

The background features a bokeh effect of out-of-focus circles in shades of blue, white, and orange. In the lower half, there are stylized, light blue silhouettes of human figures holding hands, suggesting a community or support network.

ofgem

Fuel poverty

action programme update

March 2009

Improving the identification and targeting of existing help to fuel poor consumers

Last April, Ofgem convened a Fuel Poverty Summit chaired by Lord Mogg. The Summit focussed on improved targeting of existing help to those who need it most.

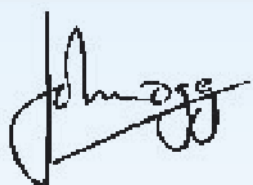
The aim of the Summit was to tackle one of the toughest challenges in addressing fuel poverty – identifying and targeting those who are fuel poor and most in need. The Summit focussed on improved targeting of existing help to those who need it most. It brought together Ministers, government officials, energy suppliers and consumer organisations and agreed a programme of practical action to improve targeting of existing help to those in fuel poverty and to help more vulnerable energy consumers participate more effectively in the energy market. This document provides an update on the actions in the Fuel Poverty Action Programme which came out at the Summit.

2008 saw dramatically rising energy prices and the profoundly unwelcome major increases in the number of households in fuel poverty. While in recent weeks we have seen announcements of price cuts nonetheless these developments are a challenge to everyone involved in mitigating the worst effects of fuel poverty.

Meeting statutory targets for eradicating fuel poverty will, of course, require a significant increase in Government funding, aimed at improving housing stock and boosting low incomes. For our part, Ofgem will continue to play its role to ensure that energy prices are fair and objectively justified and no higher than they need to be. In this tough economic climate, Ofgem continues to demonstrate its strong and lasting commitment to protecting energy consumers, ensuring they are treated fairly and in so doing helping to deal with the growing challenges of fuel poverty.

Our Fuel Poverty Summit last April focussed specifically on improving the targeting of existing help to vulnerable and fuel poor customers and in helping energy consumers to participate more effectively in the energy market. This led to an agreed Fuel Poverty Action Programme the outcomes of which are highlighted in this update. Another principal area of work throughout 2008 was our Energy Supply Markets Probe. We have recently announced our decision to consult on the detail of a ban on unjustified pricing and on a package of other retail remedies. These proposed measures will make the market work better for all energy consumers including vulnerable households.

We have also written to relevant Ministers to highlight the progress made to date. The decision to progress a number of these commitments now rests with Government. The enclosed update shows, I believe, the broad agenda of action that we are tackling together in order to target existing help and assistance to benefit the vulnerable and fuel poor customers who need it most.



Lord Mogg, Chairman

The action of stakeholders in progressing commitments as part of Ofgem's Summit and subsequent Fuel Poverty Action Programme has made a very real difference to the lives of thousands of vulnerable and fuel poor energy consumers.

Some key examples include:

- Following the 2008 Budget, energy suppliers agreed to increase their collective expenditure on their social programmes by £225m over 2008-11. Ofgem published its final decision and guidance document setting out what could be counted towards this spend commitment. In December, we published our first report on suppliers' social programmes, under this framework, covering the 2007-08 period. This showed a collective expenditure by suppliers during this period of £57 million. It also highlighted significant increases in the numbers of customers benefiting from social tariffs. This is in part driven by a number of our Summit initiatives to increase consumer awareness of suppliers' social tariffs. Current estimates are that there are over 800,000 customer accounts on a social tariff;
- As part of the pilot scheme carried out by eaga and suppliers through the Government's Warm Front and Home Energy Efficiency Schemes which was agreed at the Summit, 41% of the customers who were referred to their supplier for tariff advice were moved on to a cheaper tariff, including social tariffs;
- Data sharing provisions now included in the Pensions Act 2008 will further aid vulnerable energy consumers in receipt of pension credit to receive assistance from their energy supplier in time for winter 2009-10;
- There is better and more readily accessible information about the range of help available for energy consumers. The national roll out of Ofgem and CAB's Energy Best Deal campaign, funded by DECC, will help many vulnerable energy consumers who can be more difficult to reach;
- Improving the accessibility of switching sites through the promotion of their call centres and actions to enable more PPM switching online has helped vulnerable customers gain access to more competitive energy deals;
- In October, we published the initial findings of our Energy Supply Markets Probe, putting the industry on notice to end practices that are failing some customers, and to deliver the full benefits of competition to the entire market. We have recently announced our decision to consult on the detail of a ban on unjustified pricing and on a package of other retail remedies. These proposed measures will make the market work better for all energy consumers including vulnerable households;
- To further improve consumer's engagement in the energy market we are taking forward the development of a number of other proposals including improvements to consumer information, sales and marketing practices by suppliers and the switching process.



