be sure that they have been able to identify and purge all relevant appliances. The terms of the warrants do not always allow this. This leads to a number of otherwise unnecessary gas disconnections and added costs and inconvenience for consumers and suppliers. A common approach may be helpful in removing some of the barriers (e.g. wider warrant scope, new working and verification procedures etc.) though the underlying issue is fundamentally that of safety.

### Fuel Direct

**All suppliers had difficulties with the Fuel Direct scheme.** There were long delays, during which time debt problems often continued to grow and also a substantial degree of uncertainty around whether consumers would be accepted onto the scheme which was seen as too narrowly focussed. The Department of Work and Pensions (DWP) who administer the scheme appears reluctant to accept new consumers onto the scheme and it would be sensible to resolve the current perceived dichotomy sensibly in favour of more unified and stronger promotion. Consumer research favoured the scheme and highlighted the need to give it more publicity. There was no evidence of any promotion of the scheme by the DWP. The recent TISC review also highlighted the greater role that Fuel Direct could play in avoiding debt and disconnection. All parties need to work together to find a way forward with the DWP.

### Unfair Collection Rates on Prepayment Meters.

**There is evidence that debt recovery rates are higher where suppliers have fitted a prepayment meter compared to other recovery methods.** The chart in Appendix 9.7 shows the

ratio of debt arrears recovery rates for prepayment consumers compared to other consumers. A number above one indicates that arrears are being collected at a faster rate from consumers who have prepayment meters compared to consumers with credit meters.

Currently only npower collects arrears on prepayment meters at a similar rate to other forms of arrears collection whilst one supplier (British Gas) is collecting at nearly double the rate on prepayment meters for electricity. The position is more extreme in gas with both Scottish Power and EDF Energy collecting arrears at more than double the rate on prepayment. Since all the suppliers regard prepayment as their least favoured option the reverse might be expected. Consumers who have not been able to sustain a payment arrangement on a credit meter (i.e. a non prepayment meter) should arguably be required to make lower arrears repayments on a prepayment meter if undue hardship is to be avoided. Instead the reverse is true. Suppliers should be encouraged to review their procedures in this area in line with their licence conditions. This measure forms part of the proposed reporting to facilitate future monitoring by Ofgem.

## 5.9 Areas for Improvement

In this section we have highlighted a number of areas where there is potential for most or all suppliers to improve. This should not be interpreted as an exclusive list but could be used to focus future plans and effort.

### Identification of vulnerable consumers

A number of suppliers have yet to make any real effort to identify vulnerable consumers and some are using their PSR as a substitute for a true vulnerability flag on their consumer records. The recent TISC report also highlighted the need to retain information about vulnerability if and when the consumer changed supplier. If the momentum that has been built up is to be maintained, then suppliers must find a way to identify vulnerable consumers on their systems. Whilst the use of the PSR has been a short term pragmatic solution to this problem it was originally created to address a different need that is still at least as relevant now as it was then. In the medium to longer term continued use of the PSR to record vulnerable consumers is unlikely to be acceptable unless the definition of PSR eligibility is changed to include vulnerable consumers.

We have highlighted best practice in the identification of vulnerable consumers elsewhere in this report. **Identifying these consumers must be a priority for suppliers to ensure that the different services they have and are developing can be effectively targeted.** We would urge all suppliers to rapidly adopt the best practice in this area to record vulnerability separately and to urgently work together to ensure such information can be exchanged as part of the change of supplier process in line with the TISC report.

### Communication with consumers

**The consumer research has indicated, by virtue of the numerous comments received, that there is a substantial communication gap between some consumers and their suppliers.** All suppliers have measures in place to encourage contact with consumers who are falling into debt or are at some stage in the suppliers' debt recovery process. It appears, however, that when contact is made, effective communication between consumer (especially those likely to fall into debt) and supplier does not often take place. Suppliers need to focus on this area, particularly in understanding consumer behaviour and to remedy the deficiency. On a related but different point, there is some evidence that some consumers do not contact their suppliers because they 'believe that the problem will go away'. Suppliers have taken various approaches to tackling this issue but more could be done.

### Internal Communication

**During the supplier visits we found some evidence that some front line staff were not aware of all the measures and / or policies that suppliers had put in place.** It is possible that good ideas have been introduced but are not being universally implemented, to the detriment of both consumers and suppliers through inadequate communication. This may be even more pronounced when

activities have been 'bolted on' to procedures rather than developed and integrated into business processes. One supplier is tackling this using their performance management process. Another has a management structure that appears to facilitate effective communication. A third supplier uses an intranet effectively. Other approaches may work just as well. A review and follow up process is needed. Wider adoption by suppliers of consumer feedback would also help to identify problems of this type.

## **6 Reporting**

### **6.1 Effectiveness of Current Measures**

The Guidelines highlight six output measures that should be used for monitoring performance.

- Number of consumers repaying a debt;
- Percentage of consumers in debt owing more than £300;
- Numbers of consumers disconnected for non-payment of debt;
- Number of prepayment meters installed to recover debt;
- Number of consumers provided with energy efficiency advice; and,
- Number of consumers in debt provided with energy efficiency information

These measures are a subset of those tracked in the quarterly statistical information provided by all suppliers relating to their Social Obligation Codes of Practice. Originally a fuller set of measures was proposed but this was reduced to those set out above by the time the Guidelines were published.

All of the above measures relate to outputs from the advice, billing and debt processes and do not cover activities and initiatives put in place to improve performance in the future. Graphs tracking movements of the measures over the last three years are shown in Appendix 9.

The charts show that some progress is being made, notably in the areas of gas disconnections and (on the assumption that suppliers' billing performance is at worst static) larger gas debts. There is also an increase in energy efficiency advice particularly to those consumers in debt. The decline in disconnections is largely due to the temporary cessation of disconnections by BGT and a much more cautious approach by the other suppliers following the Bates case and the adoption of the ERA safety net.

Further inspection of the graphs does not however provide a clear indication that the Guidelines are having a positive effect. The measures provide an incomplete picture of suppliers' progress with the Guidelines. For example, a good performance can be achieved on the debt measures simply by falling behind with billing or by under-billing. It is also true that in the short term some activities such as clearing billing backlogs, will exacerbate debt figures and provide a misleading view of progress if taken in isolation. In addition, the measures do not reflect the majority of the work being undertaken to help vulnerable consumers which will only feed through into these output measures in the longer term.

From the evidence collected during the visits to suppliers, only one supplier is actively tracking this set of measures and it appears that suppliers also doubt the value of the current measures. We believe that significant benefit would arise from having measures that suppliers also find useful from an internal management perspective. No supplier produced a forecast of any of the Guideline measures and unless progress can be readily tracked against some form of projection, it will become increasingly difficult to be really clear about the value of the Guidelines.

There is nothing in the current statistics to show how the suppliers are addressing the good practice suggestions within the Guidelines.

Against this background we have set out below a new set of proposed measures which should provide a better relative and absolute measure of progress over time. These require the collection of some new information and it is hoped that they will be adopted by suppliers who will also then set targets and make projections for their businesses for the top level measures.

## **6.2 Reporting Measures**

Having discussed the deficiencies of the current measures we propose that a new set of measures is used to overcome the current difficulties and to provide an indication of progress whilst suppliers work through backlogs, getting billing up to date and so on. These are described below.

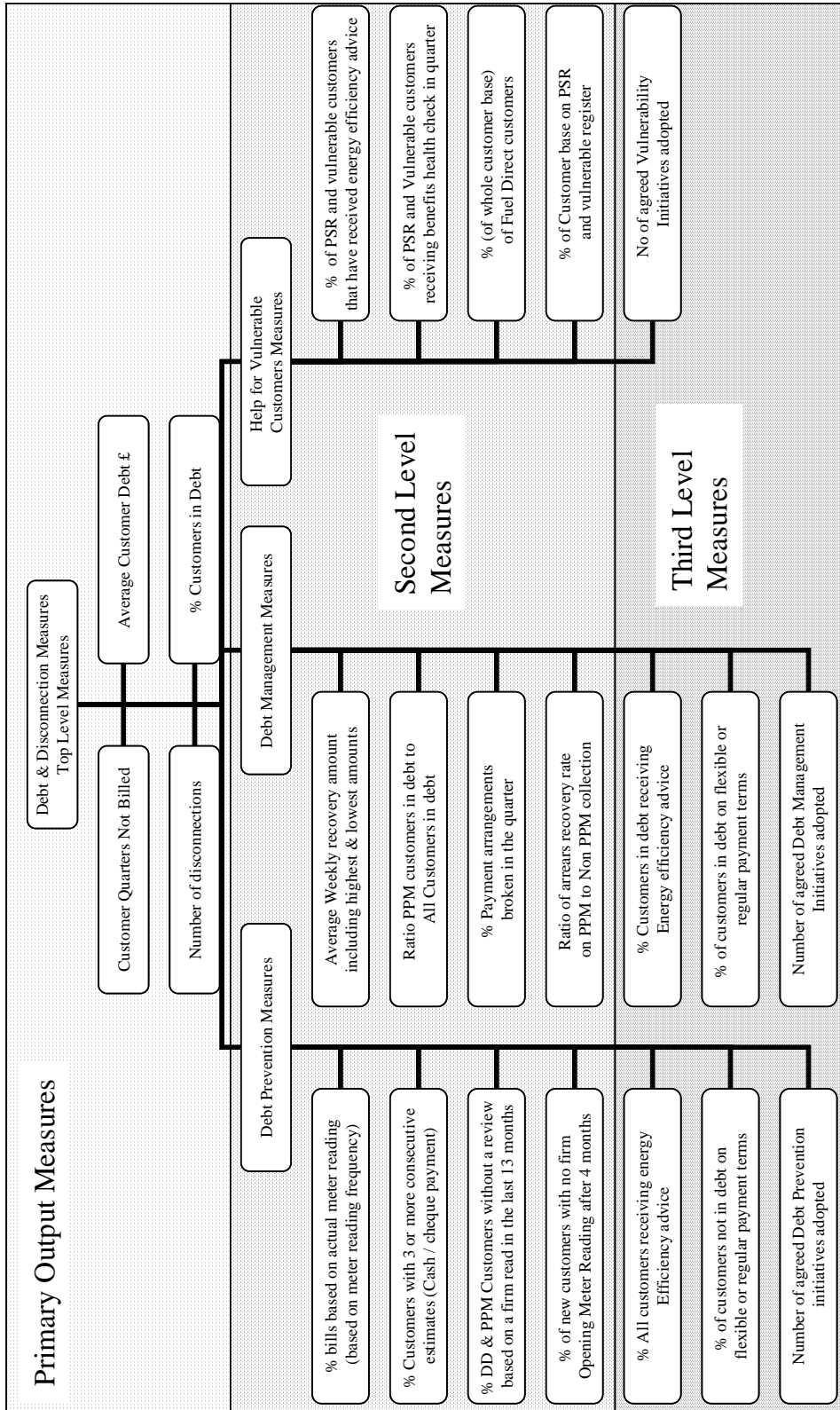
Three levels of measures are suggested and are set out in the diagram on the following page.

