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*Promoting choice and  
value for all customers*

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Dear Colleagues,

### **Monitoring Company Performance Statistical Reporting – Q3 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 July – September 2008**

Attached to this letter is the report for data collected in quarter three of 2008. Full analysis of supplier performance will be set out in our annual statistics report for 2008. However, we can highlight the following key points drawn from the data published today.

#### Disconnections

Overall, disconnection rates for both gas and electricity were 30% lower in Q3 (1,322) than Q2 (1,899). This represents a 28% reduction in electricity disconnections and a 32% reduction in gas disconnections. The reduction is largely attributable to E.ON's continued suspension of domestic disconnections.<sup>1</sup>

Npower has maintained its much improved disconnection performance throughout Q3. Scottish Power and EDF also both reported reductions in the number of overall disconnections carried out in Q3 when compared to Q2 (of 7% and 19% respectively) in response to the concerns we flagged in our last report. Whilst this improvement is welcome, Scottish Power and EDF are still disconnecting more customers than other suppliers. We therefore continue to encourage them to look at their processes to see if further improvements can be made and to ensure that they do all they can to assist their customers who are struggling to afford their energy bills.

We are continuing to closely monitor suppliers' performance in this area, particularly given the wider economic situation, and will be undertaking a more in depth review of suppliers' debt and disconnection practices later in the year.

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<sup>1</sup> In our Q2 2008 report we advised that E.ON stopped domestic disconnections on 11 July after an internal review identified weaknesses in its procedures and that vulnerable households had been disconnected. Ofgem is currently investigating this matter and working with E.ON to address the weaknesses identified. E.ON has advised Ofgem that all of the customers still present at the disconnected properties have now been reconnected and 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.

### Debt levels and repayment rates

Overall, the number of customers repaying debt has reduced by 5% for electricity and 11% for gas. The average electricity debt per customer has, however, increased from £223 to £236, while gas reduced slightly from £187 to £185. The total debt level across all suppliers has remained static; however there has been a 15% increase in the number of customers with electricity debt over £300 in this quarter when compared to Q2. Although this appears to be a seasonal trend the increase this year is greater than over the same period in 2007.

In Q3 the number of credit customers entering into debt repayment arrangements reduced by 14% (electricity) and 33% (gas) on the previous quarter. Q3 has seen increases in the average weekly repayment amounts for electricity and gas credit customers from Q2 (£3.88 to £4.67 and £4.04 to £4.26 respectively). PPM customers continue to pay a higher average weekly amount for debt repayment for both electricity and gas – £3.32 and £1.97 more than credit customers, respectively.

We are closely monitoring suppliers' performance with regard to debt levels and debt repayment rates, particularly for PPM customers, given the current economic climate. Given their licence obligation, we expect suppliers to proactively explore their customers' ability to afford a debt repayment rate. Furthermore, we expect suppliers to continue their efforts to proactively tackle debt problems at an early stage to avoid the build up of unmanageable debt levels.

### Prepayment meters (PPMs)

Overall, there have been small increases in the number of PPMs installed for both electricity and gas in Q3 when compared to Q2 (8% and 4% respectively). In Q3, the number of PPMs installed to recover debt increased by 19% for electricity and 6% for gas. However, the number of PPMs installed not for debt was 15% lower for electricity than in Q2 and 1% lower for gas.

Ofgem recognises concerns around the increasing numbers of PPMs installed, particularly for debt, given that these typically attract higher tariff rates. Our Energy Supply Markets Probe work has sought to ensure that these differentials are cost reflective and since the Probe began, more than £300m has been taken off the premiums paid by customers, including PPM customers. We have recently published a consultation seeking views on proposed licence changes to address unfair price differentials for domestic customers<sup>2</sup>.

We will continue to closely monitor suppliers' performance with a particular focus on debt levels, disconnection rates and PPM installation levels. We intend to undertake a more in-depth review of suppliers' practices and policies in this area throughout 2009. We expect suppliers to maintain a strong focus on assisting all customers to better manage energy bill payment, particularly those who are vulnerable, and to deal sympathetically with customers in financial difficulties.

Kind regards

**Maxine Frerk**  
**Director, Governance, Consumer and Social Affairs**

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<sup>2</sup>

<http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Consultation%20on%20addressing%20unfair%20price%20differentials.pdf>