Work will continue on many of the commitments set out in this Action Programme and the actions put in place will continue to aid vulnerable and fuel poor consumers over the months and years to come.

Progress against the initiatives taken forward under the **four themes** from Ofgem's Fuel Poverty Action Programme is set out below:



Theme 1: Improve the way we identify and target those in fuel poverty so that the available help is directed to those who need it most

There is already a great variety of help available from energy suppliers, the Government and voluntary groups for the fuel poor and other vulnerable customers. The focus of the Summit was to improve the way we identify and target those in fuel poverty so that the help available is directed to those who need it most through an effective, joined up approach.

Summit commitment

Update

(A) Data sharing

DWP, DECC and suppliers have ramped up their discussions on data sharing with a view to developing a workable model that will help energy suppliers to identify pensioners more likely to be in fuel poverty and so target their social programmes more effectively.

The Pensions Act 2008 now contains provisions which enable Government to share data on pension credit recipients with energy suppliers. Government intends to lay the required Regulations before Parliament in October, so data sharing can take place in winter 2009-10.

(B) Reaching those most susceptible to fuel poverty

A pilot exercise, funded by suppliers: eaga will contact a sample of 3,000 customers about the benefits of being on the most appropriate tariff and offer to transfer a customer to their supplier for more advice and help. Suppliers will check and confirm that the referred customer is on the best tariff given their circumstances, which may be the suppliers' social tariff and will offer any other appropriate help.

The pilot, covering England and Wales, resulted in 41% of customers moving onto a cheaper tariff, including social tariffs. Customers were also offered a range of other assistance. Levels of customer satisfaction and willingness to accept the referral were high – demonstrating the potential of an integrated service of tariff, income and energy efficiency advice. Ofgem is hosting a meeting in March to discuss how this initiative might be permanently rolled out.

Warm Zones will consider whether they can play a similar role to eaga in referring customers to their supplier for advice and help.

The pilot evaluation report has been shared with Warm Zones who will consider whether they can play a similar role in referring customers to their supplier for tariff advice.

(C) Suppliers to provide greater visibility of their offers

To facilitate the role of advice organisations, switching sites and other intermediaries in making information available to their clients about suppliers' social tariffs and other assistance, suppliers will improve the transparency of their offers.

With input from key consumer groups, Ofgem provided guidance to suppliers on the information to include on their websites about their social programmes. All six major energy suppliers subsequently updated their websites. Ofgem also published a report in December on suppliers' social programmes.

A direct phone number to be provided by each supplier to route trusted intermediaries' calls to a specialist team able to provide help and information for customers who are vulnerable or in fuel poverty. On referral from the intermediary, that team will examine and verify whether the customer is on the best tariff available to them given their circumstances and offer other help where appropriate.

All six major energy suppliers provided dedicated contact details so that trusted intermediaries can refer their customers for tariff advice. Ofgem will review these arrangements in the Spring.

A review of the effectiveness of the Home Heat Helpline.

Following a review by the ERA, suppliers agreed to continue to fund an expanded Home Heat Helpline.

