

## Review of protection for vulnerable customers from disconnection

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### Overview:

This review was carried out jointly with Consumer Focus, as part of our wider project on debt and disconnection. Based on this review we are satisfied that suppliers' policies and procedures to identify vulnerable customers and prevent them from being disconnected are largely satisfactory.

However whilst there is a large amount of good practice across suppliers which we highlight in this report, we have also found some areas of weaknesses and inconsistencies between suppliers that need to be addressed.

We are addressing these by working with the ERA and suppliers to improve the existing self-regulatory arrangements in this area; clarifying suppliers' obligations under their licences with regard to debt and disconnection; and sharing and promoting further best practice across the industry.

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## Context

Ofgem's principal objective is to protect the interests of existing and future gas and electricity consumers, wherever appropriate by promoting effective competition. In carrying out our functions we must also have regard to, amongst other things, the interests of vulnerable consumers, including those who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.

Ofgem's Social Action Strategy describes how we seek to meet our social responsibilities and help Government to tackle fuel poverty. This review, along with our wider review of suppliers' debt management and prevention practices to be completed by the end of 2009, is a corporate strategy deliverable and a key part of Ofgem's Social Action Strategy for 2009-10.

## Associated Documents

- Social Action Strategy 2009-10 Update, Ofgem, June 2009  
<http://www.ofgem.gov.uk/Sustainability/SocAction/Documents1/SAS%202009.pdf>
- Debt and disconnection best practice review, Ofgem, January 2008  
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=103&refer=Sustainability/SocAction/Publications>
- Preventing debt and disconnection good practice guidelines, Ofgem and energywatch, January 2003  
[http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Preventing\\_Debt\\_and\\_Disconnection.pdf](http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Preventing_Debt_and_Disconnection.pdf)

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## Summary

Ensuring that there is sufficient and appropriate protection in place to prevent vulnerable customers from being disconnected is critically important, particularly in these challenging economic times. This report outlines the findings and outcomes of a review of suppliers' current policies and procedures carried out jointly with Consumer Focus, in response to concerns they raised. It forms a part of Ofgem's wider work on debt and disconnection.

Whilst there is absolutely no room for complacency, following this review we are largely satisfied with the protections that suppliers have in place to protect vulnerable customers from being disconnected, and have identified many examples of good practice. The current Energy Retail Association<sup>1</sup> (ERA) Safety Net, by and large works well and provides welcome additional protection to vulnerable customers. We are also encouraged by the continued fall in disconnection rates from a high of 30,000 in 1998 to less than 6,000 in 2008 (around 0.01% of customers).

However, our review also found some areas of weakness and inconsistencies between suppliers that needed to be addressed.

Working with the ERA and suppliers a number of changes to suppliers' processes and to the existing self-regulatory arrangements to help prevent the disconnection of vulnerable customers have been secured, in particular:

- a clearer commitment from suppliers to consider a household with children to be potentially vulnerable regardless of the age of the children<sup>2</sup>;
- the adoption by suppliers of guidance produced by the Money Advice Liaison Group on dealing with customers with mental health problems;
- the inclusion in the ERA Safety Net of the principle that suppliers can consider disconnection fee write-off for their fuel poor customers;
- reinforcement of the ERA Safety Net principles to ensure they cover all situations where vulnerable customers might be disconnected for debt including in mixed business/residential properties (eg flats above a shop), apparently unoccupied premises and cases where the supplier goes to install a prepayment meter (PPM) but finds they cannot;
- a much more rigorous audit process to ensure that suppliers adhere to the Safety Net rules.

But we recognise that however good suppliers' arrangements are, they are not always able to identify vulnerability and on occasions a vulnerable household will be disconnected.

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<sup>1</sup> The ERA (Energy Retail Association) is the trade association for GB energy suppliers.

<sup>2</sup> SSE goes further than this and pledges not to disconnect households with any children under the age of 18. Other suppliers tend to look on a case by case basis although some afford a higher level of protection to households with children than others.

Recognising this, the ERA Safety Net now includes a commitment from suppliers to ensure that where vulnerable customers are inadvertently disconnected, the situation is put right as quickly as possible (usually within 24 hours) where it is safe to do so.

We have also stressed to suppliers their obligations to take account of ability to pay in agreeing repayment rates, which we will be looking at further as part of our wider review later this year. We also encourage suppliers to be sensitive in their use of reconnection fees and to consider waiving such fees in cases of extreme hardship in line with the new guidance given in the ERA Safety Net.

We welcome the ERA's work in this area and the clear commitment from suppliers to protect vulnerable customers from disconnection.

Current licence conditions restrict a supplier's right to disconnect certain vulnerable households during the winter months. Having investigated a number of cases of disconnection provided by Consumer Focus' Extra Help Unit we do not believe there is any case for enforcement action but, are proposing some changes to clarify these licence obligations. Comments on our proposed changes to the licence conditions are welcomed and should be made 20 November 2009.

A number of the cases passed to us by Consumer Focus involved disconnection of vulnerable customers following meter tampering. All the cases involved British Gas. While we acknowledge the importance of tackling theft, it is important that the powers suppliers have are exercised responsibly. British Gas has made a number of welcome changes to their processes and we continue to discuss with them some remaining areas of concern.

There is a great deal of good practice across suppliers and in this report we highlight some examples which we would encourage other suppliers to consider adopting. As we have done following previous reviews in this area, we will follow up with suppliers' to establish what actions they are taking in response to this report.

In addition to this main report, Consumer Focus is separately providing individual reports to each supplier highlighting areas of strength and weakness.

## 1. Introduction

### Background to the current review

1.1. Ensuring that there is sufficient and appropriate protection in place to prevent vulnerable customers from being disconnected is critically important, particularly in this challenging economic climate.

1.2. Ofgem and Consumer Focus (and its predecessor energywatch) have a long history of involvement in the area of debt and disconnection, beginning with the guidelines on good practice for preventing debt and disconnection introduced in 2002 through to our last joint review which took place at the end of 2007 (see Appendix 1).

1.3. Ofgem, in its 2009-10 Corporate Strategy, had already committed to carrying out a review of suppliers' debt and disconnection policies and processes and, as with previous reviews, we agreed to do this jointly with Consumer Focus. However given specific concerns resulting from E.ON disconnecting a small number of vulnerable customers during 2007 and 2008<sup>3</sup> and a number of cases received at Consumer Focus' Extra Help Unit (EHU) involving vulnerable customers being disconnected, we decided to carry out a faster track review of the protections in place to prevent vulnerable customers being disconnected separately from the planned broader review of suppliers' debt procedures.

1.4. This report covers the faster track review. The final chapter of this report outlines the scope of this wider review of suppliers' debt practices which we have now started.

### Scope of the review

1.5. The aim of this review was to ensure that suppliers have adequate processes in place to protect vulnerable customers from being disconnected. Specifically this incorporated three different work strands which have reviewed whether:

- Suppliers' policies and procedures for preventing vulnerable customers from being disconnected are adequate? Is the ERA Safety Net procedure effective and fit for purpose? If not what changes should be made? Or are other protections needed?
- Based on the case evidence provided by Consumer Focus and subsequent information requested from suppliers, have any suppliers breached their licence obligations regarding disconnections and if so what enforcement action should be taken?

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<sup>3</sup> On realising that they had disconnected four vulnerable customers E.ON ceased all residential disconnections and carried out a root and branch review of its policies and procedures in this area. They have not recommenced any disconnection activity.

- Is British Gas applying inappropriate policies to resolving meter tampering cases involving vulnerable customers and if so what action should be taken?

### **Review process**

1.6. Ofgem and Consumer Focus jointly wrote to all suppliers and the ERA to advise them of this joint project. We subsequently met with suppliers and the ERA, through their Debt Policy Group, to advise of the scope and timescales of this fast track review. We then issued a formal information request to suppliers seeking detailed information on their policies and practices to prevent vulnerable customers from being disconnected.

1.7. Having reviewed all the responses received to the information request, Ofgem and Consumer Focus met with all suppliers individually and with the ERA to discuss their responses and to seek their views on the effectiveness of the Safety Net and possible improvements. We also reviewed and considered case evidence received from the Citizens Advice Bureau involving vulnerable customers being disconnected, or threatened with disconnection.

1.8. Following our analysis of the findings we have also been in discussion with the ERA about potential improvements to the Safety Net arrangements.

## **Existing protection to prevent vulnerable customers from disconnection**

### **Supply licence obligations**

1.9. Energy suppliers have a number of obligations set out in their licences which are intended to provide protection to customers, and particularly vulnerable customers, with regard to disconnection for unpaid electricity and gas charges.

