

David Barnes  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Tel: 0141 568 3259  
Email: [pamela.kelly@scottishpower.plc.uk](mailto:pamela.kelly@scottishpower.plc.uk)

06 September 2005

Dear Dave

## **Social Action Strategy**

ScottishPower Energy Retail Limited welcomes the opportunity to respond to the above consultation. Comments are made under headings taken from the Social Action Strategy consultation document for ease of reference.

Firstly, we would clearly state that ScottishPower fully agrees with Ofgem's assertion that the primary responsibility for tackling fuel poverty lies with Government. Further, ScottishPower would note the important role that the Government has to play in maximisation of household income. We would also welcome and support the activity that Ofgem is carrying on in relation to improving the services and information provided to vulnerable customers, when they can be identified as such.

## **Regulatory Obligations, Monitoring and Reporting**

As noted in our response to the initial consultation in February, ScottishPower fully supports the review of the supply licence and agrees that it has the opportunity to provide significant benefits for all stakeholders. Further we support the comments made in the Energy Retail Association (ERA) response that the interests of vulnerable customers should be protected, although this can be done through self-regulation where appropriate. Suppliers have demonstrated pro-activity in social policy issues and strong performance in CSR initiatives and ScottishPower is committed to helping its vulnerable customers wherever possible. We support Ofgem's view that protection for vulnerable customers must be proportionate.

ScottishPower welcomes the publication of a decision from Ofgem on the proposed extension of payments that can be collected through Prepayment meters under the Energy Act. Our response to this consultation originally noted concerns over the ability to collect payments for one fuel through a meter for another fuel, due to potential Change of Supplier issues and the complexity of the separate gas and electricity processes. Rather, we envisage regulations that would allow, for example, the collection of other such payments, such as Energy Services product costs. ScottishPower would further welcome a fresh study into the attitudes and experiences of prepayment customers and would be pleased to contribute to such a study as appropriate. We would suggest that this could be taken forward through the PP Industry Forum.

We are currently actively involved in the review of Code of Practice monitoring, along with Ofgem, the ERA and other suppliers. We appreciate Ofgem's aim to streamline the

data in line with the principles of better regulation. ScottishPower agree with the need to support better monitors of vulnerable customers and those in fuel poverty and supports Ofgem's intention to pay special attention to vulnerable customers where possible. We would, however, observe that the current categories of customers who would qualify for assistance under the Codes of Practice are not necessarily those most in need of help, and ScottishPower would welcome further discussion of how best to identify vulnerable customers.

### **Best Practice and Research**

ScottishPower fully supports the need for comprehensive research and understanding into the factors affecting fuel poverty and believe that this is the only accurate way to ensure that informed, effective action is taken. We note the research to be taken into the effectiveness of PSR arrangements and would be pleased for the opportunity to feed into this study as appropriate. In relation to carrying out benefits entitlements checks, ScottishPower do not believe that it is most appropriate for suppliers to undertake this role. Benefits received are a personal issue to some customers who may not wish to share such levels of detail with what is they see as essentially a retail business. Other retail associations, such as a supermarket or grocery store would not be expected to provide such a service for customers, and customers would be unlikely to accept it on the basis that they will be required to reveal such personal information. This is again an issue for Government. Suppliers may be comfortable referring customers to the appropriate agency for a benefits entitlement check to be carried out, but they should not be required to carry out such checks. ScottishPower is committed to the principles of the Vulnerable Customer Safety Net, which recognises that suppliers will promote a two-way dialogue with customers to try and identify those in difficulty, however we are reluctant to take on what is essentially a Government responsibility.

It is also worth re-iterating that Government plays a key role in income maximisation and benefits checks are an effective tool in this area. The DTI recently published the Third Annual Report on the UK Fuel Poverty Strategy, which noted that the average additional extra income per household per annum was £1,284. This is a significant increase in income for the average household and fits well with the Government aim of reducing social exclusion.

In terms of encouraging best practice, we are currently running some pilots aimed at assisting vulnerable customers and we hope to see results from these before the end of the year. These include sponsoring a branch of the Citizens Advice Bureau (CAB) to look at fuel poverty in their area. We are also currently looking at putting contact numbers for another branch of the CAB on warrants letters to allow them to provide benefits health checks and debt advice to customers, hopefully reducing the number of warrant calls made.

ScottishPower fully appreciates the value of targeted research and has recently commissioned the first industry-sponsored market research into fuel poverty, prior to the launch of the ScottishPower Energy People Trust. The detail of the research findings is not for discussion within this response, but there are a number of headlines that we would be pleased to discuss with Ofgem at a later date. The research group covered a variety of consumers, including those who were in fuel poverty and was designed to explore and examine consumer awareness and attitudes towards fuel poverty. Interestingly, only 1 consumer in 5 was aware of the term 'fuel poverty' and awareness was significantly higher amongst those who were not affected by fuel poverty. Overall,

however, awareness of the issues of fuel poverty is poor. A further interesting point that arose from the research was that many people felt that individuals themselves were responsible for removing households from fuel poverty, an aspect that is not often considered. Unsurprisingly, Government and energy suppliers were also rated highly in this area.

