

## Domestic suppliers: social obligations annual reporting for 2006

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### Overview:

This report summarises the information Ofgem collects from domestic suppliers on their performance in relation to their social obligations and broader trends affecting vulnerable customers. Numbers of customers in debt remain stable despite rising prices but there are small increases in the average debt per customer and in disconnections which nonetheless remain at a low level historically. Ofgem will take forward these and other issues identified in the report as part of its Social Action Strategy work plan for the coming year.

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## Context

As part of the Social Action Strategy, Ofgem collects data from domestic suppliers on a quarterly and annual basis. The raw data which shows supplier by supplier performance is available on the Ofgem website at:

<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/COPMonitor/Pages/COPmonitor.aspx>

This report considers some of the statistics to provide a more comprehensive overview of suppliers' performance in relation to their social obligations and areas where vulnerable customers may be affected. These include debt, disconnection and energy efficiency advice figures. The statistics help Ofgem to identify areas which need targeting and improving. This report does not cover a supplier's voluntary social initiatives and social tariffs. A separate report on these will be published shortly on the Ofgem website.

## Associated Documents

- The Social Action Strategy can be found at:  
<http://www.ofgem.gov.uk/SUSTAINABILITY/SOCACTION/Pages/SocAction.aspx>
- The raw data which shows supplier by supplier performance is available on the Ofgem website at:  
<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/COPMonitor/Pages/COPmonitor.aspx>
- Suppliers provide the statistics in line with the guidance Ofgem provides in its document 'Monitoring domestic electricity and gas suppliers' performance under their code of practice – new reporting arrangements' and should be read in conjunction with these statistics to ensure there is no misinterpretation of the data. This document is located at:  
<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/COPMonitor/Documents1/16670-guidancereversion1006.pdf>
- The 2006 Ofgem/Mori qualitative prepayment meter customer research is available at:  
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Prepayment%20meter%20Customer%20Workshop.pdf&refer=Sustainability/SocAction/Publications>
- For more information on prepayment meters and fuel poverty please see the Ofgem factsheet at:  
<http://www.ofgem.gov.uk/Media/FactSheets/Documents1/PovertyFS.pdf>

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## Summary

Ofgem collects data from domestic suppliers on a quarterly and annual basis to help it identify areas where further work may be needed and to help inform debate on important aspects of how suppliers deal with vulnerable customers.

Energy prices rose significantly in 2006 adding to price rises seen in 2005. This has led to a near doubling of the numbers in fuel poverty since 2004 and makes the actions suppliers are taking to help their most vulnerable customers all the more pressing.

In this context a positive conclusion from our monitoring is that the number of customers repaying a debt has remained stable with the majority of customers in debt owing under £100. However there has been a steady gradual increase in the average amount of debt owed per customer, reflecting the higher prices. We have also seen increases in the average repayment rate for prepayment meter (PPM) customers. We will be exploring these issues further as part of our work on best practice in debt and disconnection, and will investigate in particular whether suppliers are adhering to their licence obligation to take account of ability to pay in setting repayment rates.

Another trend in 2006 has been an increase in the number of customers disconnected for debt. Overall disconnections remain at a low level with around 5,000 in a year across both fuels. This remains significantly below the level seen historically of 20,000 to 25,000. Our understanding is that the supplier "safety net" arrangement to prevent disconnection of vulnerable customers continues to work well. Again this is an area we will want to explore further as part of our debt and disconnection work in the year ahead.

The number of customers using Fuel Direct to help them repay debts and manage their bills continues to decline. We will continue to stress to DWP the importance of Fuel Direct as a payment method.

Finally 2006 has seen further welcome increases in the number of customers registered on suppliers' priority service registers which then entitles them to additional help and support. This reflects the positive steps taken by a number of suppliers to publicise the service.

Ofgem's Social Action Strategy, published alongside this report, sets out our work plan for 2007/8 to address some of the issues raised in this report and other work to protect the interests of vulnerable consumers.

## 1. Debt, disconnection and prepayment meters

### Overall debt picture

1.1. Suppliers have a licence duty to consider the needs of customers who may be having difficulty paying their bills due to individual circumstances or an inability to pay. Ofgem expects suppliers to identify customers who might be struggling to pay their bills and offer them help and assistance as early as possible. Suppliers have specially trained teams to help their customers who are in debt to manage their bills.

1.2. At Q4 2006, 5% of electricity and 4% of gas customers are repaying a debt<sup>1</sup>. For both fuels, 61% of those in debt were credit customers and 39% were PPM customers.

1.3. Approximately 0.7m electricity credit customers and 0.5m gas credit customers are on debt payment arrangements (scheduled to last longer than 13 weeks). Approximately 13% of electricity prepayment meter customers (0.5m) and 14% of gas prepayment meter customers (0.3m) are repaying a debt through a prepayment meter.

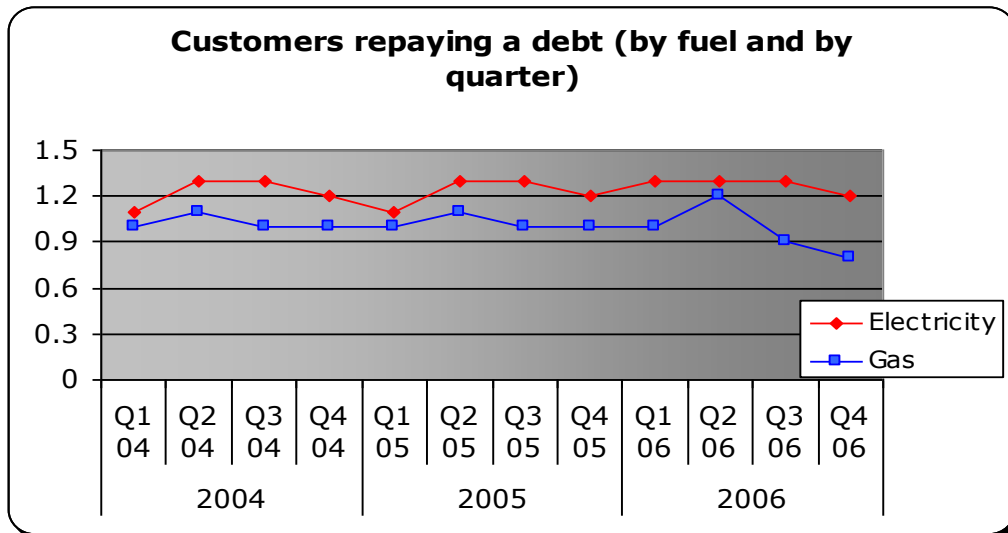
1.4. There does tend to be a seasonal trend in debt figures with more customers falling into debt following the winter months as energy usage increases. As can be seen from the graph below the number of customers in debt has been relatively stable over the years. Graph 1 below shows that in 2006 gas debt followed a different pattern with a high peak in Q2 followed by a drop in the last 2 quarters. We will be monitoring the gas figures closely over the coming year to see if this is a long term change.