1.10. The relevant licence provisions prohibit or restrict the right of suppliers to disconnect certain categories of vulnerable customer in certain circumstances. In particular, a supplier must not disconnect a domestic premises unless it has taken all reasonable steps to recover the charges through a PPM (where safe and reasonably practicable to do so). Furthermore, suppliers are prohibited from disconnecting households during winter (October-March) where they know, or have reason to believe, the customer is a pensioner and lives alone or only lives with other pensioners or those under 18. Suppliers must also take all reasonable steps to avoid disconnecting in winter households where the occupants include someone who is of pensionable age, disabled or chronically ill.

1.11. Furthermore, suppliers also have obligations around considering the needs of customers who may be having difficulty paying their bills due to individual circumstances or an inability to pay. Ofgem has previously highlighted that it expects suppliers to proactively identify customers who might be struggling to pay their bills and offer them help and assistance as early as possible to prevent the build up of



large and unmanageable levels of debt. With higher energy prices and the economic recession this becomes even more important.

### **ERA Safety Net arrangements**

1.12. Following the case concerning Mr and Mrs Bates<sup>4</sup> Ofgem challenged the energy supply industry to develop measures to better protect vulnerable customers from being disconnected. In response, the ERA and suppliers developed their own 'Safety Net' procedure<sup>5</sup> which was implemented in September 2004.

1.13. The Safety Net procedure operates alongside the licence conditions described above and provides additional protection for wider categories of vulnerable customers. It clearly demonstrates suppliers' commitment to put in place the necessary safeguards to protect vulnerable customers from disconnection.

1.14. The key element of the Safety Net procedure is the commitment made by energy suppliers to never knowingly disconnect a vulnerable customer at any time of the year. The Safety Net also sets out a series of procedures for suppliers to follow in order to ensure that vulnerable customers are offered the help most appropriate to their needs.

1.15. The Safety Net covers the big six energy suppliers (who collectively account for 99% of all domestic households). We encourage smaller suppliers to also adopt the principles and procedures laid out in the ERA's Safety Net.

1.16. The Safety Net includes a common definition of a vulnerable customer as: "a customer is vulnerable if, for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household".

1.17. The Safety Net specifies that suppliers are ultimately responsible for identifying their own vulnerable customers and each case must be assessed individually and the appropriate support offered. It includes guidance on identifying vulnerability to provide a framework within which suppliers can operate their debt recovery systems. Some of the examples included in the Safety Net where customers may be considered vulnerable are:

- A customer is caring for an elderly person in the household;
- A permanent member of the household is disabled and unable to support themselves or has a long-term medical condition;
- A carer, social worker, health visitor or doctor has indicated that a member of the household may be vulnerable;
- There are children living in the household; or

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<sup>4</sup> Mr and Mrs Bates were a pensioner couple who were found dead in their home in October 2003 after their gas supply had been disconnected in August for non-payment of a bill.

<sup>5</sup> [http://www.energy-retail.org.uk/pdfs/Disconnections\\_Report\\_Sep\\_04\\_1.pdf](http://www.energy-retail.org.uk/pdfs/Disconnections_Report_Sep_04_1.pdf)

- A customer dependent on medical equipment that is operated by electricity e.g. a stair lift, electric wheelchair, defibrillator or dialysis machine.

1.18. Suppliers put the Safety Net into operation in different ways but the Safety Net outlines the following actions that suppliers should take:

- Continue to capture information where available about customer's circumstances from trained call centre and field staff;
- Try contact through a series of letters and telephone calls with every effort made for face to face contact with customer;
- Have all field staff trained to recognise signs of vulnerability and empowered to halt the disconnection procedure pending further investigation by suppliers' priority service teams;
- Have dedicated support teams that seek debt management solutions such as repayment schemes, PPM, Fuel Direct, refer to debt helplines, advice agencies and social services support;
- If a customer is assessed to be at risk, inform social services and halt disconnection;
- Final decision to disconnect agreed at a senior level;
- All other non-vulnerable customers who have been disconnected will be monitored post disconnection and contacted regularly by the supplier.

1.19. The Safety Net also highlights that vulnerable customers may also receive benefit health checks, repayment and metering options and a referral to local charities and advice centres.

## **Suppliers' current approaches to debt and disconnection**

1.20. Ofgem's 2008 Debt and Disconnection Best Practice Review<sup>6</sup> examined suppliers' approaches to debt and disconnection. In that report we set out the key, common elements in suppliers' debt paths and disconnection procedures.

1.21. The report showed that suppliers make multiple attempts to contact customers about their energy debt over a period of time before firmer debt follow-up measures, such as disconnection, are pursued. In light of this, very few customers ever reach the disconnection stage of suppliers' debt paths. The ERA Safety Net sets out that prior to disconnection, a customer will normally have received:

- 8 attempts to contact through correspondence
- 2 attempts to contact by telephone
- 2 attempts to contact by personal visit to the property
- 1 attempt to contact by visit to court
- A final attempt to contact before a warrant is executed.

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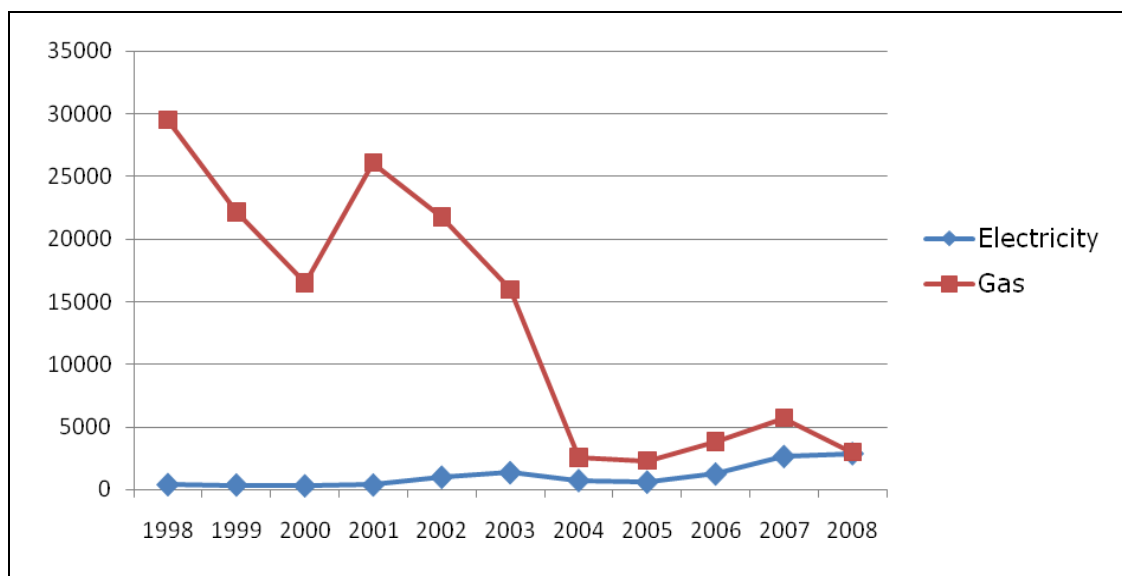
<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Debt%20and%20Disconnection%20best%20practice%20review.pdf>

1.22. During this process, the supplier also seeks to establish whether or not the customer or anyone else in the household, is vulnerable or has a special need. In many cases where customers have been disconnected, suppliers have advised that they have not had any contact with the customer despite their numerous attempts at contact. In these instances, where the supplier has had no contact with the customer through the debt path, they are unable to confirm whether the customer to be disconnected is vulnerable or not.

### Latest debt and disconnection statistics

1.23. Overall, disconnections remain at historically low levels, down from around 30,000 in 1998 to less than 6,000 in 2008 (around 0.01% of customers). Chart 1 below shows the gas and electricity disconnection trends over time.

**Chart 1: Number of disconnections for debt over time**



1.24. From 2001 until 2005, the total number of customers disconnected for non-payment of their energy bill decreased sharply. Key reasons for this were increased pressure on suppliers to disconnect only as a last resort; an increase in the numbers of PPMs installed to recover debt as an alternative to disconnection; the decision by one supplier to cease domestic disconnections following the Bates case; and the introduction of the ERA Safety Net arrangements.

1.25. The 2008 figure represents a 30% decrease from 2007. Key factors behind this decrease are E.ON's decision to cease domestic disconnections in July 2008 and improved performance from npower after we highlighted in our last best practice report that it had the most improvement to make to bring it in line with the practices of other suppliers. Npower also trialled ceasing disconnections during the 2008-09 winter.

## Summary of review findings and actions

1.26. As a result of this review we are satisfied that on the whole suppliers' policies and procedures to identify vulnerable customers and prevent them from being disconnected are largely satisfactory.

1.27. Further, having considered the available evidence concerning some recent cases which raised questions about compliance with the licence condition governing disconnection for unpaid charges, we have concluded that it is neither necessary nor appropriate for us to take enforcement action.