At the highest level the measures focus on the number and levels of consumer debt; supplier billing problems that are likely to lead to debt and also the number of disconnections. These measures must be read together, rather than in isolation, to gain a true impression of the relative performance of the suppliers. Suppliers should be encouraged to set themselves improvement targets for these measures to facilitate progress tracking. This group of measures would form the future headline measures for the Guidelines.

We did consider the use of the energywatch consumer account and billing complaints statistics as a highest level output measure. Whilst these do provide an indication of the overall health of a suppliers billing and collection processes, they only focus on escalated complaints. The consumer research suggests that awareness of energywatch amongst vulnerable consumers may be lower than amongst consumers in general and therefore such a measure could be misleading. On balance we would recommend not using such a measure if the other information can be made available. Although in the interim, if the information on billing is not available then they could provide a good surrogate provided the limitations set out in this paragraph are recognised.

We have briefly discussed these proposals with suppliers. In summary, suppliers are broadly supportive in principle with varying degrees of reluctance to provide more information. All suppliers believe that they could provide the information though some would prefer to wait until they had completed systems integrations to minimise costs (this may take considerable time in some cases). Concerns were expressed over the confidential nature of some of the information especially that around billing completeness and meter reading. We recommend that if suppliers agree, it should be published, with publication in an anonymous form being the last resort. Suppliers also expressed a desire that the definitions of the measures should be worked up collaboratively; one suggested a formal consultation, in order to ensure that the measures are truly comparable across suppliers. We would be concerned that such a process could be lengthy and further delay measurement and monitoring given the Guidelines have been in operation for two years already. A focussed, collaborative approach is likely to lead to quicker more effective implementation.

We believe that the value that would be delivered by adopting these measures will more than outweigh the effort that will be required to implement them. Suppliers have concerns but can also see the benefits. The best results will come from the use of these measures alongside supplier-determined improvement targets which could then be regularly monitored.





We suspect that it will be some time before all the work being undertaken is properly reflected in these measures, though it should be possible to track progress against supplier set targets and so we have recommended a number of second level measures. These have been chosen based on the results of the supplier visits and cover a selection of activities across prevention, management and vulnerability. Supplier differences will come out more strongly in these at present.

In '**Prevention**' we have chosen measures identified as those likely to prevent the build up of debt and to reflect best practice identified in the visits. We have selected these because debt of this nature has been highlighted by both suppliers and consumers as a major issue in addition to it being prominent in the original recommendations.

In '**Management**' we have focussed on those measures that show how well / sensitively a supplier is dealing with consumers who have fallen into debt including the extent to which 'mechanistic' processes are followed rather than processes with a greater degree of consumer involvement. All suppliers are claiming that they are encouraging more dialogue with consumers and debt and this should be reflected by these measures.

In '**Vulnerability**' we have chosen the headline measures that reflect the best practice that we have identified from the visits.

We have also specified a third level set of measures which would provide additional information. This includes the recording of the number of initiatives that a supplier is testing or has adopted in each of three categories which should facilitate future progress reviews as well as encouraging new ideas to tackle debt or make general improvements in related areas.

The majority of these measures use existing data and the use of new data has been kept to a minimum or avoided where existing data would provide a reasonable substitute.

As there is no data currently available on billing completeness it has not been possible to present suppliers' performance using the new primary output measures. Appendix 8 contains an analysis of the three primary output measures for which data is available but without the billing completeness measure, does not provide a true picture of suppliers' relative performance.

## 7 Conclusions

Since the publication of the Guidelines, significant activity has been generated in their implementation. All suppliers have made some progress but where suppliers have embedded the Guidelines into their business processes and culture, more progress has been made. It is clear from the number and range of initiatives that the Guidelines have indeed had an impact.

**Ofgem and energywatch have played a major role by encouraging all suppliers to make progress.** The reviews they have undertaken have maintained momentum with the result that new initiatives have been adopted by suppliers for the benefit of consumers. We believe that continuing with these reviews will sustain and increase progress, though more structure is required to ease the administrative burden for all parties and provide a greater comparability. The reporting format proposed will assist in this area by providing a quantitative measure of progress especially if coupled with supplier set targets.

**The higher profile given to this area by the recent TISC report will also help to maintain the momentum in this area of suppliers' activities.**

Progress has been made by all suppliers but this varies significantly. Some are actively embracing the Guidelines and embedding the principles in their businesses, some are concentrating on specific areas, whilst others are implementing the Guidelines on a less integrated basis. EDF Energy and Scottish Power, adopting the former approach, have both done most to implement the Guidelines. BGT has focussed on a range of measures to help vulnerable consumers, Scottish and Southern Energy has an emphasis on debt prevention and Powergen on debt management. npower has made least progress.

**The indicators set out in the Guidelines do not provide a good basis for assessing progress.** Generally suppliers have not adopted these, or set targets for themselves in these or other output terms. **Currently the number and range of activities provides the best practical measure of relative progress by the suppliers.** Our recommendations set out revised measures that coupled with supplier-set targets would, over time, provide an improved assessment of progress.

**The consumer research has highlighted that there is significant scope for improved communications between suppliers and consumers, especially where vulnerable consumers are involved. All suppliers are trying to encourage more consumer contact during their debt process yet the research suggests that when vulnerable consumers contact suppliers they are often misunderstood.** A few suppliers are conducting consumer research as part of their implementation strategies but there is scope for more consumer input into all suppliers' programmes. The research suggests that the important area of communication is being missed from suppliers' current approach to implementing the Guidelines.

Overall there is a large range of activities being undertaken by all suppliers to help vulnerable consumers. At present most activities are reactive rather than proactively applied. More could be done to identify vulnerable consumers and greater use could then be made of this information as an integral component of debt prevention strategies for this group.

**Suppliers need to record details of their vulnerable consumers separately from their PSR registration** and should work together to ensure that the information is not lost if or when the consumer changes supplier

**There is a widely held view that the Fuel Direct scheme can play a much bigger role in helping consumers to manage and, if reformed or changed, could even assist in preventing debt.** This has been supported by the TISC review and should be a priority for the industry, Ofgem and energywatch. At present the benefits of the scheme are being diluted by uncertainty, delays in acceptance and a lack of publicity. If all of these issues were addressed the scheme could make a much larger contribution to debt prevention and management.

Suppliers are facing a number of issues where some form of common resolution would help. These include acceptable consumer terminology, installation of gas prepayment meters, and the involvement of consumer agencies. The ERA could be a suitable forum for such a common approach, with support from Ofgem and energywatch. Such a combined approach to these areas should be encouraged.

energywatch handles a large number of consumer complaints. However there was evidence from the consumer research that many consumers are unaware of either its existence or role. Many of the problems described by vulnerable consumers in the focus groups could have been more speedily resolved with energywatch's involvement. **A way needs to be found of establishing a stronger profile for energywatch amongst vulnerable consumers.**

We have highlighted many examples of best practice and are grateful that suppliers are prepared to share their initiatives. Widespread adoption of the best practice would lead to a significant advance in the implementation of the Guidelines.