1.5. Despite rising prices, the number of customers repaying a debt has remained stable. This is welcome, particularly in the context of the wider increases in UK personal debt.

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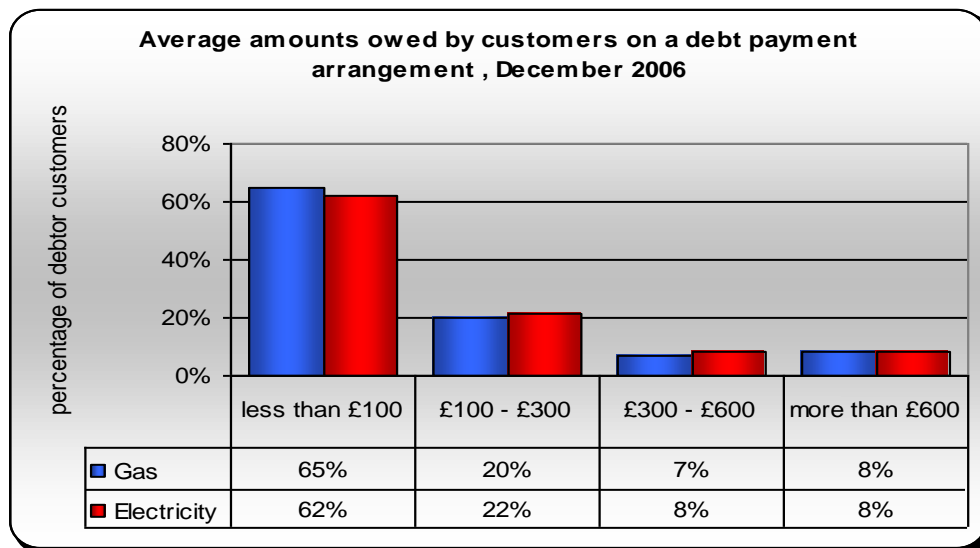
<sup>1</sup> The term 'debt' in this document refers to customers who either have their PPM set to collect a debt or customers who are on a debt payment arrangement scheduled to last longer than 91 days/13 weeks. A debt payment arrangement is a specific arrangement to repay outstanding arrears. The only Direct Debit customers to be included would be those who have specifically joined the scheme to repay a debt.

**Graph 1: Customers (in millions) repaying a debt by fuel and by quarter**

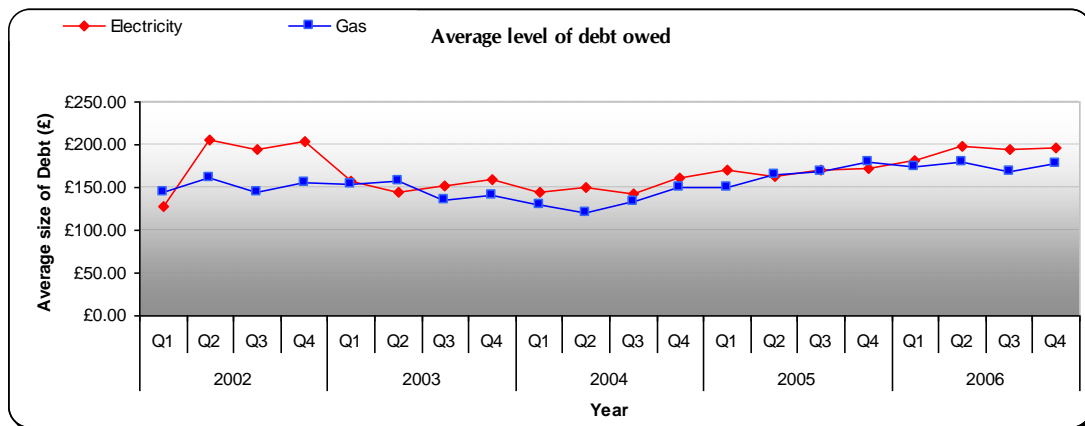


1.6. However, while the number of customers repaying a debt has not changed the amount of debt owed per customer has increased slightly reflecting the higher prices. Whilst the majority of customers owe under £100 (see graph 2 below) we have seen a gradual increase in the average amount of debt owed (see graph 3 below) in recent years. As Graph 2 shows, approximately 85% of gas customers repaying a debt owe £300 or less, with 65% owing less than £100. Approximately 84% of electricity customers repaying a debt owe £300 or less, with 62% owing less than £100. This has been a relatively consistent pattern over time with 60 – 70% of customers owing under £100 each quarter.

**Graph 2: Amounts owed by customers on a debt payment arrangement**



**Graph 3: Average level of customer debt owed over time**



### Debt Repayment rates

1.7. Suppliers have a licence obligation to take account of a customer’s ability to pay when agreeing the debt repayment rate. A customer may contact a supplier to change the repayment rate if they are struggling to pay it or wish to pay more. Current guidelines<sup>2</sup> recommend that suppliers set repayment rates no higher than the Fuel Direct level (currently £2.85 a week) for customers on benefits or low incomes.

