

A blurred background image showing various electrical components, including a white plastic outlet cover with two sockets, a metal terminal block with several wires, and a yellow electrical meter or control panel with a digital display showing "00000".

## Supply Licence Review – Implications for vulnerable customers

Seminar for Consumer Groups

# 1. Introduction - purpose of today

- Guide you through our consultation document on vulnerable customers
- Seek your views on key issues relating to vulnerable customers; structure of the regime, debt and disconnection, priority services, & overlaps with the Disability Discrimination Act.
- Help you focus your response to the consultation.
- Update you on the next steps on the Supply Licence Review

## Why initial consultation on vulnerable customers?

- Help answer fundamental questions as to the structure of the regime to protect these customers
- Since October workgroup (Ofgem, major suppliers, energywatch and some others) has met monthly & views are incorporated into the document
- However, consumer bodies such as yourselves representing specific interests of vulnerable customers have been unable to attend the workgroup
- Therefore, your views are especially welcome!

# Structure of the consultation document

- Ch2 – debt & disconnection
- Ch3 – priority service register, blind & deaf services
- Ch4 – structure of regime
- Ch5 – complaint handling, payment methods & security deposits
- Key questions at start each chapter are replicated in Appendix 1.
- Appendix 5 tabulates the licence obligations and shows where there has been consensus at the workgroup

## General overview on current regime

- Requirement to produce 7 different codes of practice which have to be approved by us – bureaucratic
- Requirement to comply with content of code - no incentive for them to go beyond the minimum required i.e. other social initiatives
- May not be the best means to communicate services to those who need help
- Some prescriptive requirements do not contribute to overall desired outcomes
- Need better more focused regulation

## Structure of the regime – Ch 4 & App 5

- From workgroup consensus that certain requirements should remain as core licence conditions in some form:
  - limitations / alternatives to disconnection
  - taking account ability to repay debt
  - maintenance of a priority service register
- Other requirements covering special services & info for vulnerable customers there are a number of options (*i.e. these are the more contentious!!!*)
- Remaining requirements subject to the options could be removed (*e.g. current code approval mechanism*)

## Options for the structure

- Option 1 – Licence based obligations
  - Option 2 – A mandatory code of practice (*Ofgem designated code or equivalent*)
  - Option 3 – Principles based licence obligations supported by more detailed guidance (e.g. *SLC “supplier shall provide appropriate additional services” + detail on the sort of services in guidance*)
  - Option 4 – Requirements through self-regulation
  - Option 5 – Requirements delivered voluntarily
- BUT are there other options that should be considered?*

# Consumer information and publicity

- Our initial view is that suppliers should have discretion to be creative in marketing and in developing social initiatives.
- BUT consumer (or more likely consumer adviser) awareness of core services availability is important.
- Subject to options current view should be publication of a code or policy statement in plain and intelligible language on suppliers website with backstop requirement to provide copies free of charge.

## 2. Debt & Disconnection

- A high level objective is to ensure customers with payment difficulties are treated sympathetically and fairly
- Key issues include avoiding debt build up, taking customers' circumstances into account, use of PPM's, and ensuring no vulnerable customer is disconnected.
- Industry initiatives over recent years have reduced disconnections to a minimum (over 3000 in 2005) – want to ensure high level of protection continues.

# Key Questions

- Are current licence requirements effective to ensure disconnection only as a last resort?
- Is there a need to distinguish between 'can't pay' and 'won't pay'?
- How should customer's ability to pay be taken into account?
- Should the 'Winter Moratorium' on disconnection be extended?
- What role should PPM's play, and what safeguards should apply to them?
- What obligations should extend to payment methods – Fuel Direct, cash and cheque etc?

### 3. Services for the elderly, disabled & chronically sick

- Special services currently offered include = quarterly meter reading; meter moves; passwords; special controls and adaptors; third-party billing; special format bills; and gas safety checks.
- Customers can join PSR (currently around 650,000 on register) but not compulsory.
- energywatch research shows services welcomed by customers, but awareness low, concerns about current eligibility criteria.

## Key Questions

- Should focus of PSR remain on physical, safety and communication needs or be extended?
- What categories of customers should suppliers identify in their PSRs and is the current eligibility criteria for services adequately targeted?
- Should information transfer as customers change suppliers?
- Are the services offered the correct ones and would some be delivered by the market?
- Should all services be provided free of charge?
- What options are there for promoting gas safety?

# Disability Discrimination Act

Question overlap covering special services and blind & deaf

- “Disability” broader than register disabled & would appear to cover most conditions that would affect the long-term frailty of pensioners
- Reasonable adjustments required cf specific requirements
- Enforcement for individuals rather than Ofgem
- DRC guidelines refer to utility billing in different formats
- Supplier options link in licence to DDA

*How far DDA acceptable alternative to licence obligations?*

## 4. Round up – next steps

- 28 April – deadline responses on initial consultation for vulnerable customers
- May – report to steering group
- June – broad consultation on the supply licence review
- November – consultation on legal drafting
- Early 2007 – implementation of new licence conditions

## Further questions on the consultation

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A large, central version of the ofgem logo, with the word "ofgem" in white lowercase letters on an orange rounded rectangle. The background of the slide features a faded image of electrical components, including a three-pin plug and a meter.

Promoting choice and value for all  
gas and electricity customers