

Supply Licence Review – Vulnerable Customers Workgroup Meeting on 8 September 2006

Gas Safety Checks and PPM Recalibration

Attendees:

Geoff Hatherick, DTI - Head of Gas and Electricity Consumer Policy
Roger Barnard, EDFE - Head of Regulatory Law
Pamela Kelly, Scottish Power - Regulation Manager
Richard Bates, energywatch - Strategic Development Manager
Clover Powell, energywatch
Helen Evans, energywatch - Public Affairs Manager
Alan Hannaway, npower - Economic Regulation
Graham Kirby, Powergen - Regulation Manager
Jonathan Kane, Director of CO-Gas Safety & Kane International
Melanie Harries, CO Gas-Safety
Tahir Majid, Centrica - Regulatory Affairs Manager
Mark Watson, ERA - Policy Manager
Avril Adams, HSE - Specific Interventions Division

Maxine Frerk, Ofgem
Michael Knowles, Ofgem
Lisa Vango, Ofgem
Steve Brown, Ofgem
Liz Chester, Ofgem

Apologies from Stephanie Trotter - President and Director, CO-Gas Safety

Purpose of the Meeting

Ofgem requested further information from suppliers in addition to our general consultation on the supply licence review (SLR) in respect of gas safety checks and information and the recalibration of PPMs.

The purpose of the meeting was to therefore provide a summary of the further information provided by suppliers and other information obtained by Ofgem. This will also help focus responses to the consultation document due on Friday 15 September.

MK gave a presentation on Ofgem's current thinking on these outstanding issues.

Gas Safety – Key Issues

Who should be eligible for free checks?

The group discussed whether the main objective was to deliver as many free checks as possible or whether all customers should be entitled to a safety check. It was important that all customers are aware of the checks, even those who could not afford to pay for a check. The question was also raised as to whether there was any evidence that pensioners could afford gas checks if they were publicised more widely, and if customers on pension credit could also afford to pay for the checks.

It was noted that promotion of the checks would not necessarily lead to a higher take up of the service, and that a possible way forward by suppliers on assessing households more at risk was for them to carry out a risk assessment with customers to discuss their appliances. This could also be carried out by a number of companies employed on behalf of suppliers, as it was confirmed that some companies are employed by a number of suppliers to carry out safety checks. On the issue of the costs associated with carrying out risk assessments, the group discussed the point put forward by Powergen that it was more likely that suppliers may identify problems on the first visit to a household rather than on a second visit, but that any risk assessment should be evidence based. Ofgem stated that it would be helpful to receive further evidence in respect of this issue.

One of the possible outcomes of the current HSE report on gas appliance checks may show that gas fires may be more at risk than other appliances, and HSE may also be looking at a risk based approach for the annual safety checks for landlords. The HSE is also considering whether gas safety should be the sole responsibility of a supplier or other agencies, and it was noted that there is a need for better co-ordination across the industry as no one organisation is responsible for this issue.

Ofgem mentioned that the possible number of eligible households entitled to a free gas safety check would be around 1.6 million. The group was asked to consider the fact that as around 45,000 checks were carried out last year, a possible 10% response rate from 1.6m would only equate to around 60,000 gas safety checks being carried out.

Ability to Pay - The issue of more flexible arrangements being offered by suppliers in respect of the gas safety checks was also discussed, and also the possibility of means testing as with the CSR schemes offered by suppliers. Making available to customers a wide range of payment methods for safety checks was also discussed, including the option of paying by instalments or the option of including the charge with customers' bills. The importance of making any proposals as attractive as possible to customers was also discussed, and this should also be the case when advertising the safety checks and how frequently they should be carried out. Customers may also be more inclined to pay for a safety check if they were aware that it may save lives.