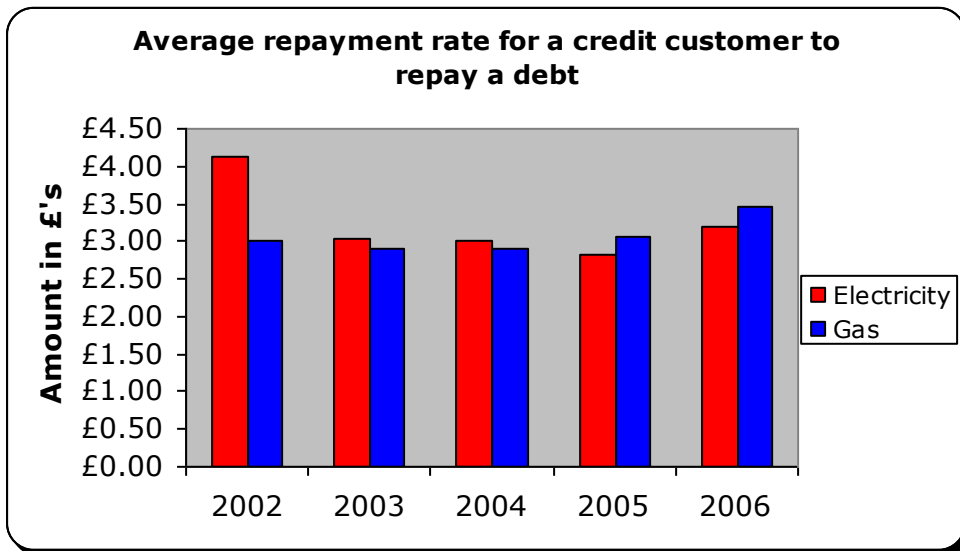
1.8. As can be seen from the graphs below, increases in repayment rates have occurred for both credit and PPM customers. For PPM customers, the average number of weeks it takes to recover a debt has decreased to a greater extent over time than for credit customers.

1.9. Such a change may be down to debt management practices if suppliers were only to install a PPM as a last resort when other repayment methods have failed. However it may also be due to suppliers taking a more aggressive approach to debt recovery.

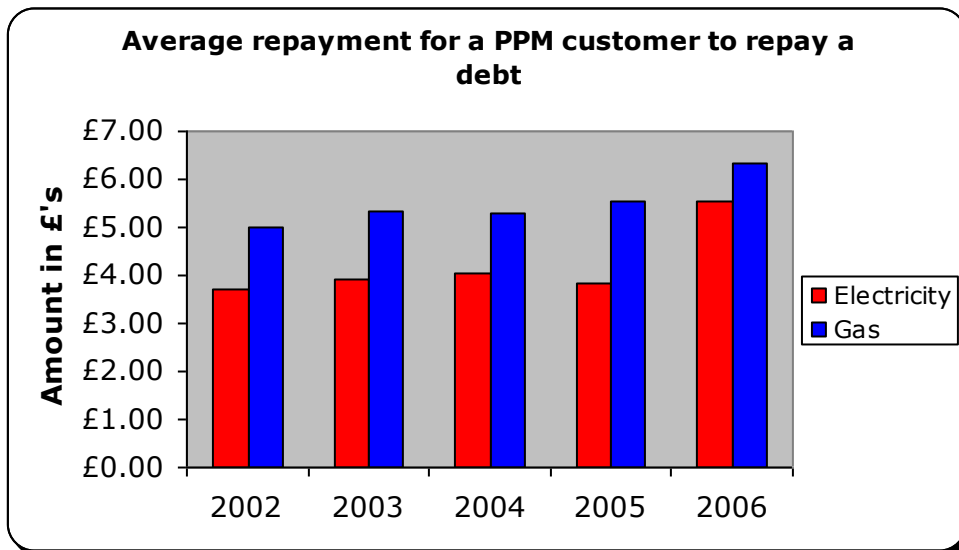
1.10. Ofgem will explore this further in the coming year as part of its debt and disconnection review, in particular, to ensure suppliers are still adhering to their licence obligation to take account of a customer's ability to pay. This is because debt and the arrangements for repaying that debt can have a serious impact on vulnerable customers, including those who may be living on low incomes.

<sup>2</sup> Preventing debt and disconnection guidelines produced by energywatch and Ofgem

**Graph 4: Average repayment rate for credit customers**



**Graph 5: Average repayment rate for PPM customers**



**PPM customers**

1.11. Historically PPM use has been higher in electricity as it is more difficult to install a gas PPM given the safety issues and the need to gain access to the property. However Graph 6 below shows that the number of customers paying by gas PPM is increasing gradually over time. This may reflect an increased readiness by some suppliers to fit gas PPMs instead of disconnecting (where the safety issues can be



managed appropriately). Those suppliers have much lower disconnection rates in gas which is to be welcomed.

