

Ofgem: Supplier's Social Initiative Call for Evidence

eaga welcomes the opportunity to respond to this Ofgem call for evidence on the social initiatives of energy suppliers. We also recognise and welcome Ofgem's commitment to continued monitoring of energy companies' performance in relation to vulnerable customers.

Context

With just two years to go until the Government reaches its first legally binding target to eradicate fuel poverty, the situation on the numbers of households in fuel poverty is more severe than at any point since those targets were first adopted.

The key driver in tackling the issue must be to ensure that adequate funding is provided – through whatever mechanism – for capital programmes that tackle fuel poverty in a sustainable way. Clearly, there are partnership arrangements with energy supplier initiatives that can be considered, explored and developed in this regard.

Additionally, in light of record price rises and their sharp negative impact on the most vulnerable homes in society, we feel it is important to question the premise that the competitive energy market is working for vulnerable customers.

Currently, the competitive market structure and the concept of switching offer little in the way of mitigation for those in fuel poverty. For example, FPAG have previously suggested only 35% of prepayment users (a group disproportionately represented among the fuel poor) are likely to switch supplier compared with an average 50% across the market. This lack of benefit to vulnerable consumers was apparent as much as four years ago, as the Economic and Social Research Council found at the time¹.

Areas for further action in supplier initiatives

Clearly, more can be done to help vulnerable customers make informed decisions about their choice of energy supplier. The pilot under discussion between eaga, Ofgem, Defra and energy suppliers to trial switching advice under Warm Front, may prove to be a useful

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<http://www.esrcsocietytoday.ac.uk/ESRCInfoCentre/PO/releases/2004/april/switching.aspx?ComponentId=2101&SourcePagelD=1405>

portent that provides one model for how suppliers might partner in delivering social initiatives.

Consideration should be given as to how this might be aligned with initiatives such as Benefit Entitlement Checks (BECs). Already delivered across Warm Front, BECs are an extremely useful policy instrument in identifying additional income that can tackle fuel poverty at source.

A targeted and effective programme of BECs, allied with tariff / switching advice, could have a substantial impact for vulnerable consumers, and suppliers should be encouraged to explore this route further in examining social initiatives.

Analysing results

We believe any framework should offer analysis of the ways in which suppliers are working to ensure their vulnerable customers are benefitting from the best prices available to them.

eaga believes that the often confusing array of socially-orientated programmes run by energy suppliers mean customers that are struggling to pay their bills often have no idea what help or support is available from their energy supplier. Clarity would therefore be welcomed.

eaga also believes Ofgem's framework should consider reporting on the delivery of suppliers' initiatives as part of greater programmes in addition to providing outlines of their voluntary initiatives. We believe this would provide a more complete picture of their role in assisting vulnerable customers.

We hope that continued scrutiny from Ofgem will motivate the suppliers currently doing least to improve their performance in this area. We also hope that Ofgem is able to offer advice to suppliers on at least a set of minimum standards for accessibility of their programmes, in addition to setting proposed targets (based on market share) to ensure no supplier is disadvantaged.

Wider points

FPAG's Sixth Annual Report very clearly stated that resources for capital investment fuel poverty programmes needed to be increased by a significant amount. Any supplier initiatives around revenue investment or expenditure will be rendered short-term – arguably even peripheral – unless the more sustainable policy solutions are adequately funded.

Conclusion

Fuel poverty is a hugely visible and important issue both for the public and for the Government. Neither Ofgem nor Government however, can fail to recognise the increased importance of securing the highest possible energy efficiency in the dwellings of low income households, particularly given the context of rising energy prices. We support FPAG's conclusion that without this recognition and without the necessary resources for core Government fuel poverty programmes, the statutory fuel poverty target will not - in spite of the other useful actions - be reached².

Energy supplier initiatives can be additive and can have a considerable impact; however without tackling the main issue of funding for core capital programmes, then supplier initiatives become peripheral and presentational, as opposed to genuinely impactful.

The key to future working must focus on resources for core Schemes; on Partnership arrangements to boost core programmes and on tailored, specific advice programmes that can boost income and ensure vulnerable customers are on the correct tariffs. The mix of steps provides the optimal blend for removing households from fuel poverty in a sustainable way.

² FPAG Sixth Annual Report 2007, p29