Summit commitment	Update
(D) A key role for intermediaries	
Key consumer groups to renew their efforts to make information about switching and social programmes available to their advisors and clients.	A wide range of organisations attended training sessions as part of the Energy Best Deal campaign. Ofgem has also shared the materials with other consumer groups to see if they can incorporate similar messages into their front line work with customers.
Suppliers to consider how they can best work with advice agencies to improve training and information to advisors on the help available to customers facing energy debt or in fuel poverty.	Each of the six major energy suppliers have a range of partnerships with consumer and advice organisations to improve the help available to customers struggling to afford their energy bills. They also provide funding to a number of these organisations for posts, training and materials.
Switching sites to review how they can provide more targeted information to vulnerable customers, signposting them to the range of help available.	uSwitch has included information on social tariffs when calculating comparisons, reviewed the content on its website and ensures its call centre is aware of any new information. Moneysupermarket.com includes comparisons for PPM customers and is reviewing and updating all of their information. Switch with Which? has partnerships with charities to access harder to reach customers and has created an advice section on their website to provide more information on energy efficiency and grants.
(E) Area based initiatives	
Warm Zones to continue to work with local and central Government and suppliers to seek to build on existing area based initiatives.	<p>Warm Zones has 14 operational zones, covering over 1m households, and installed Warm Front measures valuing over £4m in 2007-08. It expects to add another 150,000 households over the next three years.</p> <p>The new £350m Community Energy Saving Programme is expected to be launched in around 100 fuel-poor areas to go street-by-street offering free and discounted central heating, energy efficiency measures and benefits entitlement checks.</p>

Theme II: Ramp up the level of help available from suppliers to those at risk of fuel poverty

Following the Chancellor's 2008 budget announcement suppliers agreed to increase their collective expenditure on their social programmes. Given these increases, it is even more important their programmes are effectively targeted and best practice is shared.

Summit commitment	Update
(F) Delivering on the budget commitment	
Suppliers have agreed to increase their collective expenditure on social assistance to a level of at least £150 million by the financial year 2010-11 – an increase of £225 million over the next three years. Ofgem has agreed to lead a process to set the parameters for what can be included under this spend.	Ofgem published its final decision and guidance document in July 2008. Ofgem published a report on suppliers' social programmes in 2007-08 in December which confirmed the baseline level of expenditure as £57m.
(G) Supplier best practice	
Each supplier will review the targeting of its social programmes and report to Ofgem indicating the most useful approach it has developed.	Suppliers have been planning their social programmes for 2008-11 and how best to target them at those most in need. Ofgem has incorporated examples of good practice in its report on suppliers' social programmes for 2007-08.

Theme III: Provide support so that vulnerable customers are able to more effectively use the energy market to get the best deal

Increases in energy prices are placing an increasingly heavy burden on people on low incomes and other vulnerable customers. Many cannot, or do not, take advantage of the best tariffs offered in the market. Ofgem research highlighted that there are still barriers that prevent vulnerable customers from switching and getting a better deal. These actions focused on not only promoting switching but also ensuring that customers are making informed choices.

Summit commitment

Update

(H) Improving switching sites accessibility

Information on switching supplier to be more accessible to vulnerable customers, through a variety of means, not just through the Internet.

Call centre numbers are displayed on most switching websites and also in press releases, interviews and promotions. Switch with Which? is seeking to extend their partnerships and continues to investigate face to face switching activity.

Switching sites and suppliers to work together to enable more PPM switching on-line.

Suppliers and switching sites have been working together to enable more PPM customers to compare prices and switch online. Online PPM switching is now available in many instances and sites are looking to make further improvements to the information available to PPM customers.

Ofgem and new NCC to review the Confidence Code for the switching sites with a view to including a requirement for specific support to be provided to customers.

Consumer Focus took over the Confidence Code for switching sites as of October 2008. Ofgem is undertaking further work as part of the Probe to ensure customers have the information they need to make effective use of switching sites.

(I) Taking forward the consumer education role

Ofgem and new NCC to work together to take forward the key elements of the consumer information and education work previously undertaken by energywatch.