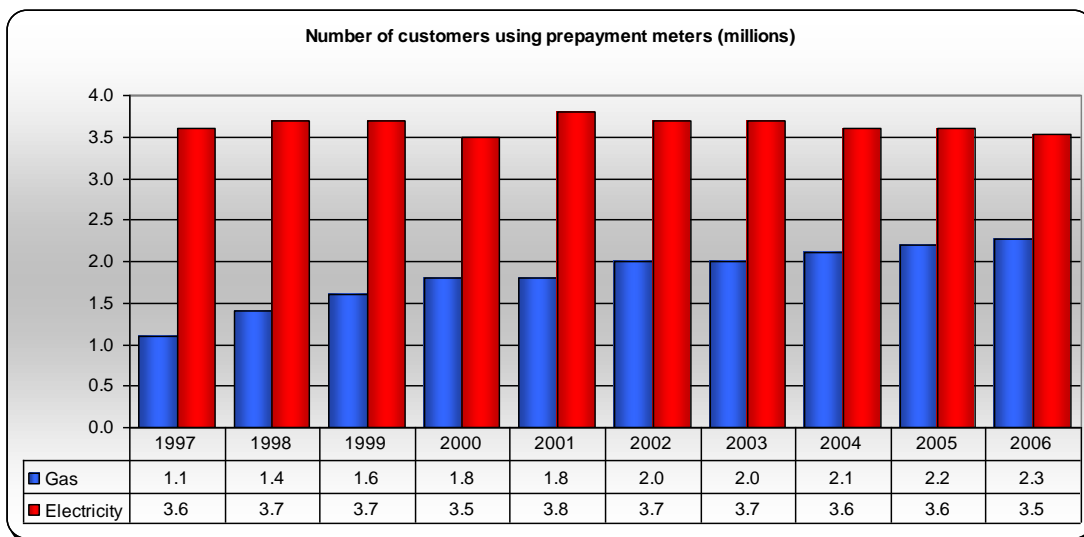
1.12. This increase in the number of PPM customers is not of itself a concern. Recent Ofgem research has confirmed that they are generally liked by customers who use them to help with budgeting and avoid getting into debt. Although there can be problems with customers self-disconnecting if they forget to top up the meter.

1.13. A key concern with PPMs is the price differential between this payment method and other payment methods such as direct debit. The Energy White Paper highlighted<sup>3</sup> that the average cost differential between direct debit and PPMs has increased to around £120 for a combined gas and electricity bill in 2006.

1.14. Ofgem's own analysis shows that comparing the best PPM tariffs with the best direct debit rates the differential is £85 a year for a combined bill, which reflects the cost differentials between the two payment methods. However it is clear that not all suppliers are competing actively for these customers and the savings available from switching supplier, at up to £170, are significantly higher than those available for direct debit customers.

1.15. PPMs are more commonly used by customers on low incomes and hence it is particularly important they are on the best deal. However PPM usage is not a good proxy for fuel poverty: only 20% of PPM customers are in fuel poverty. Building on our analysis we have recently launched a regional switch and save campaign to ensure customers are aware of the savings available. We will continue to explore this issue over the coming year, looking to understand and help address the barriers to these customers engaging in the competitive market.

**Graph 6: Number of customers using PPM (in millions)**



<sup>3</sup> <http://www.dti.gov.uk/files/file39387.pdf>

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*Installation rates for PPMs*

1.16. Until this year installation rates for PPMs, for both fuels, had been falling over time, driven by a reduction in the number of PPMs installed for customers without a debt. In 2006, Table 1 shows there has been an increase in installation levels, reflecting the fact that installations for debt are at a five year high.

**Table 1: Reasons for installation of PPM by fuel and by year<sup>4</sup>**

Reason for installation	2002	2003	2004	2005	2006
Electricity					
Customer debt	157k	154k	109k	118k	165k
No debt	224k	213k	148k	106k	98k
Total	381k	367k	257k	224k	263k
Gas					
Customer debt	129k	109k	134k	146k	169k
No debt	111k	99k	73k	60k	71k
Total	240k	208k	207k	206k	240k

1.17. In the last two years, for both fuels, more customers have changed payment method from PPM to credit terms. In electricity 193,000 customers switched payment method away from PPM and in gas 141,000. This represents an increase of 36% and 30% respectively compared to last year<sup>5</sup>. Given the price differential it is important that customers are taking this opportunity.

*Token PPMs*

1.18. In gas 100% of customers are on Smartcard meters. However, in electricity there are still around 30% of PPM customers using token meters. Token meters are old technology and all suppliers have programmes to replace these meters with 'smarter' ones that do not require visits to be recalibrated as the price can be re-set remotely. Following concerns about the level of debt build-up resulting from delayed recalibration Ofgem obtained commitments from all suppliers on actions they would take to ensure these customers were treated fairly and introduced a new licence obligation requiring timely recalibration. All suppliers also committed to accelerate their programmes of token meter replacement. We continue to monitor the position

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<sup>4</sup> It is important to note that with these figures some suppliers include recalibration of meters for debt as installations. Therefore the figures may include as installation, customers on PPM who have fallen into debt (such as token PPM users facing delayed recalibration) as well as those customers new to PPM who are transferring to this payment method to pay off a debt.

<sup>5</sup> Full details of installation rates and changes to credit terms by supplier are in the raw data published on the Ofgem website. See bullet point 2 of 'associated documents' at the front of this report for the link.

closely and have seen very significant reductions in the numbers of customers accruing a debt. For more information on token meters, see the Ofgem website<sup>6</sup>

#### *Debt assignment*

1.19. Since the permanent introduction of the debt assignment protocol, no PPM customer with a debt has successfully transferred supplier using the protocol. From our monitoring of the procedures we can see that customers have tried to switch but not completed the whole process. For example, in 2006 over 100,000 supply point objections were issued due to an outstanding debt on a PPM. This will be examined in more detail by Ofgem as part of its work on PPM competitiveness and price differentials.

#### *PPM Regulations*

1.20. In 2006 Ofgem made Regulations to extend the range of payments that can be collected through a PPM. This enables customers (in agreement with their supplier) to repay through a PPM a debt from a previous address. It also enables an electricity supplier to collect ongoing gas charges and/or gas debt through an electricity PPM with the customer's agreement.

1.21. We are monitoring the use of these Regulations to ensure there is no unexpected customer detriment. Currently two suppliers are using the Regulations. They each have a small number of customers signed up to agreements covering repayment of debt from previous properties and paying for ongoing gas usage via their electricity PPM. Two other suppliers plan to run trials using the Regulations in 2007. We will continue to monitor the position.

### **Disconnection for non payment of debt**

1.22. Graph 7 below shows disconnection rates for non payment of debt over time. As the graph shows, there has been an increase in disconnection rates this year, however, the rates remain substantially below the figures from five years ago.