Additional assistance if appliances are condemned

The issue of more assistance being offered to customers at the time of a safety check was discussed, including help through Warm Front and Trust schemes offered by suppliers. The offer of electric fan heaters and cookers by suppliers is welcomed by Ofgem. There appears to be a vast difference between the services offered by Warm Front and the current visits being carried out by suppliers, such as the passing on of information to EAGA or Age Concern. The issue of whether or not this should be included in a licence condition was also discussed. Ofgem is limited as to any further action it could take from a regulatory point of view, but may offer further assistance in respect of any work relating to best practice by suppliers.

In respect of the delivery of information to customers at the time of the safety check, there is a limited amount of information that CORGI registered engineers can offer to customers. Ofgem suggested that suppliers may be able to provide a model in their response to the SLR as to how best suppliers can utilise information they receive as a result of a check.

Standard of Check

MK made reference to his visits on 7 September 2006 with British Gas to carry out free gas safety checks. Out of three visits one gas fire was condemned, and another gas fire was given a warning notice as there was insufficient ventilation through the chimney. Suppliers responded that this was not a typical failure rate from these checks, as failures were quite rare. MK also mentioned that all the visits were to pensioners, who all appeared to spend significant periods at home due to reduce mobility and / or reduce social contacts. MK said that the engineer had told him that the vast majority of these checks were for pensioners, and around 80% of these were for single pensioner women.

The cost of the CO equipment used by engineers was discussed, and Ofgem confirmed it had been informed by an engineer that the cost was around £700 for the testing equipment. CO Gas-Safety confirmed the following costs:

- ◆ CO equipment carried by engineers - between £70 to £100
- ◆ CO Analysers - between £150 to £200
- ◆ All inclusive flue analysers - between £300 to £400.

CO Gas-Safety also confirmed that it was a best practice requirement for engineers to carry out safety checks on appliances (BS 7967) and not a legal requirement. CO-Gas Safety stated that engineers would have good reason to purchase this anyway. It was also mentioned that if the check did include a proper CO test, then some customers may be more willing to pay for this.

Format and Frequency of information

The group discussed whether suppliers provided sufficient information on safety checks on their websites and/or with customers' bills as part of their licence obligations. The group was aware of the political sensitivity and the safety issues, and that some suppliers go beyond of what is required in their licence. The HSE report will conclude that further publicity is required on CO and that awareness of this issue should be raised, and not just an issue for the HSE to address, but also for industry, Government and other agencies.

The HSE review concludes on 2 October, and the report and recommendations will be published in November 2006. Centrica stated that the biggest question was on the information requirement and whether the SLR was the best vehicle to take forward the issue of gas safety and CO. energywatch also mentioned that others could be responsible for raising awareness e.g. appliance manufacturers. Ofgem agreed that it would first need to consider the responses received for the SLR and the outcome of the HSE's gas safety review, and whether more could be done by other agencies before taking any final decision.

PPM Recalibration

Ofgem stated that the estimated build up of a debt if an average consumption customer had not been recalibrated for 12 months would vary between £8 - £70, but energywatch calculated that the figure is closer to £150 and would be confirming this in their response to Ofgem. It was also noted that there was a cost implication on suppliers as well as customers in respect of the time lapsed between any increases announced, and recovering the monies owed by a customer. It was also noted that there is no legislation relating to the recalibration of meters, but there is in respect of reading a meter. It is important that PPM customers receive information making them aware of the implications of price rises and recalibration.

In respect of debt write off, energywatch believe that all suppliers should follow the example set by two suppliers by writing off the debt by only charging the customer for the energy they used at the previous rate when they recalibrate the meter. Ofgem stated that in some cases this could send out the wrong message to customers.

Notifying customers beforehand of the suppliers' intention to visit a household is one way in which the customer would not be penalised, and the question of whether this issue could be addressed by the ERA Billing Code was also raised. It was hoped that this issue could possibly be addressed through self-regulation.

Next Steps

The deadline for responses to the consultation was 15 September. Ofgem would publish responses to this within a further consultation planned for November / December. It was also mentioned that an impact assessment would be drafted for gas safety.

A general invite to suppliers to attend the HSE stakeholder seminar on 2 October was also mentioned.