

Consumer Protection through non-licence measures

Discussion at the Vulnerable & Codes of Practice Working Group meeting on January 16th identified the principal obstacle to adoption of suppliers' proposal to only have essential obligations in the licence as consumer representatives' concern over whether suppliers could be trusted to provide services outside the licence.

Suppliers' view is that this mistrust is mistaken and in fact works against consumer interests for many of the relevant services, reducing the focus on maximising provision of services through innovation and effective targeting. Even where licence-based regulation is more or less neutral, the better regulation principle of proportionality would suggest the objective of consumer protection is better achieved in the most flexible manner possible – transparency and challenge rather than formal regulation.

However, whatever the principles, it is clear that each service should be considered individually. Suppliers' interest in offering the service, stakeholders' ability to assess and challenge performance and customers' disadvantage from inappropriate regulation vary between services.

Suppliers propose that the February meeting of the working group consider each service previously identified as highly desirable in turn, to see if consensus can be achieved.

GTK

3.2.06

Consumer Protection through non-licence measures

Service ¹	Supplier interest is to offer the service ²	Stakeholders have visibility of performance through various means ³	Regulation may act against customer interests ⁴
<ul style="list-style-type: none"> Promote energy efficiency, so bills more affordable 	Yes – supplier interest is to promote EEC, increase affordability (though also applying a cost-effectiveness test 'is customer receptive?')	Ofgem research; Sohn report; annual monitoring reports	'Tick in the box' is opposite of creative approach needed to get customer interest
<ul style="list-style-type: none"> Repayment offers must take into account ability to cope 	Yes – want to give best chance of payment being kept up	Sohn report, Billing Code review, energywatch enquiries, CABx feedback	'Hard to understand' rule unlikely to help development of best practice
<ul style="list-style-type: none"> Not disconnect vulnerable customers 	Yes – Debt & Disconnection protocol (vulnerable customer safety net)	Ofgem reporting, energywatch enquiries, media interest	Disincentive to such voluntary additional protection
<ul style="list-style-type: none"> Credit management policies recognise vulnerability 	Yes – OFT guidelines on debt recovery, Unfair Commercial Practices provide formal restraint, but also good customer service and area of CSR and keen stakeholder interest, eg. Debt & Disconnection protocol	Sohn report, energywatch enquiries	Probably not – statement of principle shouldn't constrain
<ul style="list-style-type: none"> Inform customers of process and criteria for removing PPM 	Yes – Billing Code requires inform of choices. Will have policy, to give consistent advice	Billing Code review	Removes potential for Billing Code to evolve (very likely that different advice should be given for instance to customers with smart meters)

¹ From Appendix 1 of supplier paper to Jan 16th Working Group

² From supplier papers to Nov 14th and Dec 12th Working Groups

³ These are the obvious methods (Ofgem may conduct additional research and enquiries) – Ofgem energy efficiency research (November 2004), Sohn report on debt & disconnection (March 2005), ERA Billing Code (prospectively annual review), energywatch research into PSR (January 2006), Ofgem CSR research (June 2005), plus of course energywatch and CABx contact with customers

⁴ See also supplier papers to Nov 14th and Dec 12th Working Groups

<ul style="list-style-type: none"> • Arrange gas safety checks on request by owner occupier [and help with the consequences] 	Yes – area of CSR, though may be cautious over level of promotion whilst gain confidence managing consequences are affordable	energywatch research	Obligation to incur costs beyond 'obvious CSR' [ie. average customer would support measure] would lead to underpromotion
<ul style="list-style-type: none"> • Offer means of identifying agents 	Yes – good practice. Billing Code. Also fits with supplier support for 'distraction burglary' prevention; AES Sales Code.	energywatch research and enquiries	Removes potential for Billing Code to evolve (eg. scheme not appropriate if smart meters with reduced need for home access visits)
<ul style="list-style-type: none"> • Offer third party billing 	Yes – good credit management. Also DDA. Billing Code	energywatch enquiries, CABx feedback	Probably not
<ul style="list-style-type: none"> • Proactively increase knowledge of customer circumstances and use to promote services to vulnerable 	Yes – want customer data	Sohn report	Shouldn't – but regulatory risk could encourage 'tick in the box' and reduce effectiveness
<ul style="list-style-type: none"> • Advice on the use of gas and electricity 	Yes (energy efficiency) and probably (other advice) – show energy expert	[mystery shop]	'Hard to understand' rule unlikely to help development of best practice
<ul style="list-style-type: none"> • Choice of payment methods 	Yes – weekly/fortnightly payment segment valuable	energywatch enquiries	Probably not