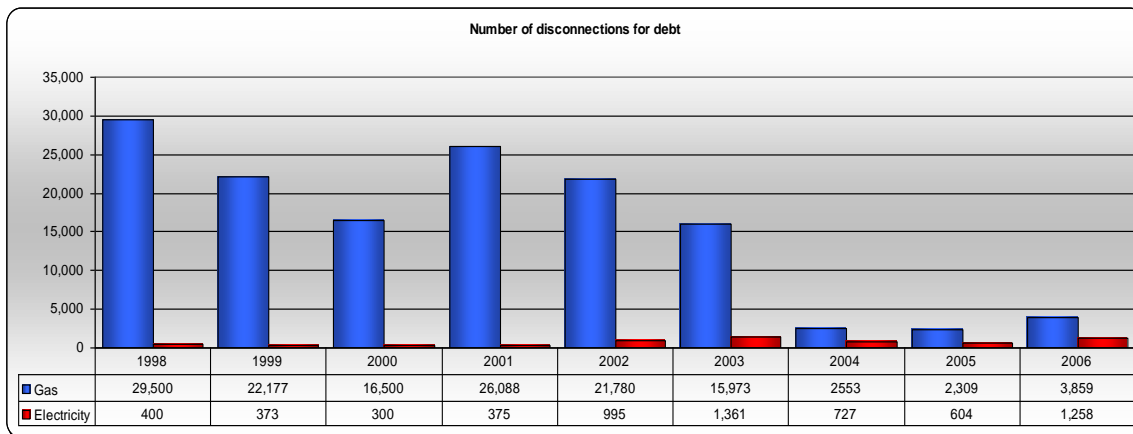
1.23. In 2006 3,859 gas customers and 1,258 electricity customers were disconnected. This compares with figures for 2005, when 2,309 gas customers and 604 electricity customers were disconnected. Disconnection rates by supplier are included in the raw data tables and show that this year, BGT has disconnected very few customers and Npower has disconnected the most.

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<sup>6</sup>

<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Pages/Publications.aspx>

**Graph 7: Number of disconnections for debt over time**



1.24. Going back a few years, overall disconnections fell sharply in 2004. This was partly due to pressure which Ofgem put on suppliers to only disconnect as a last resort and to install a PPM where customers have not paid their bill rather than disconnect them. It also reflects the voluntary arrangements put in place by the six big suppliers not to knowingly disconnect any vulnerable customer.

1.25. One reason that we may now be seeing a small rise in the total number of disconnections (across Britain) is that suppliers are now more confident that they are only disconnecting people who refuse to pay bills after all attempts to resolve a debt issue have been exhausted and who are not vulnerable. This is in line with industry best practice guidelines. We will look to understand this issue better as part of our debt and disconnection work later this year.

1.26. Data from Q4 2006 shows that of those disconnected in Q4 2006, 47% of gas customers and 48% of electricity customers were reconnected within a week of disconnection. 30% of electricity and 17% of gas customers had their supply reconnected within 24 hours<sup>7</sup>.

1.27. It should be noted that in the gas market in particular, customers are likely to seek reconnection sooner during the winter months (when supply is critical for heating) than in the summer months. The speed of reconnection is therefore likely to vary seasonally, and Q4 figures do not necessarily represent a typical picture.

1.28. In general, disconnections in gas remain higher than electricity. Whilst in the electricity industry a prepayment meter can usually be installed as an alternative to disconnection, this is not always possible in the gas industry for safety reasons as a gas customer must co-operate so that safety checks can be undertaken on

<sup>7</sup> In these reconnection rates we only include those customers who were disconnected and reconnected within the same quarter. Some customers may have been on the cusp of a quarter and reconnected the following quarter and would not be counted. Also if customers switch supplier or move house they may still be showing as disconnected when in fact they are not.

appliances at the time the meter is exchanged. Disconnections while rising are still at historically low levels for gas.

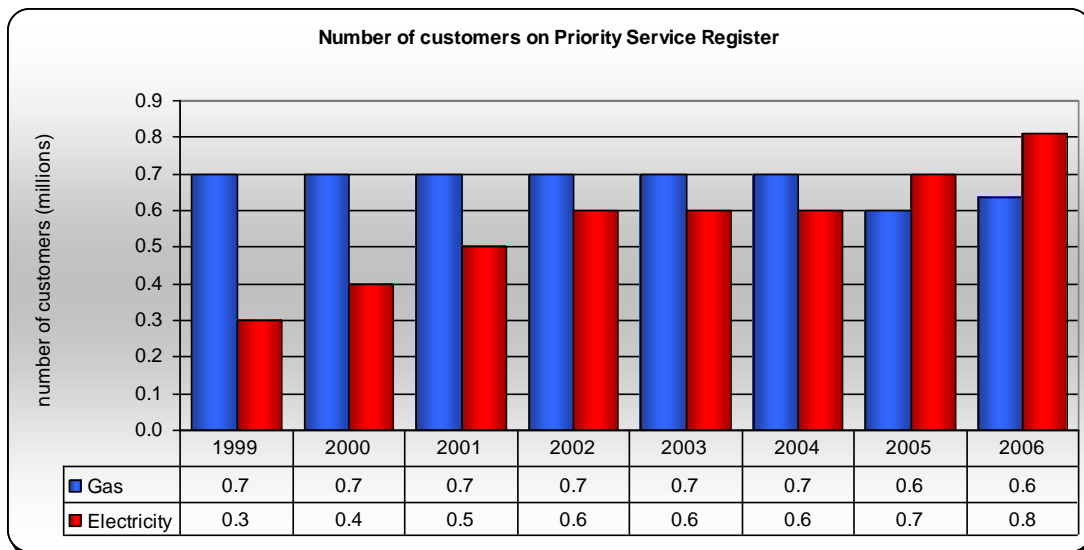
## 2. Help for vulnerable customers

2.1. Certain customers require extra assistance from suppliers. For example, customers unable to read their own meter may want someone to come and read it for them and customers who spend much of their time in the home may have a particular need for energy efficiency advice. Suppliers have certain licence obligations towards such customers as well as offering a range of voluntary measures to help customers in financial difficulty.

