

National RIGHT TO FUEL Campaign

Campaigning for a warm, dry, well-lit home for all



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Ofgem Consultation - Complaint handling standards

The National Right to Fuel Campaign welcomes the opportunity to submit comments to this consultation. NRFC was established in 1975 with a key objective to end fuel poverty by securing a warm, dry, well-lit home for all, regardless of income and location, and has taken a leading role in putting fuel poverty high on the political agenda. The Campaign has a membership comprising voluntary organisations, local authorities, trade unions, individuals, academics and professionals in housing, social welfare and environmental health.

Monitoring suppliers' social initiatives – NRFC Response

The National Right to Fuel Campaign welcomes this opportunity to comment on Ofgem's proposals on permissible spend for, and the monitoring of, suppliers' social initiatives.

In general, the Campaign considers that there should be some basic mandatory criteria for certain initiatives which will help keep fuel costs down for fuel poor and vulnerable households, social tariffs being one of these. We are not convinced that this will reduce incentives for suppliers to develop other initiatives as part of their responsibilities in keeping fuel prices low and reduce impact on these consumers.

Q1: What should the qualifying criteria be for a social tariff?

To ensure that there is actual benefit for the fuel poor, we think that any social tariff should match the lowest cost tariff the supplier offers, regardless of the eligible customer's payment method.

As there is no clear correlation between payment method and fuel poor households, there may not be any fuel cost reduction using any other tariff criteria.

Q2: Do you agree with the changes we have proposed to calculating suppliers' contributions from their social tariffs?

Given our comment above on payment methods, NRFC generally agrees with Ofgem's proposals

Q3: What are the potential implications of assessing a supplier's social tariff against the lowest available for that payment method?

While NRFC would like to see the lowest possible cost for fuel poor households, there is considerable discussion about the lack of success in the energy market for those in fuel poverty and it is unclear as to what would choices there would be for any household benefiting from a social tariff.

We consider that it would be appropriate the saving should be set against a supplier's own open market tariff rates.

We agree with energywatch who support the approach of EdF and SSE. They offer a percentage discount against existing payment method so that the social tariff is the best offered, guarding against fluctuations in online prices, providing clarity for consumer advisers and representing a best practice model.

Q4: Do you agree with our proposed approach to including rebates as part of suppliers' social spend?

Where a rebate can be shown to have a significant benefit to the energy expenditure of a low income household, we would support this approach. Ofgem needs to consider the criteria carefully which it sets for permissible rebates to achieve this.

Q5: Do you agree with our proposed approach to including PPM equalisation as part of suppliers' social spend only where it is targeted at fuel poor customers?

The Campaign supports any initiative that reduces the differentials between PPM consumers and others. However, as is clear, the use of PPMs is not a proxy for fuel poverty and we would prefer to see the use of a social tariff setting for the PP rate for those consumers who qualify.

There are so many problems, especially for households on limited incomes, when addressing PPM differentials, much more action is needed to resolve these for all PPM users. This problem needs to be addressed in other market related contexts, including development of smart metering.

Q6: Do you agree with our proposed approach to including trust funds as part of suppliers' social spend?

As with rebates, if it can be shown that these are of clear benefit to low income households, we can support this but are uncertain that this clarity can be achieved.

We consider that, in general, these trust funds serve to assist consumers, and their advisors, when there are debt problems and help a wider range of households than just those in fuel poverty. They therefore are evidence of best practice for debt management rather than a fuel poverty initiative.

Q7: Do you agree with our proposed approach to including other categories of spend towards suppliers' social spend targets? In particular our proposed approach to energy efficiency initiatives, debt prevention initiatives and operational costs?

In the context of sharply rising fuel prices and, therefore increasing numbers of households in fuel poverty, the introduction of mandatory social tariffs will help mitigate the impact. NRFC thinks this should remain the focus of the additional spend from the 2008 Budget, which was, also, clearly the expectation when it was announced.

The Campaign also thinks that there is enough evidence and other targeted programmes for the other suggested initiatives to be addressed by other organisations and through other programmes.

On this basis, we do not support proposals that will permit categories of spend beyond social tariffs and effective bill rebates.

We are aware that energywatch has provided more detailed information relating to the other specific categories and we support their submission.

Q8: How do we ensure robust and true additionality in suppliers' calculations of their energy efficiency spend above their statutory obligations?

As we do not support any spend on energy efficiency, see point above, we do not think this will be necessary.

Q9: Do you agree with our approach to include efficient administration costs where they relate to specific projects involving joint working across industry?

NRFC would be very concerned about there being sufficient safeguards being in place to ensure only these specific administration costs were reclaimed.

Our recent research* on the costs in rising fuel prices raised doubts about the industry's behaviour in that area which would also apply in this context.

*(Gas and Electricity Costs to Consumers / NRFC 2008)

We also question the need for additional administration costs as these are similar to other aspects of looking after customers, in particular such as registration on the PSR which is a comparable activity.

Given our emphasis on this spend being used for social tariffs, we do not think it appropriate to be used on costs related to work in other areas, such as joint industry working.

Q10: Do you agree with our proposed approach to calculating suppliers' contribution towards their social spend targets

NRFC generally agree with the proposed approach to calculating suppliers' contribution towards their social spend targets.

Q11: Do you agree with our proposed approach to setting the baseline spend?

NRFC agrees with the proposed approach on baseline spend.

Q12: Do you agree with our proposed approach to include analysis on suppliers' overall tariff and pricing strategies?

NRFC considers that this information is useful for comparative purposes, but little more. We would be concerned about the level of cost of such an exercise.

Q13: Do you agree with our proposed approach to our monitoring role?

With forthcoming changes to the consumer advice provision for the energy market, NRFC would like to see Ofgem increase some elements of its monitoring in relation to fuel poverty initiatives.

We would support energywatch's suggestion of including the proportion of each supplier's customer base who are benefiting from tariff assistance and estimates on

the proportions of turnover, both on an individual supplier and industry wide basis, that are being invested in these initiatives; an element of outputs based reporting, which seeks to quantify the impact of initiatives on fuel poor households, would enhance the proposed monitoring regime. Ofgem should give consideration as to how this could be achieved; and in addition to Ofgem's intention to report annually on suppliers' social programmes an interim, the provision of half-yearly summary of headline figures.

Q14: Do you agree with our proposal to require assurance from the Board of each supplier to ensure data accuracy?

While NRFC welcomes board sign off as a positive step, it still falls short of the assurance that an independent audit would provide.

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