



## Public Utilities Access Forum

**Founded in 1989, the Public Utilities Access Forum (PUAF) is an informal association of organisations which helps to develop policy on the regulation of the public utilities providing electricity, gas, communications and water services in England and Wales. PUAF facilitates the exchange of information and opinions between bodies concerned with the provision of those utilities to consumers with low incomes or special service needs, such as the elderly and people with mental and physical disabilities. It draws the particular problems of such consumers to the attention of the industries, the regulators and other relevant bodies, promoting the adoption of policies and practices which cater for their needs, exchanging information about service provision and promoting research.**

### **SOCIAL ACTION STRATEGY**

#### **Response to Ofgem consultation by the Public Utilities Access Forum**

##### **Fighting fuel poverty: Ofgem's duties**

PUAF is concerned that in determining the shape of social obligations for tackling fuel poverty Ofgem emphasises the importance of avoiding 'any inhibition or distortion of competition'. Quite apart from not setting out what Ofgem considers might be construed as a distortion or inhibition, PUAF considers that Ofgem should focus on the most desirable policy objectives which social obligations should aim to achieve. Ofgem should recognise that these might not always be achieved through market mechanisms.

##### **Industry's role**

PUAF considers that Ofgem should play a greater role in shaping companies' 'social initiatives' and in informing debate on the role these might play. PUAF is concerned that the response of both Government and regulator to recent fuel price rises is to exhort companies to introduce some form of 'social initiative'. Fuel price rises threaten to seriously undermine the likelihood of the Government meeting its fuel poverty strategy targets. An approach that relies entirely on ad hoc, voluntary and ultimately inadequate company initiatives is wholly insufficient.

PUAF accepts that a debate needs to be held about the respective roles of the Government and Ofgem in potential interventions to reduce the impact of fuel price rises on fuel poverty. However, PUAF considers that intervention will definitely be required.

In the interim, Ofgem should explore such issues as:

- Do social tariffs and charitable trusts represent an appropriate response to fuel price rises? Are there alternative approaches?
- Might company efforts be better directed towards improving debt management and prevention strategies and amending tariff structures than in setting up charitable trusts?

- If social tariffs do improve the affordability of fuel bills, what are they meant to achieve and how do they help ensure universal and affordable access to energy?
- Should companies decide eligibility or should this be a decision for Government?
- Is it appropriate for fuel companies to operate means-tests?
- What constitutes a meaningful and sustainable social tariff? For example, PUAF considers that the realignment of ppm and standard credit tariffs represents a welcome correction to an existing inequality in energy markets, rather than a ‘social tariff’ as such. Temporary price freezes cannot be considered very sustainable, whereas a permanent discount tariff might be.
- How can take-up of social tariffs be maximised?
- Should social tariffs form part of companies’ licence conditions to ensure they are not withdrawn or downgraded according to changes in company priorities?

## **Theme I: Regulatory obligations**

### **Action 3.4: Supply licence review**

PUAF is concerned that the supply licence review might lead to the reduction of social obligations on suppliers. This is particularly inappropriate given the context of rising fuel prices and its likely impact on fuel poverty, fuel debt and fuel affordability. This would imply a strengthening of obligations relating to payment methods, debt prevention, arrears recovery, PSRs etc.

However, PUAF recognises the need to modernise and update some of the obligations to make them more relevant to the contemporary needs of low income groups. PUAF considers this particularly important in the context of:

- services offered as part of PSRs
- new, improved and affordable payment methods, including an updated Fuel Direct scheme and removal of ppm surcharges, for those relying on cash-based budgeting.

PUAF does not accept the presumption that increased targeting of social obligations is important to ensure that help is directed towards ‘those most in need’. There is considerable evidence from other policy areas (e.g. benefits) that broader provision (more akin to universal systems) is more likely to ensure help reaches those most in need than provision that relies on means-testing. It also helps encourage greater acceptability among the wider consumer base.

### **Action 3.5: Data collection**

The review of data collection should focus on what data is required to effectively monitor company performance on social obligations, rather than on reducing the ‘burden’ of data provision for companies. In many cases, data provision need not be burdensome but instead often only requires improvements to company IT systems. In reality the issue relates more to company will.

### **Action 3.6: Discretionary reward within price controls**

PUAF reserves judgement on whether the proposed reward system represents the best way forward for incentivising good practice. We suspect that a more effective approach for achieving the desired policy goals is to use existing regulatory instruments or to adopt new approaches to setting price controls.

### **Action 3.7: Extending payments through prepayment meters**

PUAF will respond to the ppm proposals once the draft regulations are released.