### Priority Service Register (PSR)

2.2. Suppliers are obliged to offer certain services to specific customers such as those of pensionable age and those with disabilities and to include them on their PSR. Services include quarterly meter reads for those unable to read the meter themselves, free gas safety checks for eligible customers and third party billing for those unable to manage their own energy accounts. Graph 8 below shows the number of customers on the PSR over time. Around 800,000 customers are on the PSR for electricity and around 630,000 for gas.

**Graph 8: Number of customers on PSR**



2.3. As can be seen, electricity PSR numbers have increased over time, with a very pleasing increase on last year. After a slight drop in gas numbers in 2005, gas PSR numbers have begun to increase again. Nearly all suppliers saw an increase in numbers on the PSR and in particular Powergen, Scottish and Southern and Npower all saw large increases after successful awareness campaigns. In electricity BGT, SSE and EDF Energy have the most customers on the PSR (both in absolute terms and as a proportion of their customer base). In gas BGT, SSE and Powergen have the most with Countrywide and SSE having proportionally the highest number.

2.4. The most commonly utilised services are quarterly meter reads<sup>8</sup> and password schemes followed by Braille/large print bills. Overall, there has been little change in the uptake of services offered. Ofgem will monitor take up of services as some suppliers may have a lot of customers on the PSR but a low take up of services. We will explore with suppliers how to improve take up and monitor any impacts of the changes to the supply licence obligations in this area.

2.5. Gas safety checks are an important service offered under the PSR. There has been a 15% increase since 2005 in the number of safety checks carried out. Powergen and Scottish Power have increased the most since last year. Again Ofgem will monitor how the new licence requirements affect take up by tracking the number of safety checks on a quarterly basis going forwards.

2.6. We will also look at the scope for improving the sharing of information on PSR customers between suppliers and DNOs to ensure that, as far as possible, vulnerable customers obtain the help they are entitled to.

## **Energy efficiency**

2.7. Energy efficiency advice and information can help people to reduce their energy consumption and bills through education and installation of energy efficiency measures. It is particularly important that certain customers such as those at home for long periods or those in debt are provided with advice and information to assist them.

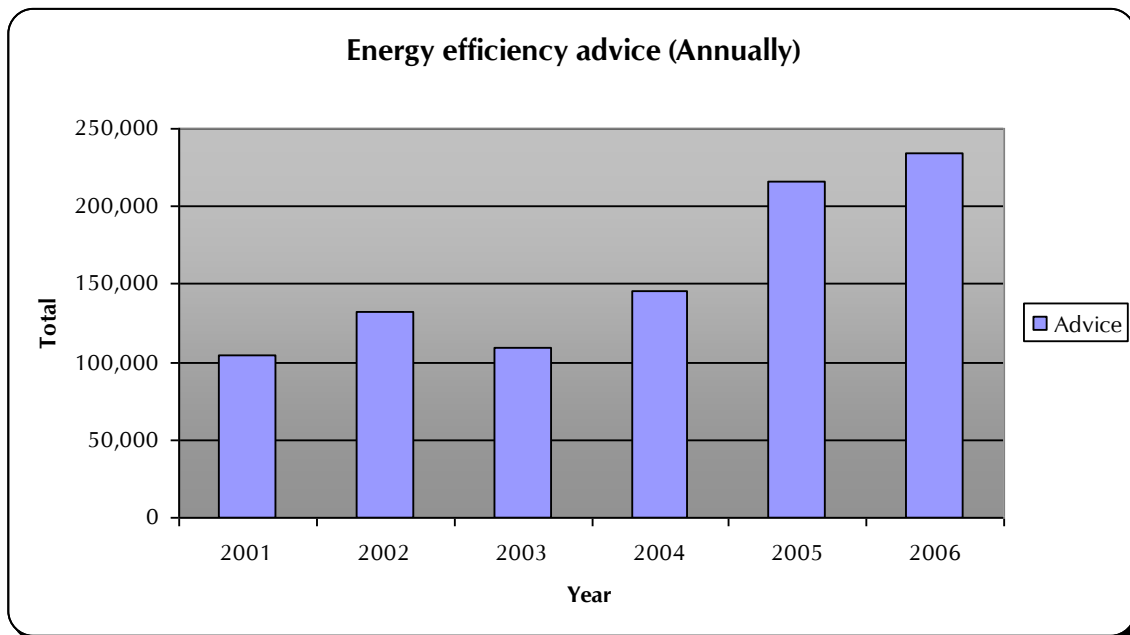
### *Energy efficiency advice*

2.8. Graph 9 below shows that the number of customers who were given specific advice by a specialist advice energy efficiency line or qualified person has increased over time which is very positive. However overall only 0.5% of customers received such advice. Scottish Power, Countrywide and Npower gave proportionally more advice than other suppliers but this is still low at around 1% of customers. Proportionally, BGT and Ecotricity had given the lowest amount of advice this year.

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<sup>8</sup> BGT has a policy of quarterly reads for all customers and therefore all customers on the PSR are registered for quarterly reads. Powergen also provides quarterly reads for all customers however it chooses to report that no PSR customers are registered as it is an automatic service.

