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Dear colleagues,

### **Codes of practice statistical reporting – Q1, Q2 and Q3 2006**

Effective monitoring of licensees' performance in key areas such as debt, disconnection and debt management is an important part of our work in protecting vulnerable customers. We use this information to identify areas for future policy work as well as to highlight particular issues of concern with supplier performance. Where our analysis of the information raises concern we will seek to take action, either through discussion with individual suppliers or by instigating further policy work where we think the issue is of broader relevance.

We take our role in this area seriously and are committed to doing this as efficiently and effectively as possible. In 2005, we reviewed the statistical information we collect to identify ways to simplify the arrangements to focus on those areas of most importance to consumers and reduce the administrative burden on suppliers. The outcome of this review has been a significant reduction in the amount of data we collect from suppliers on a quarterly basis but with the aim being to produce a more in depth review of the data on an annual basis. These new reporting arrangements came into effect in 2006.

### **Supplier data for January-September 2006**

Attached to this letter are figures for the first nine months of 2006, which reflect the new reporting arrangements described above.

We apologise for the delay in publishing this data. Reporting for the first quarter of 2006 was delayed while our new reporting database was completed. In addition one of the main energy suppliers had problems with an IT migration exercise which led to significant anomalies in the data received by Ofgem. Excluding this data would have created a very distorted picture of the actual situation and as such we decided to delay publication while we pressed to resolve this issue.

While we have been unable to publish full statistics until this time we have been looking at the data that has been available to us, looking in particular at possible changes in the area of debt given concerns about the potential impact that increased prices might have on levels of energy debt.

Our main analysis of supplier performance will be set out in our annual statistics report for 2006 which we intend to publish in March 2007. However some key points to draw out from the data published today are:

- Numbers in debt: the overall number of customers in debt over the period has not increased significantly, for either credit or prepayment customers, although there is some evidence of rising numbers year on year for gas credit customers,
- Size of debt: while the majority of customers continue to owe amounts under £100 we have seen evidence of a rise, particularly in electricity, in the number of customers owing larger sums. In Q3 2006 while 61% of electricity debts were under £100 the proportion of debts that were over £300 increased to 17% (from 13% a year before). The average debt per customer has also risen steadily during 2006 - showing an increase of £24 from 2005 levels,
- Repayment rates: over the period we have seen some increases in the average amount customers in debt are required to repay on a weekly basis - although the picture varies across suppliers (and across quarters) and in some instances the figures have actually fallen. Average weekly repayment rates are typically higher for prepayment customers than for credit customers - an issue we will be looking at further in 2007,
- Disconnections: while the overall number of customers disconnected for debt is small and remains very significantly below the levels seen in recent years, the first nine months have seen an increase in the number of customers disconnected for non-payment with 2,674 gas customers and 776 electricity customers disconnected between January and September 2006 as compared to 1,526 gas customers and 444 electricity customers for the equivalent nine months in 2005, and
- PPMs: there has been a rise in the number of prepayment meters installed to collect debt - in particular in electricity with around 25,000 more electricity prepayment meters installed to collect debt in the first nine months of 2006 than during the equivalent three quarters of 2005.

Debt and the arrangements for repaying that debt can have a serious impact on vulnerable customers, including those who may be living on low incomes. We will continue to examine each supplier's performance in this area and intend to carry out further work in 2007/2008 looking at debt, debt management and disconnection.

### **Ofgem's arrangements for ongoing reporting**

Ofgem is currently in the process of reviewing its website and will be launching a new look website in the next few months. This new website will include a dedicated site for reporting on these statistics which we hope will make it easier for suppliers and consumer groups to access this information. Until the new website is up and running we will continue to publish this data on the Social Action Plan webpage. We will inform you of the new location once the new look website is in place.

This is the first time that we have published data under the new reporting arrangements and we would welcome any comments you may have on the presentation of the data. Please send any comments to Kiera Bower at [Kiera.Bower@ofgem.gov.uk](mailto:Kiera.Bower@ofgem.gov.uk) .

Regards,

A handwritten signature in black ink, appearing to read 'Lisa Vango', with a long horizontal flourish extending to the right.

Lisa Vango  
**Head of Social Issues**