### **Knowledge and Influence**

We would firmly agree with the statement by Ofgem that informed debate on fuel poverty and its influences remains crucial, particularly given the current pressure on fuel prices and sensitivity around the issue of vulnerable customers. Again, we would point out that the eradication of fuel poverty is primarily a concern for Government and industry should not be ushered into taking on Government responsibilities in this respect. However, this is not to say that the industry does not seek to help customers in need. As Ofgem noted in the recent Review of Suppliers' Corporate Social Initiatives, suppliers are actively involved in assisting vulnerable customers where practical and each company has developed innovative schemes to help its customers. ScottishPower is fully committed to its social responsibilities and CSR is a key part of our Board activity. It is important that any activity aimed at tackling fuel poverty fully appreciates the contributing factors behind the issue and we agree that informed debate will assist this.

ScottishPower would fully support Ofgem's intention to continue to identify ways to improve the take-up and accessibility of the Fuel Direct scheme. ScottishPower believes that Fuel Direct requires an overhaul to ensure that it helps the maximum number of customers in need and does not become a wasted opportunity. We appreciate the points raised in the Government response to the Trade and Industry Select Committee (TISC) that extending the scope of Fuel Direct is not compatible with the Government aim of removing financial exclusion, however we would respectfully disagree with this point. For example, if Fuel Direct could be extended to allow the use of bank accounts, this would be a clear step towards the Government goal of reducing the number of households without bank accounts. A key concern in the treatment of vulnerable customers should be ensuring that they do not build up a debt in the first instance, and a revamped Fuel Direct scheme would also contribute to this aim. ScottishPower believes that the benefits to customers from an overhaul of the Fuel Direct scheme would be significant and would serve to reduce the number of customers building up a debt in the first instance, as well as providing an accessible payment method for those customers who do fall into debt.

ScottishPower would agree that self-disconnection by prepayment customers remains a real concern and we have previously shared with Ofgem research into this behaviour carried out by Energy Action Scotland (EAS) and sponsored by ScottishPower. We would agree that self-disconnection could be a strong indicator that the customer is experiencing vulnerability, however there are limits to the information that suppliers could provide without the customer willingly communicating with their supplier, as the customer's true circumstances cannot be easily identified without proper communication. This should be alleviated with the introduction of Key Meter technology over the next few years.

### **Information for customers**

ScottishPower would agree with Ofgem that vulnerable customers are often the most difficult customers to target for help and advice, particularly due to the sensitivity many people feel towards being perceived as vulnerable. However, from the ScottishPower customer research on fuel poverty, mentioned above, it emerged that many customers who were in a vulnerable position did not necessarily class themselves as vulnerable or fuel poor, highlighting others as being more in need of advice or assistance. This raises an interesting issue, for if suppliers are unable to identify customers as vulnerable, they are dependant on customers themselves recognising when they need help. ScottishPower appreciates that energy suppliers play a key role in providing their customers with information on the help that is available to them but shares Ofgem's concerns that the information is not reaching those who need it most. The ScottishPower Energy People Trust has been created to offer real and practical support to those in difficulty, by providing funding to organisations or charities to ensure that the money is directed as needed. This recognises the difficulties that suppliers can face in identifying fuel poor customers and instead relies on organisations 'at ground level' to establish where the money should be directed, to provide the optimum help. The Trust is specifically designed to reach those in crisis, and provide help where and when it is most needed.

ScottishPower is fully committed to the Fuel Poverty Helpline, and has been working closely with the Energy Retail Association (ERA) and other suppliers to help establish this line as a key communication tool for vulnerable customers. However, we would again point out that the eradication of fuel poverty is an issue for Government and the Helpline should only be used to direct customers to the correct source for information on the resolution of their issues. This should not be used as a tool to pass Government responsibilities on to industry. Indeed, ScottishPower would see the Helpline being integrated into Government in the medium term.

ScottishPower would also agree that accurate billing is key in helping to prevent the build-up of debt and have previously shared with Ofgem details of a number of initiatives that we are undertaking in order to improve billing accuracy. ScottishPower recognises the importance to a competitive and liberalised market of the ability to switch supplier, however, we remain concerned at the apparent link that Ofgem and energywatch make between switching supplier and the resolution of fuel poverty. While switching supplier gives the customer a greater choice of products or prices, this is not the answer to the greater problem. Indeed, fuel prices are only one of the factors contributing to fuel poverty. Further, Ofgem notes an action to 'agree with suppliers what contribution Ofgem can make to building consumer confidence in suppliers' offer of help.' Constantly promoting switching between suppliers, for cheaper prices, can undermine confidence or trust in supplier motives and does not reinforce the message of positive service as a market guide.

### **General Comments**

We welcome the proposal from Ofgem for the development of a Fuel Poverty Indicator and we agree that it would benefit suppliers in ensuring that services for vulnerable and fuel poor customers are more evenly distributed to those who need it. However, we would observe that the Strategy only appears to consider an indicator for England. We would argue that this should be driven across the whole of GB in order to make it fully worthwhile. Further, we would also note that the ERA is currently supporting the creation of an indicator in England. However, we would emphasise the importance of involvement of Government and other stakeholders, particularly due to the personal

nature of the information that would be required to do create the indicator. In the recent CSR report Ofgem note that consumers often have mistrust over supplier motives and would undoubtedly have concerns with providing such sensitive information to their energy suppliers.

We note with interest, Ofgem's intention to hold a seminar on fuel poverty and energy efficiency and would be pleased to receive information on the seminar as appropriate.

Should you wish to discuss any of the information contained within our response, please do not hesitate to contact me, using the above details.

Yours sincerely,

Pamela Kelly  
Regulation, Legal and Commercial