**Graph 9: Energy efficiency advice given annually**



*Energy efficiency information*

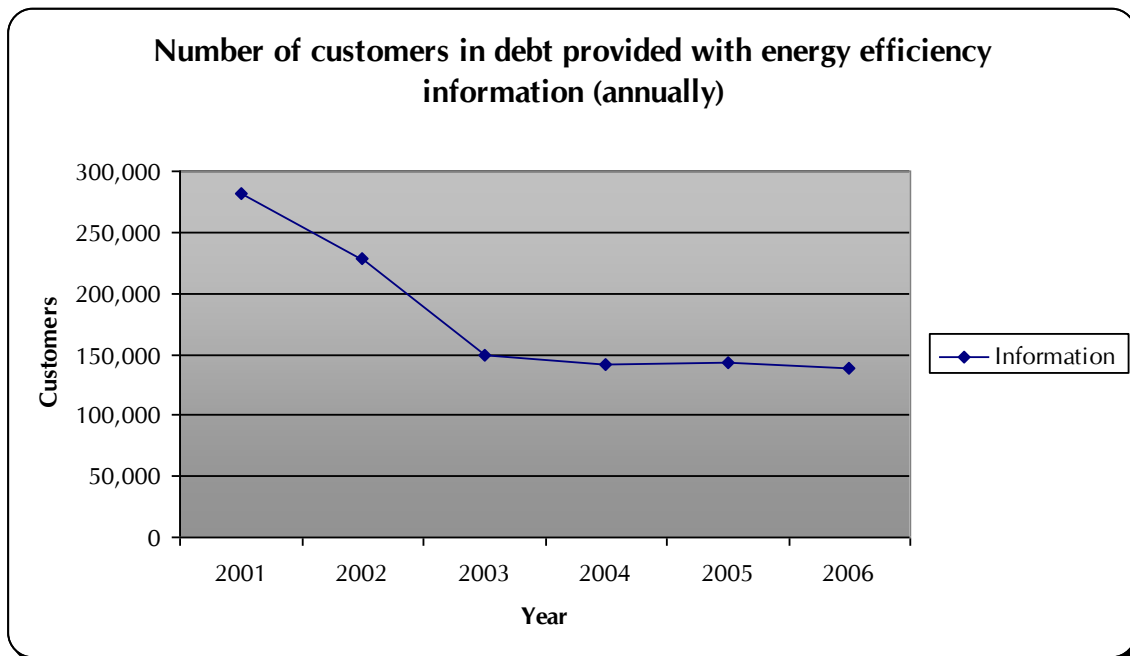
2.9. Suppliers also give customers energy efficiency information. Information may be verbal or written and/or include provision of the code of practice. The provision of general information by customer service staff responding to customer enquiries is also classed as energy efficiency information. Ofgem collects information from suppliers on certain customers like those in debt or on the PSR who may particularly benefit from information.

2.10. Energy efficiency information can help prevent those customers in debt from falling further into debt and suppliers should provide energy efficiency information to customers in payment difficulty. As with advice, energy efficiency information can help customers reduce their energy usage through energy efficiency measures rather than rationing their energy use or falling into further debt.

2.11. Graph 10 below shows that the number of customers in debt given energy efficiency information had been falling over time but is now stable. Of those in debt, 7% have been given energy efficiency information. BGT and Countrywide gave the highest proportion of their customers in debt information at 22% and 23%. Ofgem will be looking at this as part of its work on debt and disconnection.

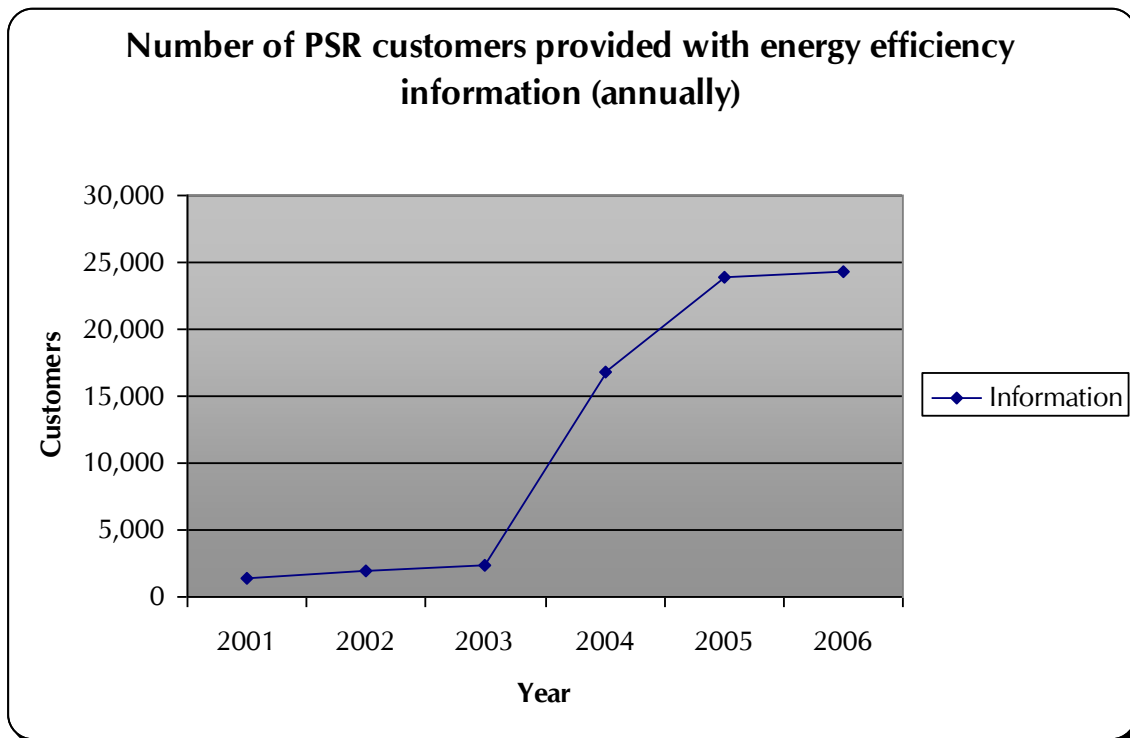


**Graph 10: Number of customers in debt given energy efficiency information**



2.12. It is also important that customers on a supplier’s PSR are given information on energy efficiency as many of these customers spend much time at home. Graph 11 below shows that the number of PSR customers receiving energy efficiency information has increased over time which is very positive. However overall, in 2006, only 1.3% of PSR customers received energy efficiency information. In 2006, Scottish Power gave proportionally the most information (4%) to its PSR customers with the others giving information to around 1% or lower of their PSR customers.

