



Campaigning for Warm Homes

Social Action Strategy **NEA response to Ofgem consultation**

1 Introduction

1.1 NEA welcomes Ofgem's continuing commitment to activity which prompts energy suppliers to develop programmes which meet the needs of vulnerable consumers. We believe that successive manifestations of the Social Action Plan have been helpful in focusing the attention of commercial companies on their social responsibilities in delivering essential services, although in our view progress has sometimes been limited in securing practical advances in key areas such as disconnection, debt prevention and debt assignment.

2 Regulatory obligations, monitoring and reporting

2.1 We welcome the indication that Ofgem will consider the licence conditions affecting the delivery of social obligations at an early stage of its overall review of supply licences. This presents an opportunity to strengthen elements of consumer protection. The review has been presented in the context of removing unnecessary requirements on suppliers and takes place against a wider background of reducing the burden of regulation. NEA believes that it is important that these presumptions are challenged. In our view relying on voluntary initiatives at a time when rising prices are reversing progress in tackling fuel poverty is insufficient. We hope that Ofgem will see the review as an opportunity to introduce new licence requirements to protect the interests of the poorest consumers, for example by removing suppliers' capacity to object to switching where customers are in debt and ending prepayment surcharges. Given the evidence that inadequate billing procedures and practices lead to substantial numbers of complaints and are a significant cause of debt and/or payment difficulties we would also suggest that stronger licence conditions are needed to control these deficiencies in customer service.

2.2 The importance of monitoring companies' performance is acknowledged. However we have some concerns that the apparent emphasis is on producing comparative information for customers. In our view, whether or not presented in the form of league tables, this kind of information will have little influence on consumers' choice of supplier or indeed on suppliers' behaviour. Its value lies principally in the benchmarking intelligence it provides to Ofgem itself and would be considerably enhanced if it was used to set targets for supplier performance. Establishing targets for the progressive decline of disconnections and the incidence and extent of debt would be more effective than supposed 'naming and shaming', although Ofgem would also need the capacity to impose sanctions against companies which consistently failed to meet required targets.

2.3 As regards the monitoring of debt and disconnection NEA notes the observation in the recent report by Sohn Associates that revising systems to collect the data suggested could take some considerable time. Given the likelihood that recent significant price increases will have a corresponding impact on levels of debt we think any delay is unacceptable. Ofgem should insist that data collection systems are adapted promptly. We also note the suggestion that targets for performance improvement should be set by suppliers themselves. As indicated above we cannot endorse this proposal; targets should be set by Ofgem.

3 Best practice and research

3.1 We agree that it is important to identify best practice, but we are less persuaded that Ofgem should limit its response to encouraging its wider replication. We think the ambition should be for good practice to become standard practice and would urge Ofgem to reflect this approach in its review of licence conditions. We think this is important in establishing a level playing field of sorts for vulnerable and low-income consumers, to avoid situations in which people with similar needs receive significantly different treatment depending on an individual supplier's decisions, for example about levels of debt recovery or the availability of a trust fund.

3.2 The review of suppliers' CSR initiatives was interesting and informative. We think that this is an area for continuing monitoring and reporting rather than occasional one-off investigation. We are conscious that suppliers have exploited the public relations potential of these initiatives when trying to present an element of 'good news' to offset announcements of yet more price increases, even when they are limited to a temporary price freeze for a limited number of customers. It seems to us unsatisfactory that suppliers should be able to claim that a delay in implementing price rises represents a social tariff. In our view Ofgem should add some questions to its quarterly monitoring returns to record the introduction, amendment and withdrawal of social tariffs and details of the numbers of customers they assist. As with other data from these returns this information should appear on Ofgem's website. We also believe that Ofgem should require suppliers to offer a permanently available social tariff to customers in greatest need. If unwilling to make this a licence requirement Ofgem should make it a key element of its efforts to promote best practice.

3.3 We welcome the intention to further examine the outcomes of benefit entitlement checks since we share the concerns that these commonly result in estimates of theoretical entitlement rather than actual increases in household income. We would like to see further action on the part of suppliers to monitor outcomes and consider that assistance should be available to customers in pursuing claims. This assistance may be more effectively and efficiently provided by specialist welfare rights agencies or other independent advice services. We think suppliers could usefully establish formal arrangements for this purpose and should make a financial contribution to cover some or all of the costs.

