

# Vulnerable Customers and Codes Workgroup

## Terms of Reference

### Background

Following consultation in February 2005, Ofgem have committed to conducting a comprehensive review of the standard conditions of the gas and electricity supply licences. A Steering Group has been established to provide recommendations to Ofgem on the role and scope of the supply standard licence conditions (SLCs) and whether the individual obligations set out in these SLCs should be retained, removed or redrafted.

The Steering Group has commissioned the Vulnerable Customers and Codes workgroup to tackle specific policy areas. The terms of reference for this workgroup will be published on the Ofgem website. Ofgem anticipates that membership of the workgroups will be determined by the topic for that workgroup and that subject specialists will be nominated by Steering Group members or other interested parties.

At this stage, it is expected that the workgroup will meet monthly. The first meeting is scheduled for 17 October 2005 and the Steering Group has asked that the workgroup present them with a draft final report by April 2006 and a final report by May 2006. The purpose of the workgroup's report is to allow the Steering Group to provide recommendations on main policy areas to Ofgem by May 2006. The workgroup should provide the Steering Group with regular written updates on progress.

### Objective

Workgroups are expected to operate broadly as follows:

- the workgroup will be chaired by Ofgem. Representatives of industry parties, energywatch and other customer representatives will be invited to attend. Ofgem will act as secretariat to the groups
- a list of the SLCs that the workgroup will be asked to consider will be agreed by the Steering Group and appended to these terms of reference
- the Steering Group will establish a timetable for delivery of recommendations to the Steering Group for subsequent presentation to Ofgem
- the workgroup will present a draft final recommendations report to the Steering Group by April 2006 and a final report by May 2006
- the final report to the Steering Group should take into account the 5 principles of the SLR published by Ofgem in the SLR Way Forward document, August 2005 (appended to this document)

- the workgroup will request guidance where necessary from the Steering Group
- the workgroup will provide regular written updates to the Steering Group on progress and outstanding areas of concern
- where appropriate the workgroup will present its recommendations in accordance with the principles of an Impact Assessment
- where policy proposals are anticipated to impact on the considerations of other workgroups, then this should be flagged to the Steering Group at the earliest opportunity, and
- the workgroup shall consider and document in the final report to the Steering Group any consequential impacts of the policy proposals on other licence types and other legislation.

The workgroup and Steering Group will not be decision making bodies. They will not replace the standard consultation arrangements that Ofgem employs when proposing changes to licence conditions which includes licence holders voting on proposed changes through the established collective licence modification arrangements. This process includes publishing notice of proposed licence modifications in such a manner as to bring it to the attention of interested parties and consideration of any representations or objections made in accordance with Section 11A of the Electricity Act 1989 and Section 23 of the Gas Act 1986.

In the event that a specific workgroup cannot reach consensus on whether an obligation should be retained, removed or redrafted the workgroup's final report to the Steering Group will be presented so as to reflect the views of the workgroup members. The Steering Group and Ofgem will then take forward the issues for further consideration, with the issues ultimately referred to Ofgem, detailing the relevant arguments, in the event that the Steering Group also fails to reach a consensus.

## **Scope**

The scope of the Vulnerable Customers and Codes workgroup will centre on the obligations set out in SLCs in Appendix 1 to this paper are fit for purpose. The workgroup will need to consider whether the obligations included in each of the stated SLCs should be retained, removed or redrafted. The workgroup may also consider whether additional supplier obligations, under the title of each SLC, are appropriate in a competitive market.

It will not include a general review of the standard conditions of other licence types although it is recognised that some consideration of these obligations may be required where there is a relationship with the supply licence obligations.

The scope of the Review will need to include consideration of other legislation that impacts on suppliers in their function as suppliers of gas and electricity to customers.

## Workgroup Deliverables and Timescale

The Workgroup will:

- provide a draft report to the Steering Group by April 2006 and a final report by May 2006 detailing their analysis of whether the obligations on suppliers as set out in Appendix 1 are relevant in a competitive market. In particular, views are required on whether each obligation should be removed, retained or redrafted. Where consensus can not be achieved the relevant arguments should be presented, and
- provide regular updates at Steering Group meetings on progress, requesting guidance where necessary and in particular setting out issues where consensus is likely to be problematic.

## Overall Deliverables and Timescale

The high level deliverables and timescale for the SLR, which the workgroup will contribute towards, are as follows:

- Steering Group to provide an initial report to Ofgem by May 2006, informed by the output of the workgroups and setting out initial views on the main policy proposals for changes to the SLCs
- Ofgem to consult on initial view on main policy proposals for changes to the SLCs in June 2006
- Ofgem consult on legal text for amending SLCs November 2006
- Ofgem issues final decision document and proposals for collective licence modification process in November 2006, and
- Implementation of revised SLCs in June 2007 (depending on impacts on industry systems and procedures).

## Membership

Membership of the workgroup will be open to suppliers, other licensees, energywatch and other customer representatives. Ofgem expects that where a party notifies Ofgem that they wish to be a member of the workgroup, they do so on the basis that they are making a commitment to fully participate for the duration of the workgroup.