**Graph 11: Number of PSR customers given energy efficiency information**



## Fuel Direct and Budgeting payment methods

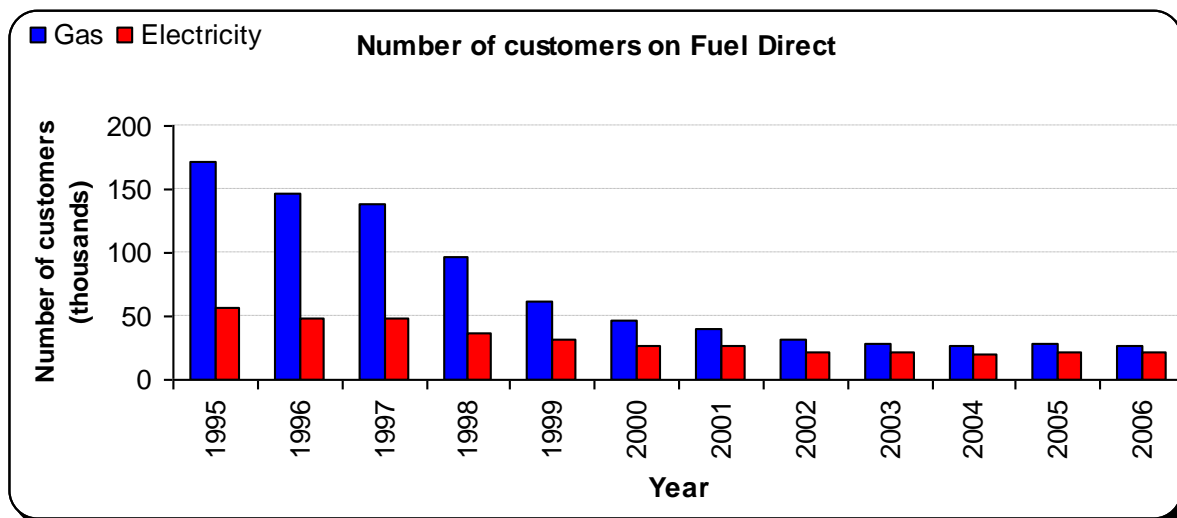
2.13. Fuel Direct is a scheme designed to act as a last resort measure for vulnerable households receiving Income Support, Pensions Credit or income-based Job Seekers Allowance who are threatened with the disconnection of an essential fuel supply. It allows for deductions to be made from benefit towards repayment of the debt and current consumption, to be paid by the DWP direct to the consumer's supplier.

2.14. Budgeting payment methods cover other ways to pay for customers who need to budget but would prefer not to be on a PPM. For example customers can pay weekly or fortnightly towards their energy bills.

2.15. Graph 12 below highlights the decrease in the number of customers on Fuel Direct. This reflects in large part the fact that DWP are not interested in getting more customers on this scheme.

2.16. Ofgem has worked with various stakeholders to ensure DWP are aware of the importance of Fuel Direct and Ofgem will continue to monitor use of both Fuel Direct and budgeting payment methods.

**Graph 12: Number of customers on the Fuel Direct scheme**



## Social offerings

2.17. Most suppliers offer various forms of assistance to their more vulnerable customers on a voluntary basis as a part of their corporate social responsibility contribution. For example some have social tariffs which are targeted at specific groups of vulnerable customers. Other companies have trust funds to assist those in financial hardship or fund charity partners to assist community projects. Ofgem will soon be publishing on its website a review of the types of offering each supplier has. Also DTI in its Annual Fuel Poverty Report (to be published on its website) will comment on the work the industry is doing as a whole.

2.18. The Home Heat Helpline (0800 33 66 99) is also available for anyone wanting independent advice on dealing with their bills.

Domestic suppliers: social obligations annual reporting for 2006

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## Appendices

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## Appendix 1 - Sources of Statistics

1.1. The statistics used in this report are gathered from suppliers on a quarterly and annual basis. These statistics are published on the Ofgem website at:

<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/COPMonitor/Pages/COPmonitor.aspx>

1.2. Suppliers provide the statistics in line with the guidance Ofgem provides in its document 'Monitoring domestic electricity and gas suppliers' performance under their code of practice – new reporting arrangements' and should be read in conjunction with these statistics to ensure there is no misinterpretation of the data. This document is located at:

<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/COPMonitor/Documents/16670-guidancereversion1006.pdf>

1.3. Ofgem analyses all of the information prior to publication. Where we notice trends in certain areas or statistics which concern us, we enter into dialogue with suppliers to establish reasons behind the numbers. We then monitor the trends and take action as required to apply best practice to an area or encourage a change in behaviour by suppliers.

1.4. Allowance should be made for slight variation between suppliers' statistics and the statistics only give a general overview of activity in areas such as debt and disconnection.

## Appendix 2 – The Authority’s Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority (“the Authority”), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.<sup>9</sup>

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly<sup>10</sup>.

1.4. The Authority’s principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of consumers, present and future, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- The need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- The need to secure that all reasonable demands for electricity are met;
- The need to secure that licence holders are able to finance the activities which are the subject of obligations on them<sup>11</sup>; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.<sup>12</sup>

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

<sup>9</sup> entitled “Gas Supply” and “Electricity Supply” respectively.

<sup>10</sup> However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

<sup>11</sup> under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

<sup>12</sup> The Authority may have regard to other descriptions of consumers.

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- Promote efficiency and economy on the part of those licensed<sup>13</sup> under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- Protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity;
- Contribute to the achievement of sustainable development; and
- Secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- The effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- The principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- Certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation<sup>14</sup> and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

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<sup>13</sup> or persons authorised by exemptions to carry on any activity.

<sup>14</sup> Council Regulation (EC) 1/2003

## Appendix 3 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

- Does the report adequately reflect your views? If not, why not?
- Does the report offer a clear explanation as to why not all the views offered had been taken forward?
- Did the report offer a clear explanation and justification for the decision? If not, how could this information have been better presented?
- Do you have any comments about the overall tone and content of the report?
- Was the report easy to read and understand, could it have been better written?
- Please add any further comments?

1.2. Please send your comments to:

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