## **8 Recommendations**

Having conducted a review of the Guidelines and of their implementation we make the following recommendations:

1. The measures proposed in section 6 should be adopted to replace those currently contained in the Guidelines. Suppliers should be encouraged to translate their strategies into targets for these measures so that expectations of progress and actual progress can be readily assessed. The measures should be published by Ofgem / energywatch on a quarterly basis, in a form which allows suppliers to see their relative positions to maximise the motivational value of the measures whilst preserving supplier confidentiality.
2. The distinction between Prevention, Management and Vulnerability should be established as this provides greater clarity, at high level, about the debt process, and will allow measures, monitoring and new initiatives to be simply grouped in their area of impact. It will also help to ensure that a focus is kept on debt prevention.
3. Suppliers need to be more aware of the communications gap that appears to exist with vulnerable consumers. More work needs to be done to understand these consumers before changes are made to improve their situation. This includes the need to find names more acceptable to consumers for the terms 'Priority Services Register' and 'vulnerable' when communicating with consumers. It would be sensible to ensure that there is wide consensus on the definition of 'vulnerable' across all interested parties. The ERA definition may be appropriate but this should be tested and confirmed before suppliers invest too heavily in any new processes as it was primarily framed in the context of disconnection.
4. Ofgem and energywatch should continue to review progress in implementing the Guidelines. A full review should be completed annually with a shorter information update review at the six month point to ensure focus is maintained by all parties. The format of the review should be structured, possibly using the format of Appendices 2 and 3, with the reporting recommendations as a guide to minimise the administrative burden for all parties. The use of the proposed output measures in these reviews should be progressively increased and correspondingly less reliance should be placed on measuring inputs.
5. Suppliers should be encouraged to carry out more consumer research as part of their processes for implementing the Guidelines. Particular emphasis should be given to consumer - supplier communications and to assessing consumers' views of suppliers' activities. It would be helpful if the salient results from this research were published by suppliers.
6. More needs to be done to identify vulnerable consumers. Arrangements need to be put in place to ensure that the information that is gathered and updated is not lost when consumers change supplier or move home. Vulnerability should be recorded separately from PSR registration unless the eligibility criteria for the PSR are changed.
7. Suppliers should consider the best practice identified as part of this review and, where appropriate, build these into their plans. Attention should also be given to the areas for improvement set out above with greater visibility of intended implementation timescales.
8. Ofgem, energywatch and suppliers should work with Government to clarify the position of Fuel Direct. The recommendations of the TISC are supportive of its wider use and should be used to effect to deal with the issues. Suppliers should then widen the scope of their own activities in this area to make the most of Fuel Direct.
9. Appropriate and practical solutions need to be found by the industry, Ofgem and energywatch for the issues set out in section 5.
10. A means needs to be found of promoting energywatch more widely to vulnerable consumers.

## **Invitation for comments**

Comments on this report would be welcomed by Ofgem and energywatch. Please send any comments to:

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## Differences between Electricity and Gas

All six suppliers provide both electricity and gas; five have an electricity heritage and one a gas heritage. There are many similarities between the way that electricity and gas are supplied to consumers but also some important differences. A number of these have the potential to impact on debt and disconnection levels and it is important to recognise these differences and to bear them in mind when considering comparative performance and interpreting statistics. The main differences that are relevant to debt and disconnection are:-

- **Fitting Prepayment Meters:** When fitting a gas prepayment meter ('PPM') it is necessary to have access to all the consumer's gas appliances to purge them following the fitting of the meter. This is required to ensure that the gas installation is safe. There is no similar requirement in electricity. This requirement makes it more difficult to fit gas PPMs especially when the consumer is not present;
- **Settlement:** In electricity settlement there is a direct connection between the quantity of electricity that suppliers are charged for and the readings of the consumers meter. This is not the case in gas where the AQ process disconnects (in the short term) the consumers' meter readings from the quantity of gas charged for. This has led to problems with the use of meter readings that fail electricity settlement validation and has resulted in a greater number of estimates being used even where valid readings exist. The underlying processes are complex and suppliers need a solid understanding of these together with their interaction with their own billing processes if they are to make maximum use of the meter readings that they obtain; and
- For most domestic consumers, gas usage is far more seasonal than electricity usage. This means that there is a much bigger quarter to quarter variation in the size of gas bills than there is in electricity bills. As a lot of gas is used for heating there is some evidence that consumers give summer gas bills a lower priority than winter gas bills when money is tightest. This seasonal 'disinterest' affects the way that consumers view payment arrangements particularly in the summer.



**sohn**associates Prevention of Debt & Disconnection Project – Appendix 2 – Format of Supplier Information  
 Supplier .....

1.Minimising Billing Errors-Accurate Billing			
Supplier Work Area	Strategy Document 2003	Review Update Oct 2004	January 2005 Review
Item 1	Initial strategy	Progress review 1	Progress review 2
Item 2.....	.....	.....	.....
Minimising Billing Errors- Change of Supplier			
Minimising Billing Errors- Redress			
Disconnection			

2. Using incoming Calls to identify Consumers in difficulty- Training front line staff			
Supplier Work Area	Strategy Document 2003	Review Update Oct 2004	January 2005 Review
Flagging Records			
Proactivity in Providing energy efficiency advice			

**sohn**associates Prevention of Debt & Disconnection Project – Appendix 2 – Format of Supplier Information  
 Supplier .....

3. Using consumer records to target energy efficiency			
Supplier Work Area	Strategy Document 2003	Review Update Oct 2004	January 2005 Review

4. Demonstrating flexibility in Debt recovery – Recovery Process			
Supplier Work Area	Strategy Document 2003	Review Update Oct 2004	January 2005 Review
Encouraging Contact			

5. Offering sustainable solutions to consumers in extreme hardship			
Supplier Work Area	Strategy Document 2003	Review Update Oct 2004	January 2005 Review

6. Helping consumers that are unable to manage their own affairs			
Supplier Work Area	Strategy Document 2003	Review Update Oct 2004	January 2005 Review

**Appendix 3 – Format of the Analysis of Suppliers Activities into Prevention, Management and Help for Vulnerable Consumers**

Main Focus

Supplier Assessment

1= doing / trialling effectively

<b>Process Element / Initiative Description</b>	P= Prevention M= Management V= Vulnerability	SSE	SP	PG	NP	EDF	BGT	*weight
1.Minimising Billing Errors	subtotal							
Accurate Billing Supplier Work Areas:								
Area 1.1	P / M / V							1
Area 1.2								1
Minimising Billing Errors- Change of Supplier								
Area 2.1								1
Area 2.2								1
Minimising Billing Errors- Redress								
<i>And so on in the format of Appendix 2</i>								1

\*All supplier activities were accorded equal weight.

**Telephone Questionnaire - Confidential**

Case No:  
 Work Station No:  
 Interviewer Name:

Interview Date:  
 Interview Time:  
 Interview Length:

**These questions are to be asked sympathetically and in a sensitive way. Please refer to your briefing notes & contact xxxxxxxx on 01xxx xxxxxx before commencing**

Hello, my name is..... (insert supplier name) has given me your contact details. Can I speak to MR/MRS.....

Is now a good time to ask a few questions about your experiences...it should only take 15 minutes or so?

**If respondent is not the named contact, ask:- When would be a good time to call back ?? ... Mr/Mrs..... HAS agreed we could call him/her**

NOTE TIME/DATE AND OFFER THANKS

I just want to confirm that I work for [company name], an independent research company working on behalf of energywatch (the gas and electricity consumer watchdog) and Ofgem (the gas and electricity regulator). I work under the terms of the Market Research Society Code of Conduct. Any answers you give are totally confidential and will be anonymous so you cannot be identified.

1. First, can I just confirm that in the last year or so you had contact with (insert supplier name) about your gas or electricity account?

Yes  
 No – If no recollection, check you have correct respondent. If no what happens?  
 Hang up?

2. Thinking back to the reason for the contact, who made the first contact:

You  
 Supplier

3. Can you remember how this contact was made?

Letter  
 Phone  
 Visit  
 Other – please specify

**Questions 4 & 5 are key questions – (emphasise accordingly)**

4. What were the main things that led to this contact?

- List possibilities: multi-code
- o high bill,
  - o outstanding amount to be paid,
  - o payment arrangement issue,

- switching supplier issue
- metering issue
- mistaken identity issue (consumer billed by wrong supplier/wrong address etc)
- other (please specify)

*If detail is missing ask:*

ONE OF THE THINGS WE ARE LOOKING INTO IS HOW THINGS LIKE THIS CAN BE AVOIDED IN THE FUTURE...

1. Do you think it could have easily been avoided?

- Yes
- No
- Don't know
- Comment on how .....

- List possibilities such as
- a. having correct meter reading,
  - b. contact company earlier,
  - c. company contact you earlier,
  - d. company listen to consumer,
  - e. offering more flexible payment arrangements
  - f. other (please specify)

CAN I MOVE QUICKLY ON AND ASK A FEW QUESTIONS ABOUT THE WAY (INSERT COMPANY NAME) DEALT WITH THE ISSUE

2. How easy was it to contact/ get through to the supplier?

- a. Very Easy – first call ,
- b. easy – waiting for a while ,
- c. difficult – took ages,
- d. automated phone systems problems
- e. expensive – not freephone,

3. When you were in contact with (insert company name) regarding your account, was the company

- Helpful
- Unhelpful
- Other (please specify)

4. After this contact did you feel the supplier

- Fully Understood the issues with your account
- Partly Understood
- Did not understand

*why?*

.....