1.28. Whilst there are improvements that we would like to see to the current ERA Safety Net, it by and large works well and provides welcome additional protection to vulnerable customers. We are pleased that the ERA has now made many of the improvements that we have told them we would like to see (See Chapter 2)

1.29. Whilst there is a large amount of good practice across suppliers which we highlight in this report, we have also found some areas of weaknesses and inconsistencies between suppliers that need to be addressed.

1.30. Given that our past work in this area has been successful in promoting best practice and in raising the standard of suppliers' performance in this area, and that current arrangements are largely satisfactory, the actions to address the issues identified as part of this review are to:

- Work with the ERA and suppliers to improve the existing self-regulatory arrangements in this area;
- Clarify suppliers' obligations under their licences with regard to debt and disconnection; and
- Share and promote further best practice across the industry.

1.31. The following chapters outline the actions under these three headings.

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## 2. Review outcomes: improvements to ERA Safety Net

### Chapter Summary

This chapter outlines a number of areas where the review has shown there to be issues with the current ERA Safety Net and highlights the progress that the ERA is making in rectifying these.

### Improvements to ERA Safety Net arrangements in response to gaps and issues identified with suppliers current processes

2.1. As set out earlier, this review has highlighted a small number of areas where, across the industry, we felt improvements could be made to better protect vulnerable customers from disconnection. These issues and the actions that have been taken to address them are set out below.

#### Consistency in operational definition of vulnerable customers

2.2. Our review found that across all the Big 6 suppliers there was a strong commitment to the agreed ERA Safety Net definition of a vulnerable customer. Under this definition, a customer is vulnerable if, for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or that of other members of the household.

2.3. Whilst we found that this definition was enshrined in all suppliers' debt and disconnection policies, we did find that there were some differences across suppliers in how they operationalised this definition of 'vulnerable customer'. This was particularly so regarding the instances in which suppliers considered households with children to be vulnerable.

2.4. The ERA and suppliers are agreed that the presence of children in the household should be taken into consideration when seeking to establish vulnerability. However they have not been able to agree a specific minimum standard regarding the circumstances (such as age of the child) under which a household with children would be considered vulnerable. We therefore intend to work directly with suppliers to try to achieve greater clarity and consistency in how this is applied.

2.5. In deciding on the level of protection against disconnection afforded to households with children we urge suppliers to have regard to the UN Convention on the Rights of the Child. The Convention defines children as under 18. In all cases where children of any age are present it is of utmost importance that suppliers err on the side of caution when considering disconnection and that they take all aspects of the vulnerability of the household into account. We also note that being too prescriptive in this area is problematic as in many instances suppliers will need to make a judgement call based on each household's circumstances. We also note that setting too broad a definition of households to be covered by the Safety Net would

bring a relatively high proportion of households in its scope and effectively limit the scope for suppliers to use disconnection as a last resort step in the disconnection process with resulting bad debt costs that would end up being borne by other customers. We find it difficult to imagine any scenario where it would be acceptable for suppliers to disconnect a household with a young child, even where there is no financial insecurity or other vulnerability present. We are however inclined to the view that suppliers should have some element of discretion where households have older children and there is no financial vulnerability, although we would still expect the circumstances under which a supplier would decide disconnection was a reasonable course of action in these circumstances to be extremely limited and for post disconnection follow up procedures to be particularly rigorous.

2.6. A number of the cases referred to us by Consumer Focus' Extra Help Unit involved customers with mental health issues. We recognise the particular difficulties for suppliers in recognising this form of vulnerability and welcome the decision by the major suppliers to sign up to the Money Advice Liaison Group's mental health awareness guidelines.<sup>7</sup>

2.7. Consumer Focus has also developed a 'best practice' vulnerability checklist drawing together elements of those currently used by individual suppliers. Consumer Focus has shared this with all suppliers, as part of their individual feedback reports, to further improve consistency in this area and to promote the sharing of best practice across the industry.

### **Improvements to post-disconnection procedures**

2.8. Whilst some suppliers have very robust post-disconnection follow up procedures, as highlighted in our good practice examples in Chapter 4, other suppliers have limited or no follow up and rely entirely on the customer contacting them to arrange reconnection. We consider that it is important for suppliers to proactively contact disconnected customers to discuss with them how to arrange reconnection and alternative payment options for their debt. Many customers may feel too inhibited to contact their supplier given their outstanding debt and suppliers need to reassure customers that they will reconnect them and take into consideration what they can afford to pay.

2.9. To improve suppliers' practices in this area, we consider that post-disconnection follow up processes should be incorporated more fully and explicitly into the Safety Net arrangements. The ERA and suppliers have agreed to this and have included in their revised Safety Net document that suppliers will make attempts to contact all customers following a disconnection, with the aim to agree a repayment plan with that customer. We believe that as a minimum, this should include at least one telephone call and written communication within a short period of the disconnection taking place and then further subsequent follow-up, including a visit to disconnected premises for those who remain off supply for longer periods. Any written communication should take account of the guidance published by Ofgem as part of its last debt and disconnection review on ensuring communications are clear and

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<sup>7</sup> [http://www.moneyadvicetrust.org/images/MALG\\_MHGuidelines\\_2007.pdf](http://www.moneyadvicetrust.org/images/MALG_MHGuidelines_2007.pdf)

easy to understand. We have also set out that for customers who remain off supply for extended periods it may be appropriate for suppliers to notify social services that a customer may potentially be at risk. We also expect further follow up with any customers who are still off supply in the run up to the following winter. Where necessary, we will be following up with suppliers to check that they have incorporated robust post disconnection procedures into their processes.

2.10. The ERA has already agreed to incorporate into the Safety Net a commitment to ensure that where a customer is disconnected and subsequently found to be vulnerable suppliers will aim to reconnect them as a matter of absolute priority (usually within 24 hours) where it is safe to do so. We very much welcome the inclusion of this commitment in the Safety Net. Suppliers will then discuss repayment options to cover any outstanding debts and on-going energy costs.

### **Protection for customers when suppliers are not able to install a PPM**

2.11. Our review has found that in some cases where the supplier concluded it is not safe or practicable to install a PPM, the customer is disconnected and further efforts to offer other assistance or discuss alternative payment options may not be made.

2.12. We raised this concern with the ERA who have committed to reviewing suppliers' approaches in this area with a view to making improvements. We expect the ERA to set out that in instances where it is not possible to fit a PPM (for example when the customer is not able to physically use the meter or does not have full time access to the meter position) that suppliers will ensure that the principles of the Safety Net continue to apply. Therefore, in this situation, disconnection will not take place and other routes to recover the debt will be followed.

2.13. The Safety Net includes a general commitment that suppliers will monitor customers on a debt repayment plan to ensure that they can cope with the repayments. We would like to see a further commitment that suppliers will check on the customer's account to ensure that a recently installed PPM is being used and the customer is coping with the repayments. If necessary we would expect the supplier to contact the customer, sometimes in conjunction with a carer or a third party where that is appropriate, to ensure that the customer can properly use the meter.

### **Ability for customers to negotiate reconnection and the arrangements for paying reconnection fees**

2.14. Consumer Focus has raised concerns that many customers contact their Extra Help Unit as they are unable to directly negotiate reconnection of their gas or electricity supply with their supplier once it has been disconnected. Our review also highlighted that there is much variation across suppliers in the application of debt collection and reconnection fees to vulnerable customers' accounts and in how a customer's capacity to pay is considered when arranging reconnection and setting repayment rates.

2.15. As set out in Chapter 3, suppliers have a licence obligation to take account of ability to pay in setting repayment levels. How suppliers take into account a customer's capacity to pay is an area which we previously highlighted in our last best practice review as one where suppliers were falling short and could do more to **proactively** explore what customers can afford to pay when setting repayment rates, rather than relying on customers to say they cannot afford what is proposed given they may feel inhibited from doing so. It is therefore disappointing to see the lack of progress in this area for some suppliers.

2.16. We had asked CAB for any evidence or examples they might have of vulnerable customers who had been disconnected or threatened with disconnection over the previous twelve month period to further inform our review. CAB provided us with 43 cases of such customers whom they considered to be vulnerable of which two thirds related to British Gas and the remaining cases were a mix across other suppliers. Some of these cases highlighted a lack of willingness to take account of customers' capacity to pay with up front lump sums being demanded from customers to put off warrant action or to reduce arrears before installing a PPM. This occurred even in instances where CAB advisors had confirmed that the customer could not afford this. Some suppliers already waive the application of debt collection fees in particular circumstances, and the ERA has now included the principle in their Safety Net that suppliers are able to consider waiving the application of these type of fees. Whilst British Gas do not apply any debt follow-up charges to customers who they have put on their vulnerability debt path, charges are applied to other customers, some of whom may subsequently turn out to be vulnerable. We wrote to British Gas to advise them of our specific concerns with their procedures and approaches. In response, they have confirmed that they are now reviewing this policy with the intention of refunding these types of charges to these customers.

