


Consumer Bulletin

Direct Debit review – improving customer service

Ofgem has decided the confusion and distress over payment increases among energy consumers who pay by direct debit needs to be addressed through new rules for energy suppliers.



The issue reached a peak at the end of 2008 when a national newspaper ran a story based on complaints it had received about energy suppliers' direct debit charge increases. The paper provided Ofgem with the complaints and the chair of the Parliamentary select committee presented Ofgem's Chief Executive with a file of similar complaints. The complaints centred on large increases that outstripped energy price rises and instances where consumers with a substantial credit balance were receiving demands for payment increases. This led to allegations that suppliers were using direct debit increases to bolster their cash flows.

We investigated the companies and found that

suppliers' poor communication with customers was at the heart of the problem. However, we found no evidence of deliberate attempts by them to increase cash flow through unjustified increases in payment rates.

In response to Ofgem's investigation, suppliers have now acknowledged the problems that we identified and are looking at how to improve their customer service in this area.

We have set out a range of recommended best practice in our report. We have also proposed a new licence condition that will allow us, in the event of both continuing complaints and a failure to adopt our best practice, to take action and impose fines on suppliers.

Social Action Strategy

Our Social Action Strategy sets out how we meet our social responsibilities and help the Government to tackle fuel poverty.



Our work includes continued monitoring of:

- the progress on key outcomes from our Fuel Poverty Summit Action Programme, particularly on data sharing between Government and suppliers that will help them to identify pensioners more likely to be in fuel poverty and who may need help with meeting their energy bills;
- the tariff advice referral pilot by eaga, that checks vulnerable customers are on their suppliers' best tariff given their circumstances;
- the uptake of Prepayment Meters (PPMs) allowing customers to better manage their payments for energy if required; and
- suppliers' performance regarding token PPMs and their on-going replacement programmes to install meters which do not require a site visit for recalibration.

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suppliers' existing arrangements and working with them to make improvements. Along with Consumer Focus, we will be undertaking a wider review of suppliers' debt practices to look at how energy suppliers are responding to the tighter economic conditions in terms of helping their customers to avoid and manage debt.

Our work includes helping to inform consumers. In a move that will probably benefit some 25,000 low-income consumers we have been working with Citizen's Advice and the Department of Energy and Climate Change (DECC) on Energy Best Deal. The campaign aims to raise awareness among frontline advice workers, and the people they advise, about energy bill savings and available help. The campaign highlights the savings from switching supplier and/or the way they pay their bills. And it raises awareness of help that is available from suppliers and Government for people who are struggling to pay their energy bills.

We will also be reviewing the statutory ombudsman arrangements one year after the start of their operation.

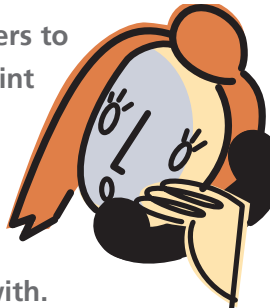


Our strategy report published in June, set out Ofgem's role on social issues under **four themes:**

- 1** securing compliance with regulatory obligations and effective monitoring and reporting by the companies;
- 2** encouraging best practice among energy suppliers, using research to identify effective ways to address fuel poverty and help vulnerable customers;
- 3** influencing the debate about measures to help tackle fuel poverty, working with other stakeholders, helping to promote a joined up and holistic approach; and
- 4** informing consumers about ways to lower their energy bills.

New complaints handling standards – customer experience

Ofgem has urged suppliers to up their game in complaint handling as consumer research found less than one in four customers were satisfied with the way gripes were dealt with.



While an independent audit commissioned by Ofgem found that suppliers had made the necessary systems investments and updated their processes in preparation for new complaint handling standards introduced last year, customers remained dissatisfied.

Our consumer research found that consumers were particularly unhappy with: the number of times they had to contact their supplier, suppliers who promised to call back but didn't, the attitude of some staff and the fact that suppliers often viewed the problem as resolved when in the customer's eyes it was not.

While there were low levels of satisfaction across all suppliers, some performed better than others. Out of the big six, SSE and E.ON rated joint highest for satisfaction (29%) and npower was rated lowest (16%).



The audit showed also that there was often a fundamental difference between a customer's view of whether a complaint has been resolved and the supplier's. This is a primary driver of dissatisfaction for consumers and one which suppliers should be most concerned to address. Billing and price related complaints were the most common cause of complaint among all customers, with price related complaints the most likely to be resolved on initial contact.