#### **Further action**

Ofgem should recognise that its current initiative to encourage certain ppm consumers in debt to switch suppliers has failed. Ofgem should remove suppliers' powers to prevent customers in debt from switching.

Ofgem should introduce improved licence conditions relating to billing (e.g. frequency, accuracy) and the presentation of information on bills. PUAF notes that the introduction of SMART meters can also improve accuracy and eliminate the need for estimation as well as provide improved energy efficiency feedback.

### **Theme II: Best practice and research**

#### **Action 3.11: Monitoring company performance**

PUAF considers that Ofgem needs to do more than encourage best practice in debt prevention, important as this is. We consider this will be an important issue for the supply licence review. We consider it particularly important to strengthen obligations relating to debt prevention and arrears recovery, given the context of rising fuel prices. We also favour the outlawing of suppliers' disconnection powers for non payment of bills.

#### **Action 3.12: Effectiveness of PSR arrangements**

PUAF considers it important to update and improve the services offered under the PSR. This in itself might help improve take-up. Research should explore methods for automatically placing certain customers on PSRs.

#### **Action 3.13: Benefit entitlement checks (BECs)**

PUAF welcomes Ofgem's intention to monitor the impact of BECs on actual take-up and the support offered. If, as PUAF suspects, this research finds a great disparity between benefit income identified and that actually received Ofgem should consider whether financial support for BECs might have more impact if it was directed towards existing independent advice providers, e.g. CAB, Age Concern etc. which are more likely to help clients through the complex benefits application processes.

#### **Action 3.14: Fuel poverty indicator**

PUAF welcomes Ofgem's support for the research. PUAF considers Ofgem could play a useful role in encouraging suppliers to use the indicator to target priority EEC and other supplier initiatives aimed at reducing fuel poverty.

#### **Additional research**

As argued above, PUAF considers Ofgem should encourage wider debate about the role of social tariffs and charitable trusts in mitigating the impact of fuel price rises.

### **Theme III: Knowledge and influence**

#### **Action 3.17: EEC**

PUAF has already written to Ofgem about its concerns that new EEC rules prohibiting trading between EEC and Warm Front appear to have reduced the potential for integration of these schemes rather than improving it. Given the importance many PUAF members attach to the integration of EEC with Warm Front in meeting the Government's targets to abolish fuel poverty, we hope that urgent action is taken by Ofgem to remove this recent impediment. PUAF favours the inclusion of explicit fuel poverty targets within EEC and the incorporation of these targets within the Government's Fuel Poverty Strategy. PUAF would like to see improved monitoring of the impact of EEC on beneficiaries, including impact on fuel poverty or, at least, SAP.

#### **Action 3.17: Fuel Direct**

PUAF welcomes Ofgem's work on Fuel Direct. Ofgem should highlight the role of the DWP in implementing improvements. PUAF also considers Ofgem should encourage the development of new affordable payment methods for consumers who rely on cash.

#### **Action 3.17: Self disconnection**

PUAF does not support the ability of prepayment meters to disconnect consumers who are temporarily unable to keep their meters in credit. In the interim, PUAF considers that there are a wider range of possible interventions to reduce self disconnection than just providing advice. These include the widespread introduction of SMART meters and the introduction of an obligation on suppliers to prevent disconnection taking place at weekends and at night.

PUAF continues to advocate the removal of the ppm surcharge and welcomes the initiatives of some suppliers in this direction.

### **Theme IV: Information for customers**

#### **Action 3.21: EnergySmart**

PUAF is concerned that Ofgem appears to be focusing its efforts on encouraging ppm customers to switch to cheaper payment methods, rather than initiatives to reduce the ppm surcharge. PUAF favours the compulsory removal of the surcharge – this does not seem unreasonable given that some suppliers have already partially done this.

PUAF welcomes Ofgem's intention to provide guidance and information to advice agencies on licence conditions and social obligations. In PUAF's experience, many advisers are not aware of current provision.

#### **Action 3.22: Energy efficiency offerings**

PUAF recognises that there is consumer scepticism about suppliers' motives in offering energy efficiency measures. PUAF considers this will become an increasing problem as suppliers find they have to meet their priority EEC targets through private housing sector households. In the long term PUAF believes that consideration should be given to the integration of all major energy efficiency programmes into one single integrated scheme.

PUAF considers that the supply licence review should consider how regulation might be adapted to favour the development of energy service companies. PUAF notes that the pilot removal of the 28 day rule does not appear to be having the desired effect.

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PUBLIC UTILITIES ACCESS FORUM

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