5. If you had problems paying your account did the supplier ask about

	Was anything mentioned specifically?
FINANCIAL CIRCUMSTANCES	
PERSONAL CIRCUMSTANCES	
OTHER PEOPLE LIVING IN HOUSE	

ANYTHING ELSE (PLEASE DETAIL)	
-------------------------------	--

10. And again during your discussions with (insert company name) did they suggest or advise you on any of the following? (*Read out list*)

	Was it mentioned	Did consumer follow up suggestion	More info Please
A FREE BENEFITS entitlements CHECK			
INFORMATION ABOUT FUEL DIRECT			
ENERGY EFFICIENCY ADVICE (Top Ten Energy Saving Tips)			
PSR			

**How helpful did you find their suggestions or advice? .....**

11. If you had difficulty paying your account did (insert company name) suggest you contact any of these organisations? (*Read out list*)

	Was it mentioned	Did consumer follow up suggestion
CITIZENS ADVICE BUREAU (CAB)		
LOCAL COUNCIL		
LOCAL BENEFITS OFFICE		
energywatch		
ANY OTHER ORGANISATION ( <i>Please Name</i> )		

12. IF YOU HAD PROBLEMS WITH YOUR ACCOUNT WHAT DID THE SUPPLIER DO TO RESOLVE THEM?

- offer any specific payment or financial options
- compensation
- meter reads
- prepayment meter
- home visit
- nothing
- correct records

please provide details of each resolution. eg *details of the financial arrangements agreed – how it was agreed – did you offer an amount or did the company?*

13. DO YOU HAVE A PREPAYMENT METER? IF SO WHAT IS THE MAIN REASON?

- Supplier fitted one
- Consumer choice
- There was one there when I moved in
- Other – Please specify .....

..And DO YOU FIND IT USEFUL

YES / NO



Why?.....

Do you often run out of Credit?

YES / NO

Gently probe for reasons (forgot to buy token / charge card; Didn't have any money, had other bills to pay, shop was closed/ other)

If YES, WAS YOUR SUPPLY OFF FOR A MORE THAN A FEW HOURS?  
YES / NO

14. *If relevant* Did (Insert company name) give you a choice of financial options or just one particular solution?

Just one solution  
A choice of solutions (*Detail others below*)

.....

*Question 15 is a key question – emphasise accordingly*

15. Overall do you think the solution(s) proposed by (insert company name) was / (were) reasonable given your individual circumstances?

Yes  
Not entirely reasonable  
No

*Gently probe for detailed comments:*

.....

.....

16. Thinking back across all your dealings with (insert company name) was there anything they did particularly well or particularly badly or anything more they could have done?

WELL.....

BADLY.....

More they could have done.....

17. And is there anything else at all you would like to mention?

.....

.....

THANK RESPONDENT, REASSURE THAT ALL REPLIES ARE CONFIDENTIAL AND CLOSE INTERVIEW

**Offer MRS code number and Strategic Insight details if requested.**

**Results of telephone interviews for energywatch and supplier supplied consumers.**

Total numbers of respondents		(30)	(95)	
Source of Consumer Details		<b>energywatch</b>	<b>All Suppliers</b>	
Q2.	Who made first contact...	Consumer	87%	81%
		Supplier	13%	19%
Q3.	How was first contact made...	Letter	17%	7%
		Phone	83%	85%
		Visit	0%	8%
Q4.	What main issues led to this contact... (Multi-code Possible)	High Bill	47%	30%
		Meter Issue	37%	15%
		Outstanding amount	12%	17%
		No bill for year+	17%	6%
		Switch. Supp. Issue	17%	19%
		Expecting refund	7%	3%
		Payment arrangement Issue	7%	13%
		Mistaken Identity	10%	2%
		Card Meter Issue	3%	3%
		2 separate bills	3%	2%
		Discount for disability	0%	1%
		Needed new transformer	0%	1%
		Consumer service visit	0%	2%
		Free Pre-payment install.	0%	1%
		Pre-payment card problem	0%	1%
Q5.	Was problem easily avoided...	Yes	93%	65%
		No	7%	35%
How...	(Multi-codes Possible)	By Supplier listening to consumer	43%	20%
		Supplier contact me earlier	30%	12%
		Having correct meter reading	33%	23%
		Correct estimates	23%	14%
		More flexible payment arrangement	10%	9%
		Supplier should have increased DD	10%	6%
		Back to old Regional Boards etc	10%	0%
		Regular Bills	13%	4%
		I should have contacted them early	3%	10%
		They should have installed P/P met.	3%	3%
		I should have been on correct tariff	3%	1%
		Salesmen who don't lie	0%	3%
		Don't give hard sell to switch	0%	2%
		There was no real problem	0%	9%
		They should have decreased D/D's	0%	4%
		I should not have taken ill!	0%	2%
Q6.	How easy to get through to Supplier...	Very Easy	17%	
	27%	Easy	7%	26%
		Difficult	77%	47%
Was the difficulty due to automated phone response systems...	Yes	61%	53%	
	No	35%	39%	
	D/K	4%	8%	
Q7.	How helpful was Supplier...	Helpful	33%	77%
		Unhelpful	67%	23%

		energywatch	All Suppliers	
Q8.	Did Supplier understand problem...	Fully Understood	13%	62%
		Partly Understood	20%	18%
		Did Not Under.	67%	20%
Q9.	Did supplier ask about.... (Multi-Codes Possible)	Financial Circumstances	0%	10%
		Personal Circumstances	7%	11%
		Other people in house	7%	2%
		Anything else	3%	8%
		None of the above	93%	81%
Q10.	And during discussion did they... (Multi-Codes Possible)	Free Benefits Ent. Check	0%	11%
		Info on Fuel Direct	0%	5%
		Energy Efficiency Advice	7%	9%
		Priority Services Reg.	3%	3%
		None of the above	87%	74%
		Easy Payment Plan	7%	6%
Q11.	Did they suggest you contact... (Not relevant to all respondents)	CAB	0%	1%
		Local Council	0%	2%
		Local Benefits Office	0%	3%
		Energywatch	13%	2%
		None of the above	87%	92%
Q12.	What did supplier do to resolve... Multi- Codes Possible)	Compensation	40%	4%
		Nothing	23%	18%
		Correct Records	17%	16%
		Small Discount	17%	3%
		Just an apology letter	10%	4%
		Discount >10%	7%	4%
		Big Discount >20%	3%	1%
		Home Visit	3%	5%
		Flowers	3%	0%
		Changed D/D	7%	15%
		Allowed more time to pay	0%	22%
		Arrange Prepay met/catch up	0%	17%
		Demanded money from me	0%	1%
		Put me on a generator	0%	1%
		Changed meter	0%	2%
		Arranged 2/3/4/install.	0%	3%
Q13.	Do you have pre-pay meter Yes (Change in Questionnaire - No Only asked to 5 E. Watch respondents)		40%	37%
			60%	63%
Q13a	Main reason for pre/pay meter	Supplier fitted it	0%	23%
		Consumer choice	100%	56%
		There when moved in	0%	15%
		Other	0%	6%
Q13b	Do you find it useful	Yes	100%	72%
		No	0%	28%
	Why...	Don't like bills coming in	50%	28%
		Helps me budget better	50%	56%
		Stops me getting cut off	0%	12%
		Blind, hard to read bills	0%	4%

		energywatch	All Suppliers	
Q13c	Do you often run out of credit	Yes No	0% 100%	35% 65%
	Why...	Run out of money Forget to buy car/key Don't Know Lose card in house Shop is too far away Too late to renew card	25% 50% 25% 0% 0% 0%	21% 29% 7% 14% 21% 7%
	How long off supply...	A few minutes A few hours Longer	25% 75% 0%	50% 43% 7%
Q14.	Did they give a range financial.. (Not relevant to all respondents)	Just one option A choice of options	81% 19%	38% 62%
Q15.	Overall was solution reasonable	Yes Not entirely No	10% 23% 67%	68% 19% 13%
Q16.	Did Supplier do well/badly	Particularly Well No Comment Particularly Badly	3% 20% 77%	46% 35% 19%
What could they do better (Multi-Codes Possible)		Listen to consumer Care about consumers more Better/more accurate meter reading Return calls More professional on phone Return letters Keep Promises Change D/D's Less confusing literature/salesmen Simple paperwork Quicker to respond Assumed I was not stupid Not threaten with Bailiffs Single person to contact Just interested in money Nationalise the industry Not threaten with Court Be More efficient Not threaten with disconnection More time to pay Less pushy salesman More reliable equipment Get rid of auto phone system (Told me about Dual Fuel) (I was happy with the them/outcome)	33% 20% 20% 28% 20% 12% 16% 12% 12% 12% 8% 8% 8% 8% 4% 4% 4% 4% 4% 0% 0% 0% 0% 4% 0%	11% 5% 14% 8% 6% 4% 4% 5% 3% 6% 3% 0% 0% 2% 0% 0% 2% 6% 3% 8% 2% 4% 3% 0% 22%

**energywatch      All Suppliers**

Q17. Is there anything else you'd like to mention...  
(Multi-Codes possible)

Supplier wants shooting/locking up etc	20%	0%
Energywatch were great/really helpful	16%	0%
Supplier just lied/broke promises	20%	3%
The Government should sort them out	12%	0%
Go back to old system	12%	2%
I'm going to switch supplier	16%	5%
They just don't care about old people	8%	1%
No more nasty letters	4%	1%
You couldn't print it!!!	4%	0%
Still waiting for full reply/sort it proper	8%	6%
I feel conned	0%	2%
No comment/not really	20%	60%
I'm happy with Supplier	0%	19%
They were very good on the phone	0%	5%
They were poor on the phone	0%	3%
Lack of compassion over Christmas	0%	1%
Need one regular contact person	0%	1%

**Focus Groups Discussion Guide****Dec 2004****Consumer Perceptions of Energy Suppliers' Approached to Preventing Debt and Disconnection***Discussion Guide - Version 1.1***PURPOSE**

A discussion guide is a working document that provides the framework and direction for qualitative focus groups. The moderator will use the list of topic headings to develop a cohesive and in-depth dialogue with the group. (The topic heading is merely the starting point or prompt for a full detailed discussion). It is written using non technical language and terminology.