2.17. The new Safety Net commitment to reconnect any vulnerable customer disconnected in error as an absolute priority (usually within 24 hours) will also assist in addressing these concerns as the customer will be back on supply whilst the negotiations on repayment arrangements take place.

2.18. . We will also be considering this issue in more detail as part of our wider debt project alongside the reasonableness and transparency of debt collection fees which are applied to customers' accounts.

### **Multiple occupancy and shared fuses**

2.19. Suppliers' policies for disconnecting premises with multiple occupancy or shared fuses also vary significantly, particularly when businesses have attached domestic premises where vulnerable customers may reside.

2.20. We flagged this issue to the ERA who have reviewed suppliers' approaches in this area. The ERA and suppliers have provided reassurances that their business teams are now equally as aware of the Safety Net provisions as their teams who look after their domestic customers.



2.21. The ERA and suppliers have also given a commitment that the Safety Net will be applied to situations with multiple occupancy premises. This will ensure that where a domestic customer takes their gas or electricity through a non-domestic supply, for example, a flat above a shop or pub etc, their supplier will ensure that their business teams are aware of the provisions within the Safety Net to minimise the risk that any vulnerable domestic customer who has this kind of supply is disconnected for reasons outside of their control.

### **ERA proposals to improve the monitoring and auditing of the Safety Net arrangements**

2.22. While the ERA Safety Net clearly provides a valuable backstop, the fact that some vulnerable customers had been disconnected raised questions about the effectiveness of the monitoring arrangements for the safety. We were also aware that the existing Safety Net arrangements had not been reviewed since they were introduced in 2004 and given the difficult economic climate we felt it was now timely to revisit this area in discussion with the ERA.

2.23. More generally, we were concerned about the robustness of the Safety Net as a self-regulatory tool if there were not suitable monitoring, auditing and enforcement arrangements in place.

2.24. The disconnection of vulnerable customers is monitored and audited as part of the ERA's Code of Practice for Accurate Bills (the "Billing Code"). All of the big 6 energy suppliers with the exception of SSE have signed up to the Billing Code and are consequently part of this audit.

2.25. The ERA's Code Manager, who acts independently from the suppliers, carries out the supervision, administration and day-to-day operation of the Billing Code. An annual audit is carried out by an independent firm of registered auditors, currently KPMG. The Code Manager is responsible for putting in place these monitoring procedures, ensuring corrective action where agreed performance standards are not met and setting sanctions consistent with the Code.

2.26. Through the self assessment process, the current regime did pick up E.ON's erroneous disconnections in 2008. E.ON proactively identified these erroneous disconnections and declared these to Ofgem and Consumer Focus and then declared the breach in their Self Assessment for the Billing Code Audit. However, the current audit has very limited scope in respect of the Safety Net. As a result of discussions with the ERA, the scope of the audit is now being reviewed to focus much more strongly on the Safety Net. The revised audit will also cover the ERA's new commitment to reconnect any customer that has been disconnected and is subsequently identified as being vulnerable, as a matter of priority (where possible within 24 hours).

2.27. SSE and the ERA are also working to ensure that any revised auditing arrangements that are put in place also apply equally to SSE given they have not

signed up to the Billing Code. We welcome the ERA's proposals to improve these auditing arrangements.

2.28. The ERA has also advised that they plan to undertake a further peer review of the Safety Net arrangements over the next twelve months to ensure that it remains effective and fit for purpose. We intend to work with the ERA on this review.

### 3. Review outcomes: regulatory framework and proposals to clarify existing licence conditions

#### Chapter Summary

This chapter considers some of the existing licence conditions that suppliers have in relation to debt and disconnection. It also outlines our decision not to pursue enforcement action in relation to the cases we have considered for potentially breaching SLCs 27.10 and 27.11 (disconnection of certain categories of vulnerable customers in winter) but proposes some new drafting for those conditions. Finally it discusses the work of this review in looking at British Gas's meter tampering cases where vulnerable customers are involved.

We invite comments on the proposed licence changes which would make clear that suppliers are expected to be proactive in checking if a customer is covered by the winter moratorium and to reconnect any such customers ahead of the winter. We also seek views on whether the two existing provisions should be consolidated.

#### The licence requirements

3.1. In this section, we consider some of the requirements that are imposed on suppliers by standard licence condition (SLC) 27 of the gas and electricity supply licences (Payments, Security Deposits and Disconnections). In particular, we consider the requirements of SLC 27.5 to SLC 27.8 (Customers in payment difficulty); and SLC 27.9 to SLC 27.11 (Disconnection for unpaid charges).

#### Customers in payment difficulty (SLC27.5 to SLC 27.8)

3.2. Under these licence conditions suppliers must offer a range of services when they are aware, become aware or have reason to believe that a domestic customer is having or will have difficulty paying all or any part of their gas or electricity charges.

3.3. There are a number of different indicators which might lead a supplier to identify that a customer is having, or will have, difficulty paying their gas and electricity charges and hence trigger this obligation. These could include persistent late payment of bills, debt build up or the customer (or an intermediary) advising that the customer is in financial difficulty.

3.4. Where the supplier knows or has reason to believe that a domestic customer is having or will have payment difficulties the licence conditions state that the supplier must offer that customer each of the following services:

- (a) the facility for the customer to pay charges:
  - (i) by using, where available, a means by which payments may be deducted at source from a social security benefit received by that customer;

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- (ii) by regular instalments calculated in accordance with SLC 27.8 and paid through a means other than a PPM; and
  - (iii) by using a PPM, where it is safe and reasonably practicable in all the circumstances of the case for the Domestic Customer to do so and where any instalments to be paid are calculated in accordance with SLC 27.8; and
- (b) the provision of information about how the customer could reduce the charges that he or she must pay by using the electricity or gas supplied to their premises more efficiently.

3.5. The provision mentioned at (a)(i) above requires the supplier to offer the customer the option of paying by Fuel Direct, if they are in receipt of qualifying benefit.

3.6. The provision mentioned at (a)(ii) above requires the supplier to offer the customer the ability to pay the charges due by regular instalments and paid through a means other than a PPM. In calculating the level of the instalments that would apply under this facility, the supplier is obliged to take all reasonable steps to ascertain the customer's ability to pay and to take this into account when calculating the instalments. In addition, when calculating the instalments, the supplier must give due consideration to any relevant information provided by third parties.

3.7. The requirement (in SLC 27.8) to take all reasonable steps to ascertain the customer's ability to pay involves the supplier **proactively** exploring and agreeing with the customer how much they can afford to pay. We have set out in previous debt and disconnection best practice reviews that we expect suppliers to be proactive in this area rather than relying on a customer saying they cannot afford what is proposed as they may feel inhibited in doing so. We have also given best practice examples of what some suppliers have done in this area.

3.8. Suppliers should ensure that they are taking account of ability to pay in the full range of circumstances in which they might be discussing payment arrangements with customers including the payment of reconnection charges (which was an issue in a number of the cases we considered) or in cases where a significant debit has built up as a result of direct debit levels being set too low<sup>8</sup>. We consider that SLC 27.6(a)(ii) when read in conjunction with SLC 27.8 means that suppliers must be flexible in the payment arrangements they set up and if the customer is on benefits or in severe financial hardship, we would normally expect that repayment rates should be set at no more than the Fuel Direct level, currently £3.25 per week.

3.9. In terms of giving "due consideration" to information from third parties, we would expect suppliers to pay particular regard to any information or advice obtained from third parties such as the Citizens Advice Bureau or the Money Advice Trust as to what the customer can reasonably afford to pay, particularly where this has been

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<sup>8</sup>

<http://www.ofgem.gov.uk/Consumers/CCI/Documents1/Direct%20Debit%20Arrangements.pdf>

prepared in line with the Common Financial Statement<sup>9</sup> methodology. If suppliers are working out themselves what they feel the customer can afford to pay they should also consider using the Common Financial Statement methodology.

3.10. As noted in our most recent report on Suppliers Social Obligations<sup>10</sup> this is an area where we continue to have concerns about suppliers' compliance with their licence obligations and which we intend to explore more fully as part of our wider debt review this year.

3.11. The provision mentioned at paragraph 3.4(a)(iii) above requires the supplier to offer to install a PPM at the relevant customer's premises where it is safe and reasonably practicable to do so. Again in calculating the level of the instalments which are to be paid through the PPM, the supplier is obliged to take all reasonable steps to ascertain the customer's ability to pay, to take this into account when calculating the instalments and to give due consideration to relevant information provided by third parties, where available.