Members of the workgroup are as follows:

|               |                               |
|---------------|-------------------------------|
| Gretel Jones  | Age Concern                   |
| William Baker | Centre for Sustainable Energy |
| Tahir Majid   | Centrica (alternate)          |
| Chris Wright  | Centrica                      |
| Graham Kirby  | e.on                          |
| Steve Russell | e.on (alternate)              |

|                   |                    |
|-------------------|--------------------|
| Ann Neate         | EDF Energy         |
| Mark Watson       | ERA                |
| Julie Voce-Pascoe | HSE                |
| Neil Ritchie      | NEA                |
| Laurence Poel     | Npower (alternate) |
| Paul Tonkinson    | npower             |
| Philip Davies     | Ofgem              |
| Nigel Nash        | Ofgem              |
| Andrew Wallace    | Ofgem              |
| Michael Knowles   | Ofgem              |
| Dave Barnes       | Ofgem              |
| Maxine Frerk      | Ofgem (chair)      |
| Pamela Kelly      | Scottish Power     |
| Rachel Chalmers   | SSE                |

## Appendix 1

### SLC obligations for consideration by workgroup

#### Electricity

| Section/Condition | Title of section/condition   | Brief explanation of the licence condition  |
|-------------------|--|---|
| Condition 26      | Record of and Report on Performance  | Supplier must record how operates various CoPs under SLCs 24, 25, 35 – 39. Reports to be given to Ofgem and e/w and published.                                    |
| Condition 27      | Preparation, Review of and Compliance with Customer Service Codes                            | Must submit CoPs SLCs 24, 25, 35 – 39 to e/w before Ofgem. Must review codes if asked to by Ofgem. Sets out only way in which CoPs can be changed.                |
| Condition 35      | Code of Practice on Payment of Bills and Guidance for Dealing with Customers in Difficulty   | Must have CoP approved by Ofgem for customers having difficulty paying bills. Specifies certain things that must be included in the Code.                         |
| Condition 36      | Code of Practice on the Use of Prepayment Meters   | Must have CoP approved by Ofgem for PPM customers. Specifies certain things that must be included in the Code.  |
| Condition 37      | Provision of Services for Persons who are of Pensionable Age or Disabled or Chronically Sick | Must have CoP approved by Ofgem for these customers. Specifies certain things that must be included in the Code. Obligation to have a Priority Services Register. |
| Condition 38      | Provision of Services for Persons who are Blind or Deaf                                      | Must have CoP approved by Ofgem for these customers. Specifies certain things that must be included in the Code.  |
| Condition 39      | Complaint Handling Procedure   | Must have a complaint handling procedure approved by Ofgem. Specifies certain things that must be included in the Procedure.                                      |

#### Gas

| Section/Condition | Title of section/condition  | Brief explanation of the licence condition  |
|-------------------|---|---|
| Condition 26      | Record of and Report on Performance                               | Supplier must record how it operates various CoPs under SLCs 24, 25, 35 – 39. Lists reports that must be given to Ofgem and e/w as well as being published. |
| Condition 27      | Preparation, Review of and Compliance with Customer Service Codes | Must submit CoPs SLCs 24, 25, 35 – 39 to e/w before Ofgem. Must review codes if asked to by Ofgem. Sets out only way in which CoPs can be changed.          |

|               |  |   |
|---------------|--|---|
| Condition 35  | Code of Practice on Payment of Bills and Guidance for Dealing with Customers in Difficulty   | Must have CoP approved by Ofgem for customers having difficulty paying bills. Specifies certain things that must be included in the Code.                         |
| Condition 36  | Code of Practice on the Use of Prepayment Meters   | Must have CoP approved by Ofgem for PPM customers. Specifies certain things that must be included in the Code.  |
| Condition 37  | Provision of Services for Persons who are of Pensionable Age or Disabled or Chronically Sick | Must have CoP approved by Ofgem for these customers. Specifies certain things that must be included in the Code. Obligation to have a Priority Services Register. |
| Condition 37A | Pensioners Not to Have Supply of Gas Cut Off in Winter                                       | Pensioners must not be cut off between 1 October and 31 March   |
| Condition 38  | Provision of Services for Persons who are Blind or Deaf                                      | Must have CoP approved by Ofgem for these customers. Specifies certain things that must be included in the Code.  |
| Condition 39  | Complaint Handling Procedure   | Must have a complaint handling procedure approved by Ofgem. Specifies certain things that must be included in the Procedure.                                      |

## **Appendix 2 – SLR Principles**

This appendix sets out the 5 principles of the SLR published by Ofgem in the SLR Way Forward Document, August 2005.

### **Principle 1**

A licence condition or self-regulation (such as an industry wide Code of Practice) is only necessary where there is a clear need for additional protection for the particular circumstances of gas and/or electricity customers (or specific groups of them), over and above that provided by general consumer protection legislation.

### **Principle 2**

Notwithstanding principle 1, given the essential nature of gas and electricity, there is likely to be a continuing need to protect vulnerable customers by licence conditions and/or self-regulation.

### **Principle 3**

Licence conditions that relate to compliance with industry codes and agreements are only likely to be necessary if they do not themselves contain adequate sanctions for suppliers who breach them.

### **Principle 4**

Licence conditions that are considered necessary will be clearly drafted and will provide a flexible framework within which the maturing competitive market can evolve.

### **Principle 5**

Licence conditions should not restrict suppliers from differentiating themselves in the competitive market and be drafted in a way that will allow suppliers to implement any necessary changes at their own rate without having to move at the pace of the slowest. This means that suppliers who are able to comply quickly with the new SLCs may be able to gain a competitive advantage over those that remain subject to the current SLCs.