

Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

David Barnes
Head of Social Issues
Ofgem
9 Millbank
London
SW1P 3GE

Telephone: 01738 456400
Facsimile: 01738 456415

2nd September 2005

Dear David,

Social Action Strategy

Thank you for the opportunity to respond to the above consultation. For ease of reference we have set out our comments under headings taken from the consultation document.

Regulatory obligations monitoring and reporting

We welcome and fully support the review of the supply licence. We believe that as the market is fully competitive there are a number of licence conditions that are no longer necessary. In addition, a number of the conditions are out-dated and there are others that we believe are covered by consumer law, contract law and European law. Furthermore, we believe that suppliers have demonstrated that self-regulation can be used in place of some of the licence conditions i.e. codes of practice.

Currently, we are working closely with Ofgem, the ERA and other suppliers in relation to the review of the Code of Practice monitoring report. We support Ofgem's aim to streamline the data collection, in line with better regulation and to protect vulnerable customers. We agree that there is a need for monitoring vulnerable customers and debt prevention. However, we have concerns that some of the proposed data will be very difficult to provide, time consuming and costly due to the decommissioning of reports which we are unable to reinstate. In addition, we also believe that some of the proposed data is not directly related to the issues of debt and disconnection or to vulnerable customers. There is also a concern about how suppliers will consistently report the billing statistics since we all use different systems with different rules and parameters. We will be writing to Ofgem with more detail on this issue soon.

In our response to the consultation in relation to collecting payments through a prepayment meter we welcomed Ofgem's new powers under the Energy Act 2004.

We also noted that in our experience we have found that we have been able to help a number of customers avoid falling into debt through the use a PPM to manage their funds. We are therefore in favour of using a single PPM for the collection of both electricity and gas debts for a number of reasons, including the fact that we believe that any additional flexibility which gives the customer greater choice should be encouraged.

Best Practice and research

In order to understand and provide customers with relevant and effective advice we agree that it is necessary to understand the factors that contribute to customers finding themselves in debt. Suppliers have contact with their customers and therefore have the ability to provide them with details of agencies that may be able to help. However, in order to help them in this way, it is often necessary to obtain sensitive information. A number of customers are reluctant to divulge the amount of sensitive information that needs to be shared in order to ascertain whether or not the customer qualifies for benefit entitlements. Therefore, we believe that in the case of benefits entitlements checks, Government is the best placed body to help the individual.

We welcome work carried out by the Centre for Sustainable Energy and the University of Bristol in developing a fuel poverty indicator. However we note that the work is only to be carried out across England. We consider that the work would be more beneficial if it included Great Britain as a whole.

Knowledge and influence

We agree with Ofgem's statement that informed debate on fuel poverty remains crucial in developing a wider policy framework. As an industry, suppliers have demonstrated a willingness and commitment to helping vulnerable customers and are looking for ways to build upon work that has already been carried out. However, we believe that the eradication of fuel poverty is primarily an issue that should be dealt with by Government.

We support Ofgem's work in relation to identifying and improving the take up and accessibility of Fuel Direct or alternatives and believe that the use of Fuel Direct to help customers manage their finances before a debt is built up should be actively pursued.

We agree that self-disconnection by prepayment customers remains a concern. We encourage all our customers to contact us as early as possible to inform us that they are having problems paying for their energy supply. In some cases where we have contact with customers they will not inform us of their situation and as a result we have no way of knowing the extent of their situation.

Information for customers

We agree with Ofgem that vulnerable customers including many of the most in need of support, are not easily targeted for advice and help. Ofgem, the ERA and suppliers have carried out extensive work in this area. We are continually assessing our working procedures to ensure that we are to the best of our ability able to identify vulnerable customers. For example, we undertake comprehensive and ongoing staff training to identify and deal with vulnerable customers, we have built good working relationships with Social Services and we take every opportunity to encourage customers to get in touch with us at an early stage if they feel that they may be unable to pay their energy bill.

However one of the main issues suppliers have in relation to this is that many customers do not wish to be perceived as vulnerable. In addition, where we identify a customer that we believe is potentially vulnerable, the customer can refuse our help and advice.

In order to keep customers properly informed about ways to reduce energy bills, and the options available for vulnerable customers, suppliers not only need to be able to identify those customers who would benefit from the services available, but they also have to get the customer to agree to the help and advice available. We believe that Ofgem should take this into consideration when undertaking work in relation to identification of vulnerable customers. We nonetheless look forward to working with Ofgem to encourage the greater take up of offers of help from suppliers.

If you would like to discuss any of the above further, please call.

Yours sincerely,

Rob McDonald
Director of Regulation