3.12. As previously stated<sup>11</sup>, we would typically expect the issues of safety and practicability to be judged from both the relevant customer's and the supplier's perspectives. Some examples of instances where we consider that it might not be safe or reasonably practicable to install a PPM are:

- The customer having a physical or mental disability that prevents them from being able to appropriately use a PPM;
- The customer lives in a rural area at quite a distance from any top up outlets;
- The PPM would have to be situated outside or in a room to which the household does not have continuous access;
- In accordance with any advice received from the Health and Safety Executive (HSE).

3.13. The safety of the suppliers' personnel is also clearly an important consideration, and in some of the cases we examined, suppliers declined to install a PPM because there were dogs at the premises. Given that in such cases suppliers will ultimately find a way to obtain access to disconnect the premises, perhaps with the police in attendance, we would encourage suppliers to consider whether, at this point, they could safely install a PPM instead of disconnecting.

### **Disconnection for unpaid charges (SLC27.9 - 11)**

3.14. Under SLC 27.9 suppliers are prohibited from disconnecting a domestic customer's premises for non-payment of charges unless and until they have first taken all reasonable steps to recover those charges by means of a PPM.

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<sup>9</sup> <http://www.moneyadvicetrust.org/section.asp?sid=14>

<sup>10</sup>

<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Pages/SocObMonitor.aspx>

<sup>11</sup> Supply Licence Review - Further Policy Proposals December 2006

3.15. SLC 27.10 and SLC 27.11 go on to place further restrictions on the licensee's ability to disconnect domestic premises.

3.16. SLC 27.10 prohibits the disconnection of a domestic premises in Winter for non payment of charges where the licensee knows or has reason to believe the relevant customer is of pensionable age (as defined in the licence) and lives alone or lives only with persons who are of pensionable age or are under 18. We consider that a licensee would have knowledge for these purposes if any of its staff, or representatives, have this knowledge or access to it (e.g. if the information is recorded in the notes field on the supplier's customer service system).

3.17. SLC 27.11 restricts the licensee's ability to disconnect - requiring it to take all reasonable steps to avoid disconnecting - in Winter for non payment of charges if any of the occupants of the premises who is of pensionable age (as defined in the licence), is disabled or chronically sick and who does not fall within the scope of SLC 27.10.

3.18. These conditions are considered further below where we consider the case for clarifactory changes.

### **Decision on enforcement action from cases investigated**

3.19. Consumer Focus provided us with details of cases its Extra Help Unit had become involved in and which involved vulnerable customers. We examined the information provided to see if there were issues which might inform our review or prompt an investigation into a supplier's compliance with its licence obligations.

3.20. We examined nearly 30 cases involving six suppliers – British Gas, EDF, Npower, SSE, Scottish Power and First Utility. We asked each supplier to provide details of the background to each case to assess whether there were possible breaches of the relevant licence obligations.

3.21. We reviewed the information against the licence obligations governing disconnection for unpaid charges. In the cases we reviewed, the suppliers generally appeared to have taken a significant number of steps to avoid disconnection. Suppliers appear to make many attempts to contact the customer and to give them an opportunity to avoid disconnection. They also all have systems in place to aid the identification of vulnerable customers.

3.22. There were however some causes for concern. These were:

- a customer being disconnected while in hospital (where the supplier had assumed the premises were unoccupied);
- a customer being disconnected because of the failure of the previous occupant to pay bills (although the customer concerned had not notified the supplier of the change of occupancy);
- a customer who had suffered a nervous breakdown not being classified as being chronically sick;

- a customer who the supplier knew could not read, and who normally had help from the Citizen's Advice Bureau to read bills, being sent written reminders;
- several reports of disconnection taking place following difficulty in installing a PPM; and
- one customer being disconnected in contravention of the supplier's own policy.

3.23. In considering whether there may have been breaches of SLCs 27.10 or 27.11, the issue is not whether the customer should not have been disconnected, but:

- (i) whether the disconnection occurred in Winter and the supplier knew or had reason to believe that the customer was of pensionable age and lived alone or only with others of pensionable age or under 18 at the time the disconnection occurred (27.10).
- (ii) where the disconnection occurred in Winter and the supplier knows that the occupants of the premises include a person who does not fall within the scope of SLC 27.10 and who is of pensionable age (as defined in the licence), disabled or chronically sick, whether the licensee took all reasonable steps to avoid the disconnection. In the cases we looked at, the suppliers took a number of steps which we consider to have been reasonable on the basis of the evidence provided.

3.24. On the basis of the evidence we have seen, we do not think it is necessary or appropriate to take enforcement action for non compliance with SLCs 27.10 or 27.11. We would however question whether the handling of some of the cases we have seen is consistent with the industry's own Safety Net arrangements and best practice.

3.25. There is moreover a need for suppliers to keep their procedures under review and to learn from the experience of these sorts of cases. For example, suppliers should ensure they are making appropriate checks as to whether a property is temporarily or permanently unoccupied and to check whether there has been a change of occupancy. Even if a premises appears to be unoccupied we would normally expect suppliers to go through similarly robust checks and procedures, which may include senior level authorisation, before disconnection.

3.26. Suppliers should also make sure they use appropriate methods of communication to meet the needs of individual consumers.

3.27. These are important areas which we have previously highlighted in our best practice work in this area. It is important that suppliers take account of these issues and are able to demonstrate they have suitable practices and procedures in place to address these concerns.

### **Proposals to clarify the existing licence conditions**

3.28. As noted above, we consider that some clarificatory changes need to be made to the existing licence obligations to ensure that vulnerable customers are adequately protected and to clarify the obligations and make them more straightforward.

3.29. Our main concern with the current drafting is that it is not necessarily clear that suppliers are required to be proactive in seeking to ascertain the circumstances of a customer before making a disconnection. We believe this is important and would be assumed by consumer groups to already be implicit in the licence obligation.

3.30. Whilst we recognise that there can be genuine difficulties for suppliers in establishing contact with the customer to gauge vulnerability, our policy intention is that they should be proactive in seeking out information to determine the status of customers for the purposes of applying SLC 27.10 and SLC 27.11. In our view this is already implicit in the requirement to "take all reasonable steps to avoid disconnecting..." and reflects the approach generally taken by suppliers. We consider that the licence drafting needs to be amended to more clearly address this point given the different formulations currently used in SLC 27.10 and SLC 27.11. We are, therefore, proposing that appropriate changes are made so that the wording of the licence condition includes an express requirement for suppliers to take all reasonable steps to ascertain the circumstances of a customer and the occupants of an affected domestic premises before any decision is taken to disconnect a premises in Winter.

3.31. The sort of proactive steps that we have highlighted in our best practice work which suppliers generally follow include:

- ensuring that customers are registered on their Priority Services Register;
- reviewing all the notes on the customer's accounts to ensure that no vulnerability is recorded;
- undertaking at least one personal visit to the property which is at risk of being disconnected and attempting to make contact with the customer and complete a visual check of the premises looking for signs of vulnerability (for example using the good practice vulnerability checklist compiled by Consumer Focus);
- checking whether a property is temporarily or permanently unoccupied and checking whether there has been a change of occupancy to make sure that customers are not disconnected in error; and
- seeking senior management authorisation prior to any disconnection being carried out.

3.32. It is also our policy position (which we believe is implicit in the existing provisions) that, where the premises of vulnerable customers who fall within the scope of SLC 27.10 or SLC 27.11 have been disconnected at a time of year other than Winter, those premises should be reconnected before Winter.

### **Licence drafting proposals**

3.33. We therefore propose to:

- amend SLC 27.10 and SLC 27.11 to make it clearer that the licensee is obliged to take all reasonable steps to ascertain the status of a customer and the occupants of an affected domestic premises before exercising any right it has to disconnect that customer's premises for a failure to pay charges; and



- include a requirement that, where a licensee has disconnected a vulnerable customer's premises at a time of year other than winter, the licensee should reconnect the relevant premises before Winter.

3.34. Our initial proposal for this revised drafting, which addresses the above points, is set out below and would involve inserting two new paragraphs into the gas and electricity supply licences as follows:

27.11(A) - The licensee shall, before it exercises any right it may have to disconnect a Domestic Premises, take all reasonable steps to ascertain whether:

- (i) the relevant Domestic Customer falls within the scope of SLC 27.10; or
- (ii) the restriction on its right to disconnect in accordance with SLC 27.11 applies.

27.11(B) - Where the licensee has disconnected any Domestic Premises at a time of year other than Winter, the licensee shall, before the Winter of that year begins:

- (i) reconnect the relevant Domestic Premises where the relevant Domestic Customer is of Pensionable Age and lives alone or lives only with persons who are of Pensionable Age or under the age of 18; and
- (ii) take all reasonable steps to reconnect the relevant Domestic Premises where the occupants include a person who is of Pensionable Age, disabled or chronically sick and to whom paragraph (i) above does not apply.

