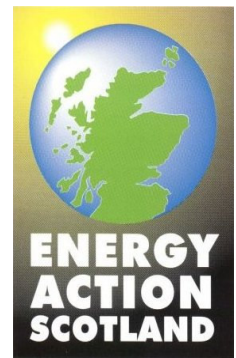


Response to Ofgem Decision Document – Energy Supply Probe Proposed Retail Market Remedies



Suite 4a
Ingram House
227 Ingram Street
Glasgow G1 1DA
Tel: 0141 226 3064
Fax: 0141 221 2788
Email: eas@eas.org.uk
www.eas.org.uk

Introduction

Energy Action Scotland (EAS) is the Scottish charity with the remit of ending fuel poverty. EAS has been working with this remit since its inception in 1983 and has campaigned on the issue of fuel poverty and delivered many practical and research projects to tackle the problems of cold, damp homes. EAS works with both the Scottish and the UK Governments on energy efficiency programme design and implementation.

EAS welcomes the opportunity to comment on the decision document.

Fuel Poverty in Scotland

The Scottish Government is required by the Housing (Scotland) Act 2001 to end fuel poverty, as far as is practicable, by 2016 and plans to do this are set out in the Scottish Fuel Poverty Statement. The number of Scottish households living in fuel poverty dropped from 756,000 (35.6%) in 1996 to 293,000 (13.4%) in 2002. Half the reduction was due to increases in household income, 35% to reduced fuel prices and 15% to improve energy efficiency of housing¹. The most recent 2007 figures² from the Scottish House Condition Survey in Key Findings Report show that there were 586,000 households living in fuel poverty in Scotland in 2006/07, representing 25.3% of the total.

According to figures produced by the Scottish Government³ early in 2008, for every 1% rise in fuel prices an estimated 8,000 more households would go into fuel poverty. Based on these figures EAS estimates that there are currently 850,000 households, around one in three, in fuel poverty in Scotland. This significant increase in fuel poverty is widely accepted to be due to the dramatic increases in domestic fuel prices and EAS is very concerned about the impact on vulnerable customers.

Section 2 – Standards of Conduct for Suppliers in the Retail Market

In common with the majority of respondents, EAS supports overarching standards of conduct and is pleased that Ofgem is introducing these. However, EAS is disappointed that Ofgem has chosen to set out the standards as overall aims, rather than including the standards as a preamble to relevant licence conditions. Ofgem states that the former appeared preferable because the latter 'could give rise to interpretative difficulties and that having the standards as overall aims would enable Ofgem to drive an increased focus on outcomes for consumers. However, EAS is concerned that despite Ofgem stating in their consultation paper that unless standards had 'concrete status' it would 'reduce the likelihood that they will have a real and permanent impact', it has effectively chosen an option that does not give any incentive to suppliers to adhere to the spirit of the standards, does not require them to comply with the standards, and gives Ofgem no ability to enforce the standards. Accordingly, EAS believes that introducing the standards as an aim has little to recommend it as an action intended to benefit the consumer.

¹ Fuel Poverty in Scotland: Further Analysis of the Scottish Housing Conditions survey 2002

² Revised Scottish House Conditions Scotland Key Findings Report 2007

³ Estimate of Fuel Poverty Households in Scotland: Scottish House Conditions Survey March 2008

Section 3 – Promoting More Effective Consumer Engagement

EAS welcomes Ofgem's decision to ensure more and clearer information is provided to assist consumers better understand their bills and make valid comparisons when considering switching. EAS particularly welcomes the requirement for consumers to be advised of their exact tariff name and believes that this, in conjunction with the proposed pricing metric, will contribute significantly to consumers' decision-making processes. EAS understands that an over-abundance of information, no matter how good its intent, can create its own confusion, but is disappointed that some of the suggestions made during the consultation process (eg historical annual cost) have not been selected for inclusion. However, EAS notes that Ofgem intends conducting additional research with its Consumer Panel and trusts that further consideration will be given to those options that will enable consumers to make fully-informed choices.

EAS is pleased that despite supplier concerns, Ofgem proposes that an annual statement be provided to every consumer. EAS would also recommend, however, that the annual statement incorporates payment method options and suggests that Ofgem consider this option when conducting research with its Consumer Panel (see above).

B. – Notice Period for Unilateral Contract Variations

EAS does not support Ofgem's decision regarding notice periods for unilateral contract variations, as there have been no fundamental changes to the existing situation. Retrospective notification is unacceptable in any other sector/market. Suppliers frequently fail to pass on price reductions to consumers when the wholesale price of fuel falls. Their argument is invariably that they purchased the fuel considerably in advance of the price fall. Accordingly, proposing that suppliers provide advance notification does not seem unreasonable.

C. – Reforming Debt Blocking Arrangements

EAS is broadly supportive of the proposed incremental changes to debt-blocking arrangements and welcomes in particular the proposal to provide debt, tariff and energy efficiency advice to consumers whose decision to switch supplier is blocked due to debt.

D. – Simplifying the Switching Process

EAS welcomes the development of a 'Peace of Mind Guarantee'. However, Ofgem states that 'much will depend upon the arrangements the suppliers introduce to measure and review their compliance with commitments made' and that they will review the impact of these arrangements in due course. EAS believes that Ofgem must specify both timescales and review mechanisms for the 'Guarantee Scheme'.

E. – Promoting Confidence in Price Comparison & Switching Sites

As previously mentioned, EAS welcomes Ofgem's proposals to provide more and clearer information for consumers and believes that these will make a significant difference to consumers' ability to make informed choices, including choices regarding switching. Whilst the Confidence Code is part of an integral approach to improving both perceptions and experiences of price comparison and switching sites, EAS believes that further action regarding supplier commitment and input is necessary eg – modification of licence conditions for suppliers to make their tariff information more fully accessible via independent sites.

Section 4 – Strengthening Sales and Marketing Rules

EAS supports Ofgem’s requirement for written estimates based on consumption data. However, EAS is concerned that Ofgem considers that an ‘electronic display’ is an acceptable means of provision – this would leave a consumer with no tangible record either of projected costs or of the basis for any estimate. EAS believes that Ofgem must reconsider, and further believes that all written information during this part of the process must be displayed and delivered in a format that is consistent with the information displayed on annual statements and bills.

EAS is disappointed that Ofgem has not taken the opportunity to address any marketing other than ‘doorstep’ and face to face sales. EAS recommends that Ofgem incorporate actions relating to telephone and internet selling to ensure consistency and best results for the consumer.

Additional Comment

EAS agrees in general with Ofgem’s proposals, but despite increasing levels of fuel poverty/debt and Ofgem’s remit in terms of consumer interests, EAS believes that the ‘proposed market retail opportunities’ may prove to be a missed opportunity in some respects.