



*Promoting choice and
value for all customers*

Direct Dial: 020 7901 7085
Email: sarah.piggott@ofgem.gov.uk

31 October 2008

Dear Colleagues,

Monitoring Company Performance Statistical Reporting – Q2 2008

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.

Supplier data for April – June 2008

Attached to this letter are the reports for data collected in quarter two of this year.

Our main analysis of supplier performance will be set out in our annual statistics report for 2008. However some key points to draw out from the data published today are:

Disconnections

- E.ON informed us that it stopped domestic disconnections on 11 July after an internal review identified weaknesses in its procedures and that 15 vulnerable households had been disconnected in Q2 2008. E.ON's further review has identified that, prior to this period, four households that were disconnected in winter were elderly or chronically sick. Ofgem is currently investigating this matter and working with E.ON to address the weaknesses identified. E.ON has provided an undertaking that it will not recommence its disconnection activity until a full investigation and review has been completed and they are confident their disconnection procedures are robust.
- Overall, the total number of disconnections carried out in Q2 2008 (1,899) was similar to that carried out in Q1 2008 (1,836) which had shown a decrease from previous quarters. When compared to the number of disconnections carried out in the same quarter of the previous year (Q2 2007), this represents a decrease of around 13% (down from 2,178).
- Whilst the overall disconnection figures remained fairly static, there was an increase in the number of electricity disconnections and a decrease in the number of gas disconnections carried out. In particular, npower's disconnection figures have continued to decrease in Q2 2008 with a reduction of 40% for electricity (from 101 to 60) and 89% for gas (from 308 to 33) when compared to Q1 2008. We welcome their continued improvement and focus in this area following the concerns we raised with

them at the start of the year. EDF Energy, ScottishPower and SSE all disconnected more customers in Q2 2008 when compared with Q1 2008. We encourage these suppliers to look again at their debt and disconnection processes to see if further improvements can be made. Given the recent increases in energy prices and the wider credit squeeze we expect suppliers to do all they can to assist their customers who may be struggling to afford their energy bills and ensure that disconnection is only ever a measure of last resort. We intend to closely monitor all suppliers' performance in this area and will consider if further action is required.

Debt levels and repayment rates

- Overall there was a small increase to the number of customers repaying a debt in Q2 2008 when compared to Q1 2008 (up 9%) however the figures are consistent with those for the same quarter in 2007. This is likely to reflect continuing higher energy prices and also the seasonal variation which has been seen in previous years.
- The average amount of debt owed for gas customers (£187.39) decreased when compared with Q1 2008 (£198.01) to levels similar to those in Q2 2007 (£188.70). The average amount of debt owed for electricity customers has remained consistent with Q1 2008 (£223).
- There have been slight increases in the average weekly repayment rates in Q2 2008 for electricity and gas customers when compared to Q1 2008 (from £3.58 to £3.88 and from £3.81 to £4.04 respectively). However, both weekly repayment rates remain below Q2 2007 levels for both electricity and gas (£3.97 and £4.32 respectively). Average weekly repayment rates continue to be around £2.50-£3 higher for prepayment customers than for credit customers.
- The fact that the debt position remains fairly stable is perhaps surprising given the economic situation and anecdotal evidence from suppliers about growing numbers of late payers. We expect suppliers to deal sympathetically with customers facing payment difficulties but to continue working proactively to tackle debt problems at an early stage to avoid the build up of debt.

Prepayment meters (PPMs)

- The number of electricity PPMs installed in the period has remained consistent with figures for Q1 2008 however there was an increase (of 11%) in the number of gas PPMs installed from 56,402 to 62,647. This however is consistent with the number installed in the same quarter of the previous year (Q2 2007). The number of gas and electricity PPMs installed for customers without a debt increased by around 10% from Q1 2008 to Q2 2008.

We will continue to closely monitor suppliers' performance across all these areas paying particular attention to supplier's disconnections performance over the coming quarters and to debt levels given the current economic climate. We strongly urge all suppliers to maintain a strong focus in this area as we head into the colder winter months and to do all they can to assist their customers, particularly those who are vulnerable, to better manage their energy bills. We intend to provide a further update on E.ON's progress with its investigation into its disconnections procedures as part of our next quarterly report.

Kind regards

Sarah Piggott
Social and Consumer Affairs Manager