3.35. The above proposed licence drafting would retain the current position of having two different obligations applying to different groups of customers - one which prohibits disconnection in Winter where the supplier knows the customer meets certain criteria and the other imposing an obligation to take "all reasonable steps to avoid disconnecting" in Winter customers meeting a different set of criteria. We consider that there would be merit, in terms of being simpler and clearer, in having one level of obligation - that applies to all affected groups of vulnerable customers. We seek interested parties' views on this proposed approach.

3.36. If we were to pursue this approach of developing a consolidated condition we would propose to use the wording of SLC 27.10 (ie not knowingly to disconnect) but covering all groups currently covered by SLC 27.10 or SLC 27.11. We would also include the clarifications discussed above on the need for proactivity and the need to reconnect ahead of winter - but redrafted as necessary to reflect the consolidated wording.

3.37. We invite your comments on the proposed licence changes which are set out above and whether the two conditions should be consolidated. Please see Appendix 1 for details of how to respond.

## British Gas meter tampering cases

3.38. Consumer Focus raised concerns with Ofgem that British Gas was disconnecting vulnerable customers during the winter period in cases involving alleged energy theft (referred to here as meter tampering). They were concerned that British Gas were requiring these customers to pay high reconnection fees and estimated charges for energy before agreeing to reconnect and without consideration of the customers ability to pay or whether the customer concerned was responsible for the alleged tampering. Third parties such as landlords were also being charged these costs in instances where the tenant was no longer residing in the property.

3.39. We recognise that the theft of electricity and gas is a serious issue. It increases the cost of energy to all customers and can also endanger lives and property. Nevertheless, there is a statutory framework within which disconnection of a customer's energy supply is permitted where meter interference or meter damage is involved. It is important that these powers are exercised responsibly and take account of the needs of vulnerable customers. Following a review of the information British Gas provided about its policies in this area and the cases referred to us, we identified a number of concerns with British Gas's approach.

3.40. We raised these concerns formally with British Gas and are pleased that, following our contact with them, British Gas showed a willingness to adapt and change its policies in some areas. In particular it:

- has revised its approach to take into account vulnerability when disconnection for meter tampering is being considered, applying the ERA Safety Net for first offences;
- no longer seeks to recover charges from new owners or tenants when they have had no involvement in the meter tampering;
- updated the guidance it provides to staff including on the need for evidence to be properly recorded and retained;
- clarified a number of its contract terms dealing with these issues;
- acknowledged that it cannot always rely on a deemed contract with landlords to recover charges from them.

3.41. There are however a number of areas where we are still discussing with British Gas the interpretation of legal and licence requirements where we have outstanding concerns. Following these discussions we intend to publish an open letter setting out our conclusions to ensure that all suppliers are clear about what we see as the obligations on suppliers in this area.

## Industry issues

3.42. Our investigation highlighted the fact that there are differences between the provisions of the Gas and Electricity Acts which give suppliers disconnection powers in circumstances where a meter interference or meter damage offence has been committed. For example, the Electricity Act allows a premises to be disconnected (and reconnection to be refused until all sums are paid) where the meter interference has been identified regardless of whether the occupier has committed the offence.

The Gas Act only permits such a disconnection where the occupier has committed the offence. It is not clear that amending the provisions of these Acts to address these problems would be straightforward. An alternative is whether some of the issues with the broader power under the Electricity Act could be addressed via licence modifications.

3.43. In the meantime, we are encouraged that British Gas has initiated a review under the Unified Network Code (UNC) to consider a number of improvements to the arrangements for tackling theft of gas. One of these improvements, that has now been raised as a formal amendment to the Supply Point Administration Agreement (SPAA), is to introduce an industry-wide code of practice on supplier behaviour when theft is identified. Ofgem supports the development of industry-wide, agreed processes which provides a common approach to deliver improvements, providing a clear basis for disconnecting customers in meter tampering cases and tackling energy theft, while ensuring customers' interests are protected. Although this process is at an early stage and may take time to be fully implemented, we trust that British Gas and other industry parties involved in developing these improvements will progress this work as quickly as possible and we will press them to do so.

3.44. However, if the industry is not committed to making improvements or is unable to deliver them in a timely manner for example, through a code of practice, we will consider pursuing legislative changes or introducing new licence conditions to address the problems we have identified.

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## 4. Review outcomes: good practice examples

### Good practice examples identified across suppliers

4.1. This chapter sets out some examples of good practice that we have identified from our review of individual suppliers' policies and practices. These examples are not meant to be exhaustive but are those that were uncovered in the review that we felt were particularly worth highlighting and building on. We are aware that where we have highlighted good practice from one supplier others may be doing something similar but know that in many instances they are not. We will be asking each supplier to outline how their processes measure up against the examples we have highlighted to see if there is anything they can learn and implement from them.

4.2. We were able to identify examples of good practice from all the Big 6 suppliers. This includes a number of examples of good practice from E.ON which have resulted from the changes they implemented to address weaknesses that they identified last year when they found that they had disconnected a small number of customers who should have been identified as vulnerable.

4.3. The examples identified cover the following areas:

- Proactively identifying vulnerability (we will be exploring this further in our broader debt review but include some relevant examples here)
- Having a tailored debt path for vulnerable customers with appropriate communication
- Having a thorough review of the case and senior sign off prior to any disconnection
- Debt management practices (again we will be exploring this further as part of our broader debt review)
- Waiving fees in appropriate circumstances
- Periodic suspension of disconnection to provide additional protection
- Robust post-disconnection processes
- Monitoring and tracking of vending for PPMs that are installed for debt
- Additional checks and processes when unable to install a PPM for debt (again to be explored further as part of our broader debt review).

4.4. Some of these areas have been picked up for inclusion in the ERA Safety Net as described in Chapter 2.

### Proactively identifying vulnerability

SSE will undertake a review, at least once every six months, of any customer who has a PSR (Careline) indicator on their account and a debt. The review may include such things as checking that the customer is maintaining their payment arrangement, contacting the customer to discuss whether their circumstances have changed or to check if they are struggling with their repayments. SSE would also offer alternative methods of payment if the customer indicated that they were having

difficulties. All of SSE's front-line and metering staff are trained to recognise signs of vulnerability and the services to offer these customers. This includes registering them on the PSR (Careline) and discussing SSE's social tariff with them. SSE also works with external stakeholders to promote the services of the PSR.

4.5. Customers dealt with through npower's Solutions Available For Everyone (SAFE) team and who are put on a payment arrangement through that process have their accounts reviewed every month. Npower we will contact the customer to ensure everything is running smoothly and to discuss any difficulties they may be having.

4.6. ScottishPower has maintained its commitment to capturing customer details on every possible occasion and has a number of initiatives in place in order to promote the importance of this activity. Its Golden Account standard aims to ensure that every customer account has a full range of relevant customer details, including age, which readily allows the identification of customers who are of pensionable age.

4.7. ScottishPower are also currently engaged with a third party credit reference agency in an exercise to compare date of birth data, which will allow them to improve their internal records and further enhance their pensionable age identification process. A flag will be added to a customer's account if the date of birth entered meets the qualifying criteria of pensionable age. Once customers are identified as being of pensionable age, the account can also be updated to be included on the Priority Services Register. By flagging the account in this way the account is automatically diverted into a separate debt follow up router for action, which includes an instruction not to disconnect these customers.

### **Tailored debt path with appropriate communication**

4.8. British Gas has moved away from a previous "one size fits all" approach to debt prevention and management to one where it has differentiated policies and treatments which are relevant to the individual customer. British Gas uses external insight plus behavioural data to help it better understand and segment their customers. This has in turn enabled them to design and to better match debt management solutions to each customer's needs.

4.9. At EDF Energy, any customers who have been identified as vulnerable are routed to their dedicated Priority Services Team who individually manages these customers' accounts during the debt follow up process. This team is also responsible for all account activity for customers whose circumstances qualify them for the Priority Services Register, all Fuel Direct referrals, EDF Energy Trust applications, liaison with social services, CAB and Age Concern. By ring-fencing these activities, EDF Energy ensures that customers who may need more help and support have access to a team of dedicated specialists whose skills and experience enable them to provide a more tailored service to these customers.

4.10. E.ON's internal billing systems tailor the credit management journey that the customer goes through dependant on their type of vulnerability. Different letters, different actions and outcomes will be made based on the customer's circumstances.

The system will automatically prevent any high risk vulnerable customers from being approved for a warrant for disconnection and recognises the winter moratorium period to ensure that customers over 60 are not disconnected in the coldest parts of the year.

4.11. All of E.ON's credit management letters have been reviewed to ensure that their customers understand all the options available to them when they are struggling to make payment and encouraging them to make contact with E.ON to agree a suitable solution. E.ON has a different set of letters for those customers that have been identified as vulnerable and these offer additional help to customers such as informing the customer that E.ON would also be happy to discuss appropriate solutions with representatives on their behalf.

