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Tuesday 5 August 2008

## OFGEM REVIEW PROMPTS FIRST QUARTER FALL IN DISCONNECTIONS

- **Disconnection levels increased in 2007**
- **Rate of disconnections have however dropped in first quarter of 2008**
- **Ofgem's January 2008 review highlighted npower as having the most improvement to make - the company has responded with lower disconnection rates now being reported**
- **Overall disconnection rates remain at historically low levels**

Recent increases in disconnections turned down in the first quarter of this year according to figures published today by energy regulator Ofgem.

Disconnections fell in the first quarter of 2008 by 16.4 per cent after increasing during 2007 to some 50 per cent above 2006 levels with around 8,000 disconnections undertaken during the year. The downturn in the first quarter of 2008 on 2007 levels followed publication of an Ofgem review in January which identified best practice across the industry and set debt and disconnection benchmarks for suppliers.

In its review, Ofgem found that npower lagged behind the other suppliers and encouraged the company to look hard at its practices. Our report today acknowledges that npower has responded with improvements leading also to a 43 per cent reduction in the number of customers it disconnected in the first quarter of this year compared to the previous quarter.

At a time of rising energy prices Ofgem continues to press all suppliers to step up their efforts to help customers – particularly vulnerable consumers - to manage their energy bills to resolve debt early and avoid disconnections.

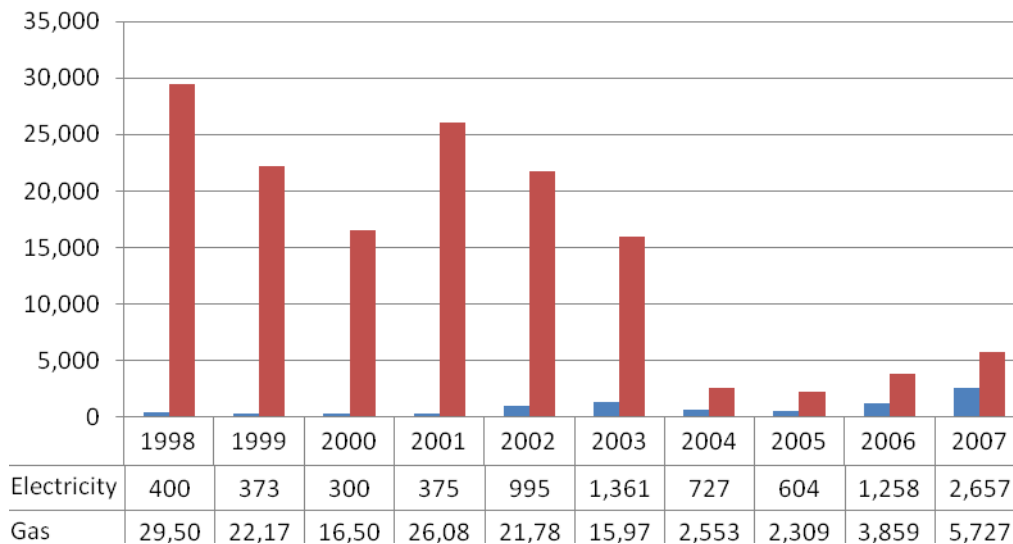
Ofgem will continue to monitor and assess suppliers' performance and will look to take further action, including 'naming and shaming', where it is needed.

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### Notes to editors

#### 1. Disconnection rates

From 2001 until 2005, the total number of customers disconnected for non-payment of their energy bill decreased sharply, as highlighted in the chart below. There are a number of factors behind this trend including the use of the Safety Net for Vulnerable Customers, which was introduced in 2004 by the Energy Retail Association. This ensures that no vulnerable customer is knowingly disconnected from their energy supply.



2. Suppliers' have obligations set out in their licences to afford protection to customers regarding debt and disconnection. Suppliers cannot disconnect customers who are older, disabled or chronically sick over the winter months (October to March). This licence requirement was strengthened in Ofgem's 2006 Supply Licence Review. Suppliers must also consider the needs of customers who may be having difficulty paying their bills due to individual circumstances or an inability to pay and must take this into account in agreeing a repayment rate with customers who have fallen into debt.
3. Ofgem expects suppliers to identify customers who might be struggling to pay their bills and offer them assistance as early as possible. This assistance should include support from suppliers' social programmes along with energy efficiency advice and measures where the customer is eligible. We will continue to monitor suppliers' performance in this area closely.
4. In January 2003 Ofgem and energywatch jointly published good practice guidelines for suppliers on preventing debt and disconnection. In March 2005 Ofgem and energywatch commissioned a report on the progress made by the six main energy suppliers in implementing the guidelines. Ofgem undertook a further Debt and Disconnection Best Practice Review in January 2008 which examined suppliers' procedures in this area and identified a number of areas of best practice, setting a benchmark for industry to draw on to further improve performance in this area. The guidelines and report can be found at [www.ofgem.gov.uk](http://www.ofgem.gov.uk)
5. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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