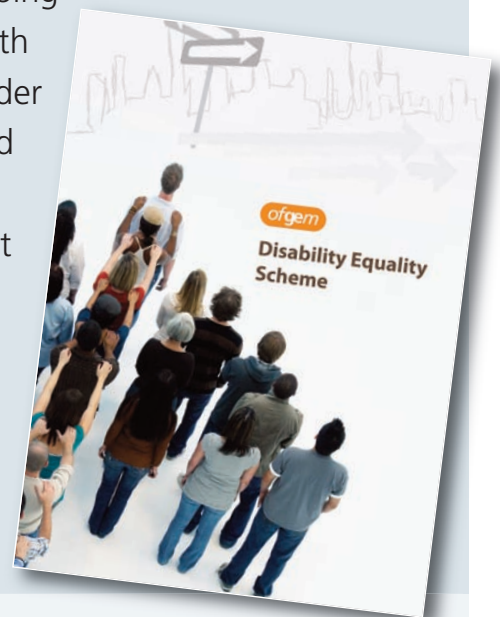
We have asked suppliers to develop an action plan which details what improvements they intend to make, timescale for doing so, and how progress and success will be monitored.



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Disability scheme

As part of our ongoing work to engage with consumer stakeholder groups, Ofgem held a roundtable meeting at the start of May, with a range of organisations representing the interests of people with disabilities.



The meeting gave us an opportunity to consult on Ofgem's Disability Equalities Scheme and also provided an open forum for members to raise any other key issues affecting energy customers with disabilities. Attendees were keen to establish the meeting as an annual event, with ongoing communications throughout the year.

The forum will represent people with a range of impairments including visual and hearing impairment, physical disability, acquired brain injury, learning disability and mental ill health. It will also include representation of older people, many of whom are affected by a range of impairments. Discussion at the first meeting covered a range of issues including Smart Meter functionality, mental capacity in contracting and in dealing with debt,

better awareness of suppliers' Priority Services Register and the potential to increase awareness of energy issues through the Government's "personalisation agenda".

Ofgem already focuses much of its work on customers with disabilities through our vulnerable consumers work, but the forum will provide us with an invaluable opportunity to better target our consultation processes and to gain greater insight, on an ongoing basis, into the issues affecting energy customers with a physical or mental impairment. This in turn will give us a better evidence base from which to inform our consumer policy development.

The Disability Equalities Scheme is available on our website and is available in large print, screen reader and easy read versions.

Ofgem's Consumer Panel

Ofgem in October 2008 convened the first session of its Consumer Panel of 100 everyday customers from five locations across Great Britain (London, Leicester, Beverley, Caernarfon and West Glasgow). The Panel is a unique resource that we can call on to inform our thinking on key energy topics and regulatory issues.

The third and final round of Panel events in the first session took place in early June. The Panel membership and their locations will be changed for the next session. A full report and summary on the third round of Panel events will be published on our Consumer First website later in the summer.



Consumer Challenge Group

Ofgem is coming to the end of its five-yearly electricity Distribution Price Control Reviews to set revenue and incentives for 2010-2015 for the regional electricity network companies. One of the key themes for this review is to ensure that the price control allows the network companies to play a full role in tackling climate change.

To complement the work on the review, we have established a Consumer Challenge Group. The Group comprises six consumer experts and acts as a 'critical friend' to Ofgem, challenging our proposals on consumers' behalf and ensuring that the consumer perspective is considered throughout the process.



European Citizens' Energy Forum

The first meeting of the European Citizens' Energy Forum took place in London in October 2008. It focused on the protection of consumer rights and development of competitive retail markets for the benefit of all consumers.

Ofgem helped to organise the Forum, which was chaired by the European Commission and attended by the national and European consumer associations, representatives of the Member States, national energy regulators, representatives of the Energy Community and the electricity and gas industry.

The second European Citizens' Energy Forum will take place in London in September, participants will report back on progress made and the Commission will present its new legislative proposals in the area of energy efficiency.

Probe package Helping all consumers reap benefits of competition



In February 2008 Ofgem launched an investigation into the markets in electricity and gas supply for households and small businesses.

In October 2008 we published our initial findings that found large numbers of consumers were not reaping the full benefits of competition as suppliers imposed undue

differences between payment type and customer location. We found also that there was no evidence of a cartel and suppliers were not swift to increase prices and slow to drop them as wholesale prices rose and fell.

We are currently seeking agreement with suppliers on our reforms to improve the functioning of the market. These include a ban on unjustified price discrimination and a package of remedies addressing issues such as doorstep selling.

We expect to implement these remedies in **autumn/winter 2009/10**.

Further information on the Probe and related documents can be found on our website.