4.12. E.ON has analysed the contact rates of daytime, evening and weekend visits and ensures that it completes at least one daytime plus either an evening or weekend visit before proceeding to warrant to increase their chance of successfully contacting indebted customers and avoiding the need for disconnection.

4.13. At ScottishPower any customers that have been identified and flagged as vulnerable and have reached debt follow up will automatically be placed into a separate debt path, which will ensure that these accounts do not progress to warrant or disconnection stage. A specific team of agents will review each account individually and tailor both their communications and actions accordingly. The agent will aim to maintain regular contact with the customer in order to determine the most suitable payment methods available and help set up a manageable repayment plan for the customer, working with ScottishPower's Community Liaison Officers (CLOs) where necessary. To ensure that no customers within ScottishPower's debt plan have recently had been identified as vulnerable, a weekly review is carried out of all accounts progressing to the warrant stage. Any accounts that are identified as vulnerable are removed from the warrant process and placed in the separate vulnerable debt path.

4.14. By the warrant stage, ScottishPower will have attempted to contact the customer on at least nine occasions. This includes outbound calling (dependent on the relevant telephone contact information being available), several pieces of written communication and at least one debt advisory visit. At the visit, the customer is offered a number of payment methods to help them to pay their arrears and manage their ongoing consumption, including a PPM. If the customer is not at the property when the field agent calls, a letter will be left encouraging the customer to make contact with ScottishPower. Where possible field agents will attempt a repeated visit at an alternative time to try and engage with the customer.

4.15. SSE will send different letters to different customers based on a range of factors, including their payment history and any indicators or flags on the customer's account. It will also tailor the length of time between letters based on the customer's payment history and will send softer worded letters to those customers who require a 'nudge' instead of the threat of disconnection.

4.16. SSE has found that customers react less favourably to letters worded in a threatening manner demanding payment and that it receives a better response from customers to softer letters and calls. Therefore, it has a range of letters designed to 'encourage' the customer into paying by gently reminding them that the balance is due and offering a range of methods by which they can make payment of any outstanding amount.

4.17. SSE recognises that customers on its social tariff, energyplus Care, are amongst the most vulnerable and in need of assistance. Therefore, the debt process for these customers does not progress to a collection visit without first being reviewed in the office. From time to time, these customers may receive a visit from one of SSE's Energy Efficiency or Collections representatives. This visit will focus on ensuring the customer is educated to manage their energy usage and also how to budget to avoid getting further into arrears. SSE are also considering using their meter readers to visit these customers where it has identified that their social tariff customers are falling further into debt or have stopped paying.

### **Thorough review and senior sign off prior to any disconnection**

4.18. For British Gas, disconnection remains an action of last resort and will only be considered when all other options have been explored. They have put in place a thorough and detailed review process through which all customer accounts considered suitable for disconnection are assessed and reviewed. Each account is interrogated and a detailed case study is produced using internal and third party data. This is then reviewed by a group comprising senior managers within British Gas. Final approval to authorise the disconnection must be given at the most senior of levels within British Gas, by their Chief Operating Officer before any customer is disconnected. Whilst this whole process is very manual and resource intensive, British Gas believes this is an appropriate approach to take to ensure it does not disconnect any customer it believes to be vulnerable.

4.19. Before E.ON undertakes any disconnection of a domestic customer, it must be agreed and signed off by two senior managers in addition to the field agent and the credit management staff member, in advance of the visit to the customer's premise. This ensures that a domestic disconnection for debt will never be agreed at the property or on the spot. A similar manager sign off process is also in place for fitting of a PPM where a vulnerable customer has been identified. This ensures that PPMs are only fitted for customers where it is appropriate and who have demonstrated they are able to use them.

### **Debt management practices**

4.20. Recognising that their customers may be facing financial difficulties during the current economic pressures, British Gas has developed an extensive debt/recession and customer service training package. This has been designed to provide all British Gas agents with the tools and knowledge to further support customers who may need some extra help in these difficult times.

4.21. As the Credit Management function within SSE falls under Customer Service, the staff working in Credit Management are subject to the same Customer Satisfaction surveys. Credit Management advisors and managers are measured on complaints and therefore any poor performance is looked at very seriously.

4.22. SSE is always looking at new ways of working and the acquisition of the Goldfish Credit Card call centre in Cumbernauld, meant that SSE gained new expertise and different perspectives on debt and debt management. SSE also engages with external stakeholders to discuss the range of solutions that may be available to those customers who are in financial difficulty. Its work with the Financial Inclusion Taskforce has examined and promoted different ways that customers can be engaged to pay by the most appropriate method for their circumstances.

4.23. British Gas has an initiative to offer customers a "last chance" to have a PPM installed free of charge. This offer is made in a small number of exceptional cases to customers, who are long term debtors, and who will have previously received numerous contacts from British Gas via a number of channels such a telephone, written and face to face seeking to manage and resolve their energy debt. When making the "last chance" offer, British Gas sets out that if this offer is unsuccessful the customer will proceed through their Occupied Disconnections Process for consideration as suitable for disconnection.

#### **Waiving of fees in appropriate circumstances**

4.24. E.ON does not believe in applying additional charges to its vulnerable customers so its staff are empowered to remove these from customer's accounts. Npower's staff are empowered to waive collection fees for vulnerable customers in appropriate circumstances

#### **Periodic suspension of disconnections to provide additional protection**

4.25. npower trialled ceasing domestic customer disconnections from mid-November 2008 to the end of April 2009. This was to ensure that there was no possibility of a vulnerable customer being disconnected in error over the winter period, particularly in cases where npower has not been able to establish contact with the customer. npower has reviewed the impact and success of this initiative to assess the feasibility of stopping all domestic disconnections for the coming winter period and has confirmed that they again intend to stop disconnecting any domestic customers during the period from October 2009 to March 2010.

4.26. EDF Energy has taken the decision to temporarily suspend all disconnection activity during periods of extreme cold weather. This supports their commitment to ensure that vulnerable customers are not disconnected, recognising that customers may become vulnerable if their source of heating is disconnected during periods of extreme cold weather. EDF Energy has therefore extended the non disconnection policy to all domestic customers who may not otherwise qualify under the current



ERA Safety Net guidelines of vulnerability during these times of extreme cold weather.

### **Robust post-disconnection process**

4.27. EDF Energy operates a robust process to proactively contact all domestic customers who have been disconnected to ensure that they receive the support they need. This process starts within 3 days of the premises being disconnected. EDF Energy undertakes ongoing monitoring of these customers and will continue to review the account and attempt to contact the customer until a resolution can be reached and the customer reconnected. If, despite all attempts, EDF Energy has been unable to establish contact with the customer then it may write to the Director of the local Social Services to advise them of the situation.

4.28. E.ON closely monitors any customers that have been disconnected and will visit them shortly after the disconnection to ensure they are safe and well if they have not made an arrangement to have the supply reconnected or do not respond to E.ON's letters or telephone calls. E.ON will also review these customers on a seasonal basis and proactively encourage them to make arrangements for their supply to be reconnected, particularly before the onset of winter.

4.29. ScottishPower has a follow up process in place for those customers who have been disconnected which includes a clear communication left at the property at the point of disconnection explaining the reconnection process and encouraging the customer to contact ScottishPower to arrange reconnection. All domestic disconnected accounts are segmented and managed by a dedicated team. This team proactively attempts to contact the customer after 24 hours of being off supply and then again after 14 days.

4.30. ScottishPower is currently conducting a pilot with its Community Liaison Officers (CLO's) to contact customers who remain disconnected after the above post-disconnection process has been exhausted. The CLOs will attempt to make further contact with the customer and also visit the customer to attempt to get them reconnected. Where a domestic supply has remained disconnected for more than 90 days and has not contacted ScottishPower to arrange a reconnection, the account is passed to the team of Community Liaison Officers for a further visit. The purpose of these visits is to try and obtain information on current occupancy or ownership to enable contact to reconnect the supply at the earliest opportunity. The visits are also used to ensure that where the supply can be reconnected that the customer has a manageable payment arrangement in place that meets their needs.

4.31. Following any disconnection SSE will attempt contact with the customer when it has not heard from them within seven days. SSE will also attempt to telephone the customer, but when no contact has been made it will write to them asking them to make contact and arrange a visit to the property where all other contact attempts have failed. Where a property appears to be empty and SSE was not able to fit a PPM, it leaves a letter advising the owner/occupier of what has happened and what to do to have the supply restored. Where a disconnected customer is subsequently

identified as having some level of vulnerability, they will arrange for their supply to be restored as a priority. .

4.32. Npower will write to and telephone the customer within 7 days, and then write and telephone again within 14 days in attempts to make contact. At day 14 they will arrange for a visit to take place within 14 days to establish whether the property is still occupied.