**BACKGROUND**

This document contains the main discussion points for qualitative research into the subject of 'Energy Suppliers' approach to preventing debt and disconnection. The research will seek to explore consumer perceptions and experiences in relation to the way Energy Suppliers operate budget advice, debt avoidance, energy saving advice, debt management and debt recovery programmes. In particular we will seek views on how Suppliers could better assist consumers in avoiding debt and how they could better help consumers recover from debt.

Any market research related to debt or financial management is sensitive and needs careful treatment. Our experience in this type of work strongly suggests that a small focus group, 3 to 4 respondents, will achieve a more detailed and frank discussion of the issues than the typical dynamic of 8 or 9 respondents. We therefore propose the following discussion guide for 2 small focus groups, one featuring older consumers in a semi-rural area and the other concentrating on younger households within an urban environment. Careful and diplomatic recruitment would ensure that all respondents have issues with financial management in relation to energy bills.

**DISCUSSION TOPICS**

- **General 'Warm-Up' discussion featuring several types of household bills**, which types of companies provide the best bills and why? (Credit Card, Phone, Council Tax, Energy etc);
- **Moving on specifically to energy companies, first examine the Meter reading process.** What experiences have they had, do they trust the meter man, how long between reads, who actually reads the meters these days, do they send estimated readings etc? (If they do, or don't what avenues are open to provide Consumer Own Readings (i.e. free phone, self stamped envelop, internet?);



- **How carefully do consumers look at their energy bills**, do they trust/check estimated readings and pre-payment credits, do they understand all the calculations, do they understand the different pricing options (e.g. DD, PP, Fuel Direct), or do they just assume it must all be correct? (Do they understand consumption data?);
- **Has anyone ever had a problem with an energy bill**, perhaps an error or a particularly large bill covering a long period (or no bill!)? What do they think caused this large bill, what action did they take? ;
- **Have they ever been in contact with an Energy Supplier about a billing issue?** Did they call the supplier or has the supplier called them? How helpful was the supplier, what action did the Supplier take, were they treated well, did the Supplier fully understand the situation was the problem resolved, did the Supplier offer to help them? What could the Supplier have done better? Would they like a regular talk with their Supplier? (We might also want to know if language has been an issue in hindering communication, or see if supplier was flexible enough, was a free benefits health check given... etc.);
- **If consumers were ever to have a problem paying a bill what could a Supplier do to help them?** Would advice or measures on energy efficiency be a good starting point or should other more flexible payment systems be available? What other type of information or help would be useful? Should Suppliers offer special help for high users or those whose records indicate a rising energy pattern?
- **Do they take steps to control energy usage at home**, do they understand the linkage between appliance usage and bill size (low energy bulbs, not heating empty rooms etc)? Have they been referred to or contacted any other organisations for advice on energy or billing issues e.g. CAB, Local Council Benefits Office?
- **Have they ever considered changing energy supplier** or have they experienced problems as a result of a change? (Why have they not switched?) Do they compare different Suppliers to find the cheapest?
- **There should be a general discussion on fuel direct, whether they have used it, whether they would like to use it, whether eligibility criteria should be extended;**
- **General discussions on what they would like suppliers to do for them, to prevent debt in the first instance and then to manage debt taking into account “ability to pay”;**
- **General discussion on any other issues related to energy usage and billing matters. Thank yous and incentive payment;**
- A question asking whether a 3<sup>rd</sup> party intermediary was used by the consumer to make contact with the supplier (e.g. MP, CAB, us etc.). And, if so, why did consumer contact them rather than the supplier directly and did this result in a successful outcome?; and
- Did the supplier inquire as to the consumer’s circumstances i.e. benefits received, children in house, recent life event?

**WELFARE BORDERLINE:** people who are struggling to achieve rewards and are mostly reliant on the council for accommodation and benefits.

**MUNICIPAL DEPENDENCY:** families on lower incomes who often live in large council estates where there is little owner –occupation. These two groups rank lowest in indices of multiple deprivation.

## Relationships between Suppliers and Consumers Agencies

### Questionnaire for energywatch

#### Background information:

In January 2002, following extensive consultation with industry in the form of a joint advisory group, Ofgem and energywatch launched a Good Practice Guide to prevent debt and disconnection,

The guidelines set out six key areas where gas and electricity companies should focus their attention to help minimise debt and disconnection. In addition to publishing these guidelines, Ofgem and energywatch wrote to energy suppliers asking them to devise and implement effective debt prevention and management plans which meet the recommendations.

The main six key areas suppliers have been asked to concentrate on are:

- Minimising billing errors;
- Using incoming calls to identify consumers in difficulty;
- Using consumer records to target energy efficiency improvements;
- Demonstrating flexibility in debt recovery;
- Offering sustainable solutions to consumers in extreme hardship; and,
- Helping consumers who are unable to manage their own affairs.

The objective of Ofgem and energywatch is to see an improvement in companies' performance on the prevention of debt and disconnection. The six major energy suppliers have been encouraged to develop debt prevention strategies incorporating these guidelines. Suppliers' progress will be assessed over the autumn, and the results published in early 2005.

In late November 2004, Ofgem and energywatch selected Sohn Associates to carry an assessment of the Debt and Disconnection Prevention Guidelines and to produce a report in March 2005. Sohn Associates will offer objectivity in the comparison of suppliers and future recommendations. The main issues that will be discussed in the report will be:

- How suppliers have integrated the 'preventing debt and disconnection' best practice booklet into their company's practice;
- Compare suppliers performance against one another to highlight best practice;
- Review the effectiveness of the key indicators; and
- Make recommendations for future monitoring and improving debt prevention and management.

From early December 2004 to January 2005 energywatch, Ofgem and Sohn Associates will visit all suppliers to discuss their debt and disconnections strategies. In most cases we will visit the suppliers' call centres.

As part of this work to better assess the impact of the guidelines and the general benefit to consumers, we have decided to engage with agencies /organisations that deal with issues of energy debt on a day to day basis and gather their experiences and comments. The following is a list of questions to ask each of the agencies with whom you have regular contact

1. Do you have any formal or informal relationships with energy suppliers? If so which companies?  
What form do these relationships take (regular meetings, ad hoc meetings, etc?) and how effective are they?
2. Points of contact into the companies' organisations and for the companies into the agencies. At what level in the organisation is this contact? Does the agency, for example have a unique telephone number? Are the arrangements effective and are they ever reviewed?
3. Is consumer indebtedness to energy supply companies a major issue for the agency in terms of magnitude of problem, frequency of occurrence, flexibility of the supply company, resolution of the consumers problem?  
Is this a growing or decreasing problem area?
4. Are you satisfied with any arrangements currently in place? Was the supplier proactive in establishing a relationship with the agency or did the agency have to make all the moves? What are the good and bad points about the relationship? Is any company better than any other – if so which one and why?
5. Do you have any suggestions for improving these relationships?

## Primary Output Measures

In the following paragraphs we examine the current high level performance of the suppliers using the proposed measures, for three cases where this data is available. The charts referred to are contained in Appendix 9.

Companies provide data to Ofgem and energywatch on numbers of consumers repaying a debt and levels of indebtedness. However, for reasons of commercial confidentiality, we are unable to include individual company data for these items in the report. The values shown on the charts in Appendix 9 (charts 9.1 and 9.6) therefore show industry average performance. These values hide some marked differences between the best and worst performers. There is, on average, a rising trend in the percentage of consumers in debt in electricity and on average a falling trend in gas. Average electricity debts have fallen however average gas debts have risen slightly.