Ofgem is seeking to promote more active customer engagement in the energy market by improving the quantity and quality of information provided to customers. Options being considered include clearer information on bills; an annual statement; annual prompt to switch; and a sustained customer awareness programme. Ofgem would welcome greater engagement from Consumer Focus on this issue. Ofgem held a workshop with key consumer groups and suppliers in January to discuss these options and we have tested materials with our Consumer First Panel and groups of more vulnerable customers.

(J) Using trusted intermediaries

A national roll out of the Ofgem/CAB initiated Energy Best Deal campaign to be funded by BERR (now DECC). This will fund around 280 sessions for a wide range of front line advice workers and vulnerable customers as part of the CAB's financial capability work.

Regional launches took place from October to December 2008. Initial figures suggest that so far a total of 48 sessions and 14 regional workshops were delivered, directly reaching over 500 frontline workers and over 300 consumers. It is envisaged the programme will reach 25,000 consumers in total. Over 18,000 leaflets have been distributed to community organisations, Housing Associations, Local Authorities and MPs. All CABs in England and Wales have been sent copies. CSE are undertaking an evaluation of the effectiveness of the campaign and will report in June.

Summit commitment

Update

(J) Using trusted intermediaries continued

Given this success, Ofgem has agreed to fund a further print run of the materials for distribution and materials have been translated into Welsh. Ofgem has shared the materials with Citizens Advice Scotland and discussed the possibility of rolling this out in Scotland.

A QuickQuote tool developed by uSwitch, will allow trusted intermediaries to more easily give tariff advice.

uSwitch has contacted a range of consumer agencies and are discussing how to take forward the QuickQuote tool.

Theme IV: Ensure that tariff differentials for different payment methods are fair and justified

There is an important and continuing role for the regulator and industry as effective competition and regulation will help to ensure energy prices are as low as possible and that energy consumers are making informed choices. Our work to promote more active customer engagement in the energy market and to improve suppliers' sales and marketing practices continues.

Summit commitment

Update

(K) Compliance with existing legislation

Ofgem will ensure that suppliers comply with existing licence and other obligations

After a formal investigation, Ofgem found npower in breach of the marketing licence condition for failing to take adequate steps following complaints from customers about the company's doorstep salespeople. In January, Ofgem fined npower £1.8 million.

Last April, Ofgem required suppliers to make a number of changes to their websites to comply with their licence obligation on explaining the advantages and disadvantages of using a PPM.

(L) Possible new licence obligations

EU directives require that any difference in terms and conditions for different payment methods should reflect the costs to the supplier of the different payment systems. In light of the emerging evidence on differentials, Ofgem is discussing with BERR (now DECC) how this could be better reflected in suppliers' licences.

In January, as part of its Probe work, Ofgem consulted on proposed licence changes to address unfair price differentials for domestic consumers, including the option of requiring cost reflective payment types. Ofgem has now announced its decision to propose a prohibition of unjustified price differences.

Ofgem will seek further evidence on the issue of customers switching to more expensive providers and seeking views on possible actions that could be taken to address this. Possible actions could include a requirement on suppliers to alert customers where they are switching to a more expensive supplier.

In May, Ofgem published an open letter seeking evidence of customers switching to more expensive suppliers and we found as many as one third of switchers may not achieve a price reduction. We are proposing changes to suppliers' sales and marketing practices and the information provided to customers to help people make good quality switching decisions.

Summit commitment

Update

(M) Press campaign

Ofgem will continue to run a press campaign outlining the savings that any customers paying by prepayment and standard credit can make by switching supplier or payment method.

Ofgem ran a regional switching campaign, through press and radio, to complement the Energy Best Deal regional launches.

(N) Market probe to consider need for further action

Ofgem to look further, as part of its Energy Supply Markets Probe, at tariffs for prepayment customers and those who do not pay their energy bill by direct debit.

Ofgem is proposing a prohibition of unjustified price differences and will be consulting on the licence drafting and guidance.

If you have any questions about this action programme or about Ofgem's work on fuel poverty, please contact:

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