4 Knowledge and influence

4.1 Clearly the key decisions about EEC are the responsibility of Government Ministers and their officials. However Ofgem is clearly well placed to influence the shape of the programme as a result of its experience in administering the scheme on

their behalf. We have been disappointed in the past that Ofgem has not sought to be more active in pursuing concerns about the extent to which Warm Front and EEC duplicate rather than complement each other. Similarly, the contribution that EEC can make to the Government's fuel poverty strategy can never be effectively realised whilst success is measured solely by the achievement of energy saving targets. NEA has consistently argued in favour of a single national energy efficiency programme with appropriate affordable warmth and energy saving targets, but short of that we believe it is essential that EEC incorporates targets which measure its performance in tackling fuel poverty (or at least a target for SAP improvement). We would welcome Ofgem's support for these positions.

4.2 Ofgem's continuing efforts to extend the availability of Fuel Direct are to be applauded. We share the view that a revised Fuel Direct scheme could be a valuable payment method for many more low-income households. Despite these concerted efforts there is no real evidence that the Government is likely to revise its view that this is a payment method of last resort. Given this tenacious adherence to market based solutions to payment problems Ofgem may have to consider whether its only option is to encourage further development by suppliers of the 'Helpco' model as an alternative to a DWP promoted scheme.

4.3 NEA believes that suppliers could do more to identify instances of self-disconnection and to prevent it occurring on evenings and weekends by making suitable adjustments to prepayment meters themselves.

5 Information for customers

5.1 The extent of supplier switching by vulnerable consumers remains a cause for concern. NEA would welcome clarification of the extent to which debt blocking contributes to this problem. It is very noticeable that this consultation document makes no reference to Ofgem's previous efforts to promote debt assignment, leading to the supposition that the trial will not be resurrected and that Ofgem is reconciled to the status quo. This is regrettable to say the least. Our view remains that it is unjustified (and unjust) for suppliers to retain powers to veto customer transfers by those who could benefit most from lower prices. We urge Ofgem to continue to seek a workable solution to this problem.

5.2 We accept the difficulties associated with making contact and offering advice to the most vulnerable consumers. Consequently we endorse the proposal to work with CABx and other agencies likely to have most contact with these groups, whilst appreciating the difficulty for them in adding energy or tariff advice when struggling to deal with the problems which their clients present. NEA has suggested to Defra that it could usefully fund NEA to carry out some small scale research into the potential for home-based energy advice services to be used to promote informed choice in a competitive market by vulnerable consumers. We would be happy to discuss the potential of such a research project with Ofgem and energywatch if this of interest as a means of supporting the Energysmart campaign.

5.3 We agree that it is important to inform consumers about the potential savings available by changing their payment method. However, in the case of prepayment customers who find this the best way of budgeting for fuel costs there is continuing

concern about the differential with other payment methods. Ofgem should continue to seek explanation and justification for this, particularly given initiatives by some suppliers (and declarations of intent by others) to reduce or eliminate the prepayment surcharge.

5.4 NEA notes the intention on the part of suppliers to establish a fuel poverty helpline, although we have yet to receive any further information about how this will be staffed and organised and how it will relate to, or liaise with, other freephone advice services. We also have unanswered questions about the independence of this service. If it is to be client focused we would expect advice to be offered on switching to cheaper suppliers as well as cheaper payment methods and help with energy efficiency improvements. It remains unclear whether a service funded by suppliers themselves will offer such information and advice.

5.5 The problems experienced by suppliers in marketing energy efficiency schemes to their customers are likely to become more acute following the significant increase in EEC targets and an increasing focus on achieving them in the owner-occupied sector. This is one of the reasons why NEA believes a single integrated energy efficiency programme should be made available throughout the UK, free from individual company branding. In the interim we suggest that suppliers will need to increase their support for Warm Zones and other partnership arrangements which bring together a consortium of agencies together to overcome public uncertainty about offers of assistance and confront problems of apathy and inertia.

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