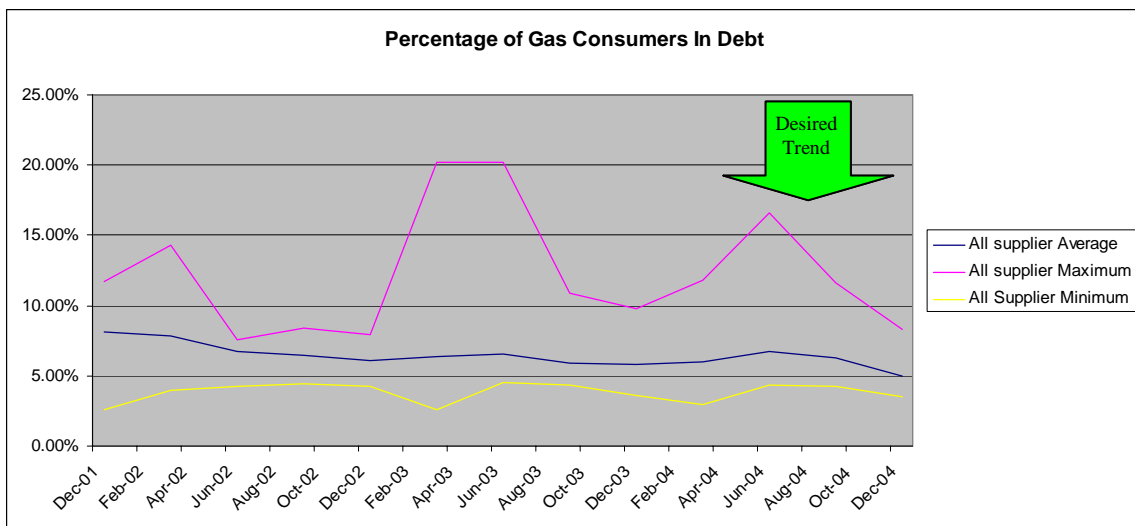
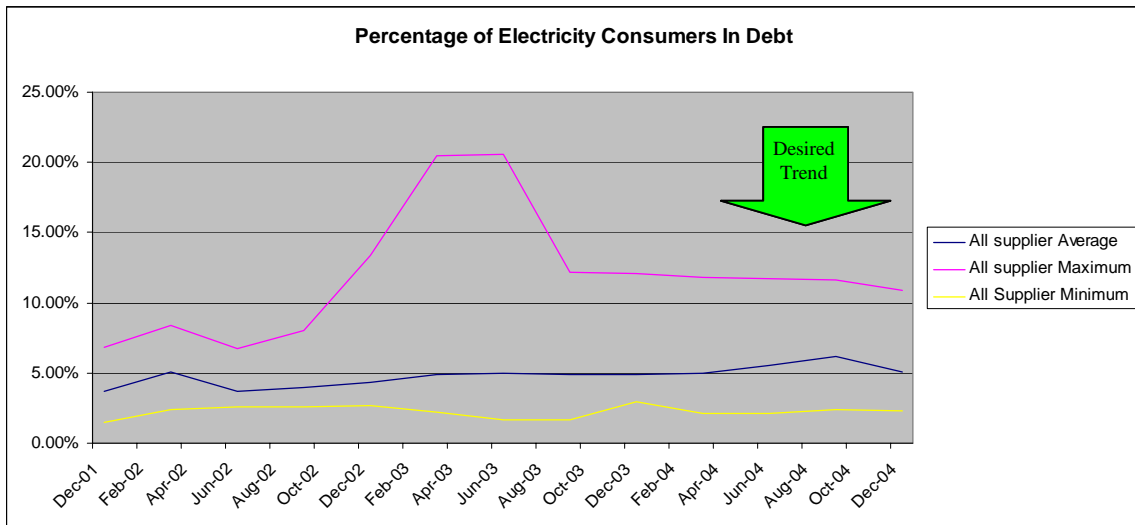
Suppliers' performance on disconnections is shown in the charts in Appendix 9.3. There has been an overall decline in disconnections especially in the period since the ERA safety net for vulnerable consumers was introduced suggesting that that has been at least partially successful in tackling the problem. BGT temporarily stopped disconnecting following the Bates' case and other suppliers became more cautious, which accounts for the large drop in gas disconnections in 2004. Electricity disconnections are substantially lower than gas disconnections. This is possibly attributable to the purging issue outlined earlier in this report (see Appendix 1).

Taken together with the billing completeness measures these output measures, together with the supporting measures set out in section 6 of the report should give a reliable impression of progress. energywatch account and billing complaints could be used as a short term surrogate for the billing completeness measure but for the reasons outlined in the report probably don't represent the position well enough with vulnerable consumers to be useful as a long term measure.

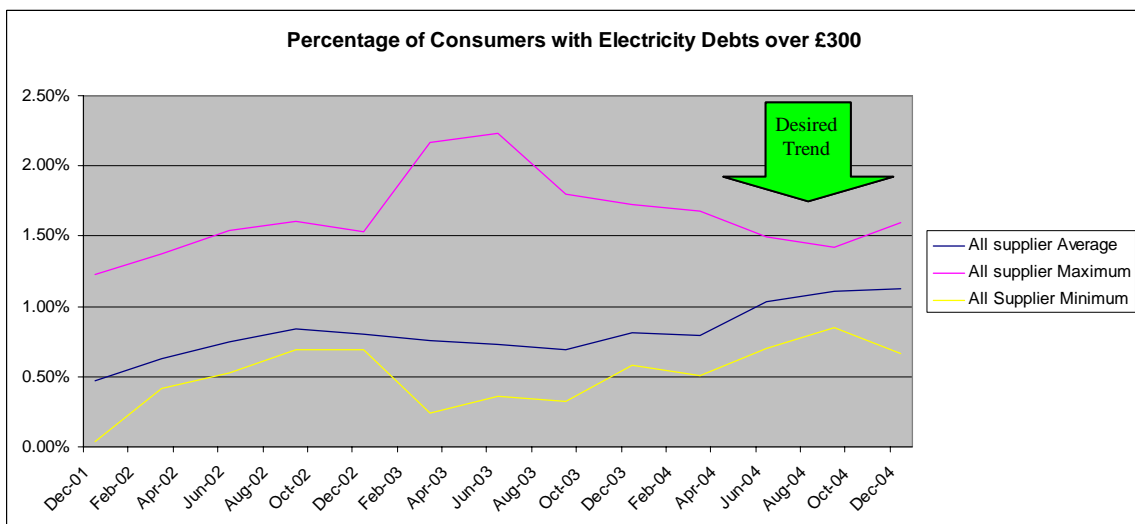
Trends are a useful indicator of performance at this stage although the focus must ultimately shift towards absolute performances however we are probably still some way away from the point at which this will become appropriate.

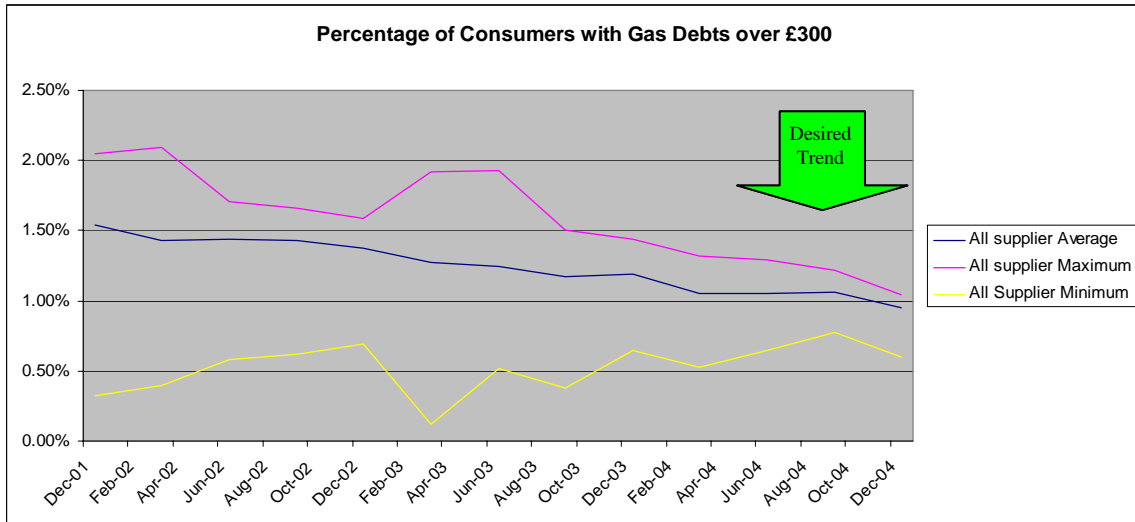
Appendix 9. Current Guideline Performance Measures

9.1 Percentages of consumers in debt.

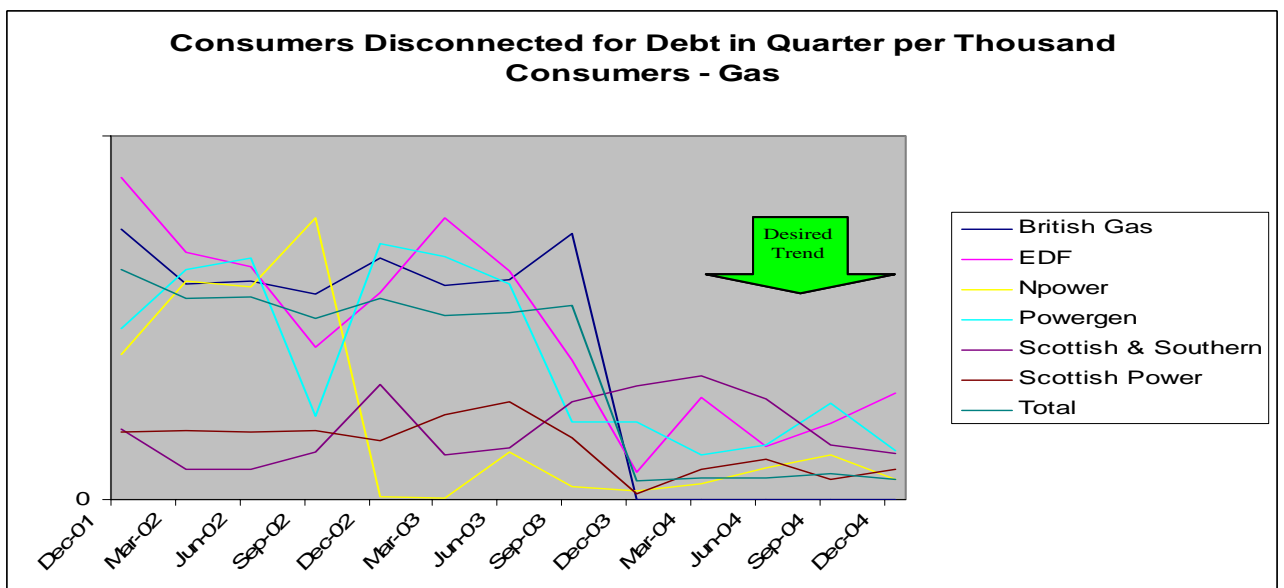
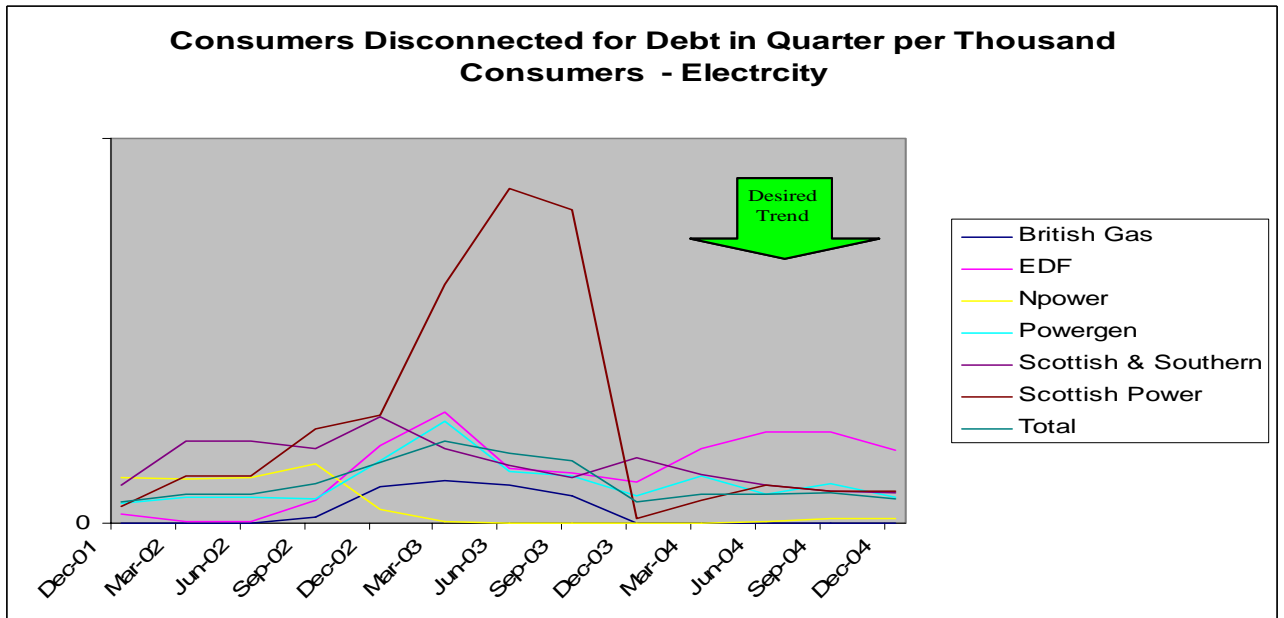


9.2 Percentage of Consumers Owing over £300



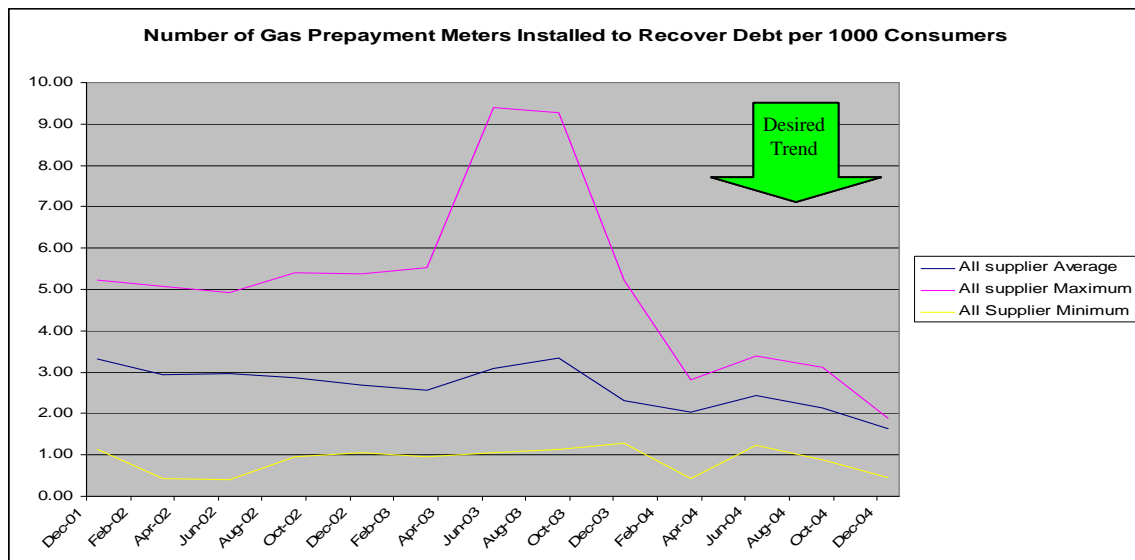
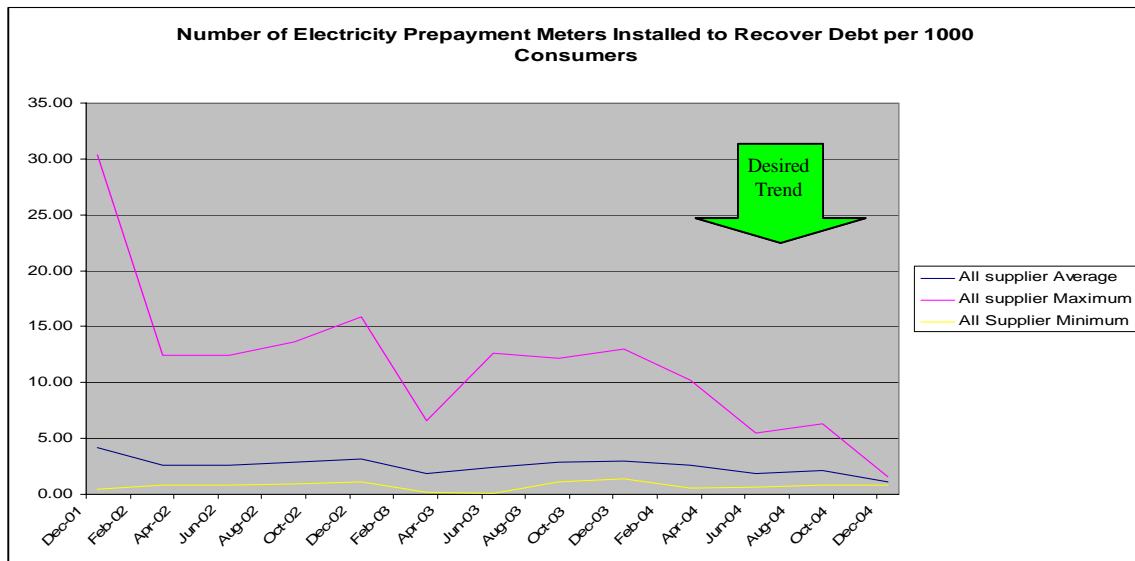


**9.3 Number of Consumers per 1000 consumers disconnected for non payment**

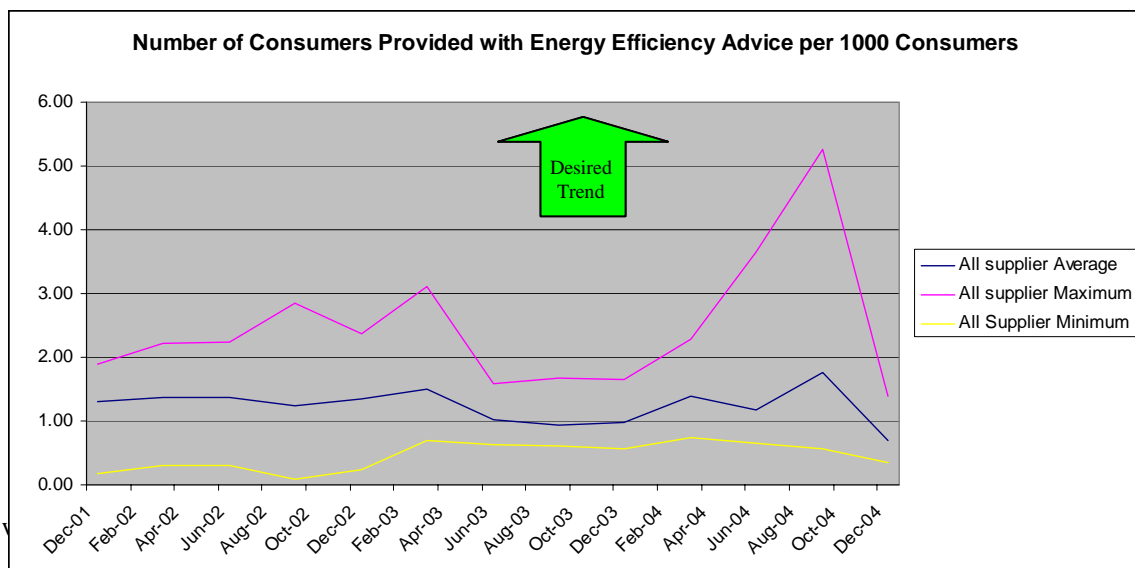


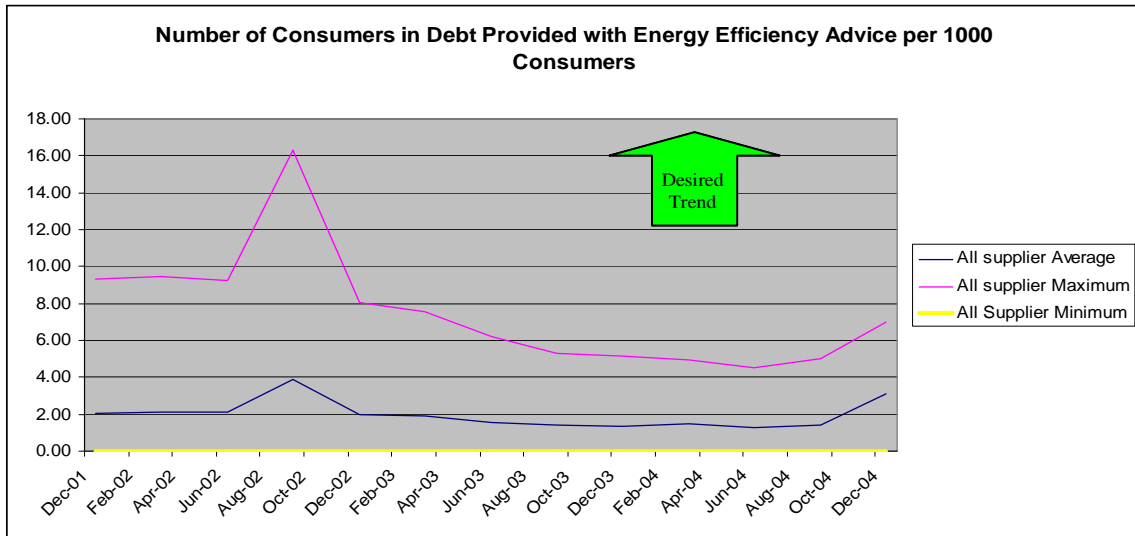


9.4 Number of Prepayment Meters Installed to Recover Debt per 1000 Consumers

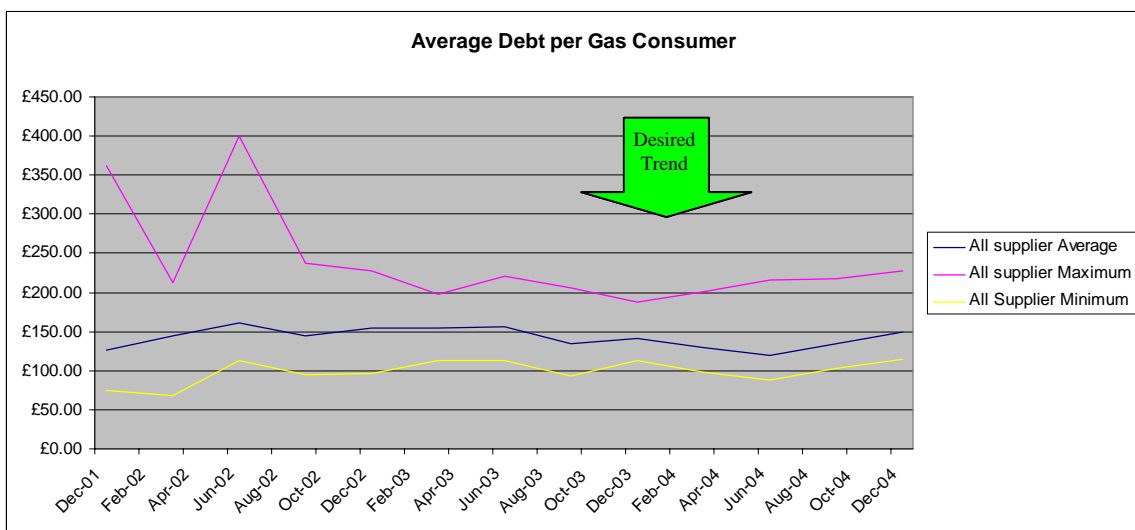
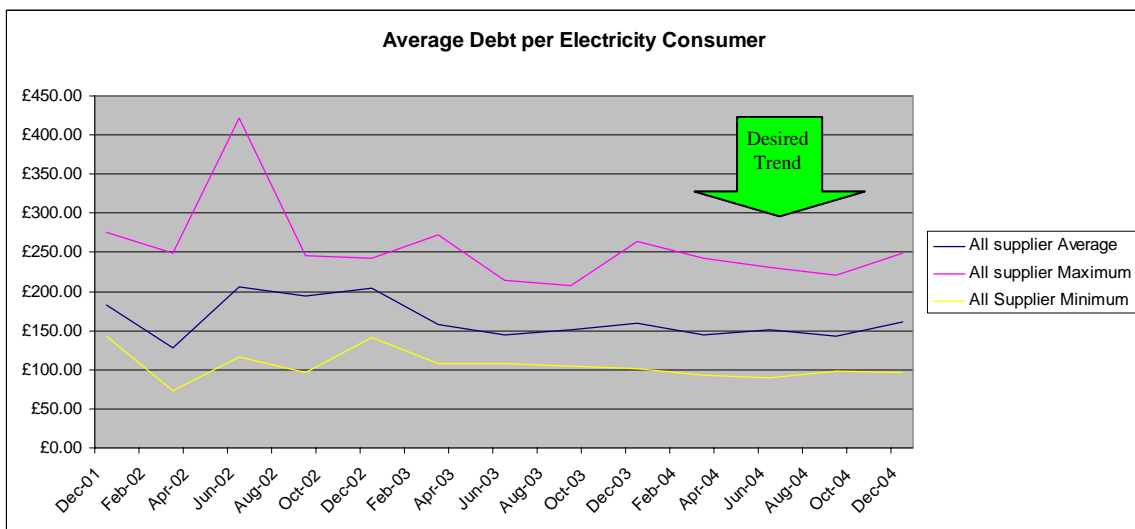


9.5 Number of Consumers Provided with Energy Efficiency Advice per thousand Consumers

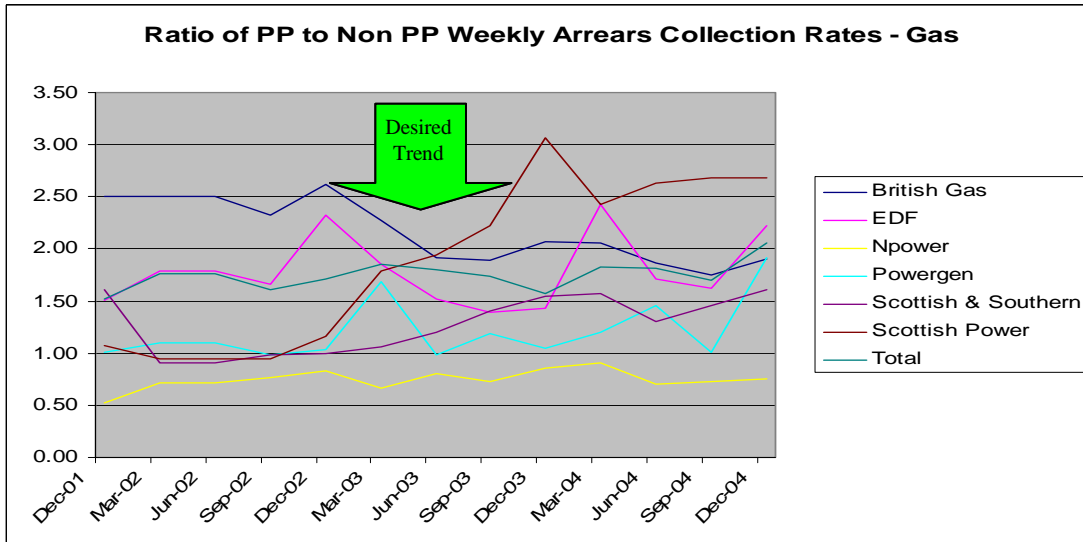
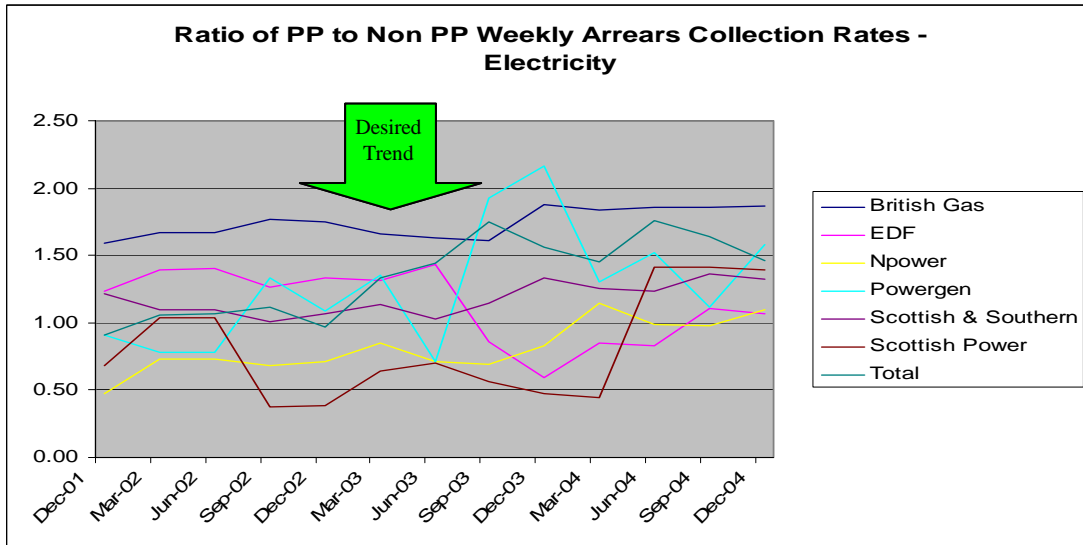




### 9.6 Average Consumer Debt



9.7 Charts showing the ratio of arrears recovery for consumers supplied through a prepayment meter compared to consumers supplied through a non-prepayment meter





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Preventing debt and disconnection - a review commissioned by Ofgem and energywatch