#### **Monitoring and tracking of vending for PPMs that are installed for debt**

4.33. npower produces non-vending reports following the installation of a PPM for debt to check that customers are able to use the meter and are vending after it has been fitted. If a customer is not vending, npower will then contact that customer and visit if necessary to ascertain the reason for them not vending.

4.34. E.ON also has a separate team that tracks activity after a PPM has been fitted for debt to make sure that customers are vending. This check helps to ensure that customers are able to use the meter properly. In instances where a customer fails to vend in a defined period after the PPM has been fitted E.ON will call, write and visit to check the customer is fit and able to use the meter.

4.35. For customers who are vulnerable or with special needs, where they are not confident of their ability to use a key meter, ScottishPower will engage their specialist team of Community Liaison Officers to liaise with the customer and support them both in the installation and ongoing use of a PPM if required. ScottishPower also monitors and tracks the vending activity for PPMs installed for debt to ensure that the customer is adequately using the PPM.

4.36. Where a PPM is fitted for an outstanding balance, SSE also has a process in place to monitor the account to make sure that the customer has made payment through the meter. If, after a period of time, SSE see no payments being made to the account, they will contact the customer by telephone, letter or if no response to these attempts is received, they will arrange for the customer to be visited by one of its agents.

#### **Additional checks and processes when unable to install a PPM for debt**

4.37. E.ON will always aim to fit a PPM where appropriate as an alternative to disconnection. It is therefore always E.ON's intention to use a warrant to fit a PPM. If after executing the warrant, E.ON is unable to fit a PPM it will abort the visit. E.ON will then restart this process to get a new warrant and senior management sign off if it is deemed appropriate to disconnect the premises.

4.38. npower has trialled a small number of service alterations free of charge to the customer to allow the installation of a PPM at their property. It is continuing this project to understand how the facility could be expanded. At present npower is concentrating on contacting customers who have a simple alteration configuration which does not require a significant amount of work to allow for the installation of a PPM.

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## 5. Next steps and success measures

### Next steps for Ofgem's licence drafting proposals

5.1. As set out in chapter 3, we invite comments on the proposed licence changes which are set out in this Report. We request that you provide your comments in writing by 20<sup>th</sup> November 2009. Subject to the responses which we receive to this consultation, we propose to undertake a statutory consultation concerning the proposed licence changes around the end of the year.

### Next steps for the ERA's Safety Net proposals

5.2. The ERA is working on the publication of a short guide for advice agencies on the assistance available from energy suppliers for vulnerable customers, including the revised Safety Net provisions. They have advised this will be available in October 2009.

5.3. We have also suggested to the ERA that their Debt Policy Group and their Regulatory Managers Group should have a regular role in monitoring and reviewing the Safety Net arrangements. This would ensure that they remain effective and fit for purpose and also aid in the sharing and promotion of best practice in preventing vulnerable customers from being disconnected as well as in broader issues of debt prevention and management. Suppliers already meet under the ERA's Debt Policy Group to share and develop best practice in helping vulnerable customers. The group comprises individuals from member companies experienced in debt management activities and issues and has a specific remit to share best practice in credit management, including the measures to protect vulnerable customers. This is something that the ERA has indicated it will take forward and indeed they have already used this Group as a forum for discussing and agreeing the changes in the Safety Net coming out of this review.

5.4. The more rigorous auditing of the Safety Net arrangements under the Billing Code will begin in the 2010 audit.

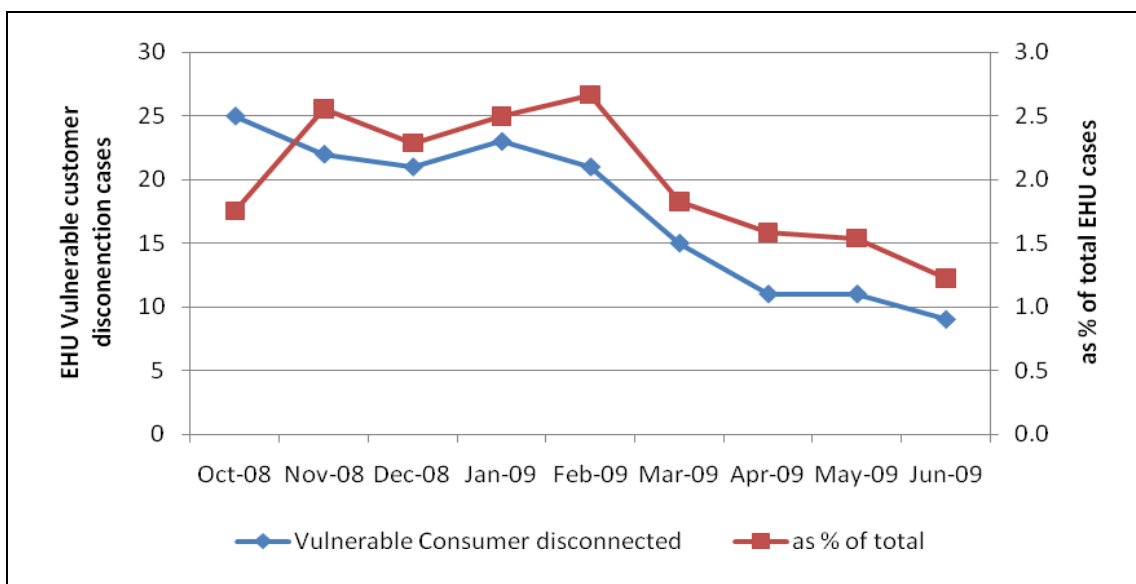
5.5. The ERA also plans to undertake a further peer review of the Safety Net arrangements over the next twelve months to ensure that it remains effective and fit for purpose. We welcome this commitment and will work with the ERA to inform this review.

## On-going monitoring work

5.6. Ofgem regularly monitors and reports on suppliers’ debt and disconnection performance. Our most recent report covers the calendar year 2008 and shows a continued decrease in disconnections.<sup>12</sup>

5.7. Chart 2 below shows the number of cases involving vulnerable customer disconnections reported by the EHU for each month since it became operational in October 2008. This shows the decline in the number of cases being reported since commencing our joint review in February. It also highlights that of the total number of cases to the EHU those involving vulnerable disconnections form a very small proportion (now down to 1.2%) of all cases.

**Chart 2: Vulnerable customer disconnection cases to Consumer Focus' EHU**



5.8. Whilst we welcome this reduction in the number of cases reported, both Ofgem and Consumer Focus will be keeping this area under review. We consider that one of the success measures of this review and of the ERA's subsequent improvements to the Safety Net arrangements will be a further reduction in the number of cases reported to the EHU involving vulnerable customers being disconnected. Should Ofgem and Consumer Focus have concerns in future at the levels and numbers of cases being reported we may consider further whether a self-regulatory regime in this area remains appropriate.

<sup>12</sup>

<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Pages/SocObMonitor.aspx>

**Wider review of suppliers' approaches to debt management and prevention**

5.9. We committed in our corporate strategy to review suppliers' debt management practices and promote best practice. As noted above, Ofgem has worked jointly with Consumer Focus' predecessor energywatch to review suppliers' debt and disconnection practices over a number of years. Both organisations also continued to monitor and report independently on aspects of suppliers' debt and disconnection performance,. We intend to build upon our successful working relationship by undertaking the wider debt project jointly with Consumer Focus.

5.10. The review of suppliers' broader debt prevention and management practices is timely. Against a backdrop of economic uncertainty, it is important that suppliers do all they can to help customers manage their bills, manage their debt, and avoid disconnections. This is especially true of those who are vulnerable and who may be in need of particular assistance.

5.11. The purpose of our review will be to identify and promote best practice, and to recommend further action where it is warranted. This could include 'naming and shaming' poor performers, amending licence conditions, or agreeing self-regulatory measures.

5.12. We intend to focus our initial efforts around a number of key areas:

- policies and procedures in respect of the use of debt collectors;
- suppliers response to tighter economic conditions;
- identification of those who may be in need of assistance;
- arrangements for dealing with third party agencies working on behalf of customers;
- policies in respect of Fuel Direct;
- training for staff dealing with customers in debt;
- policies and practices for taking a customer's ability to pay into account;
- charges for disconnection and reconnection including those for PPM installation and removal, and charges for call out etc;
- post PPM installation checks; and
- policies where PPMs cannot be installed.

5.13. It is envisaged that this project will run until December and we will publish a further report setting out our findings.

## Appendices

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## Appendix 1 - Consultation Response and Questions

1.1. Ofgem would like to hear the views of interested parties in relation to any of the issues set out in this document.

1.2. We would especially welcome responses to the specific questions which we have set out at the beginning of Chapter 3 and which are replicated below.

1.3. Responses should be received by 20<sup>th</sup> November 2009 and should be sent to:

Liz Chester, Social Policy Manager  
9 Millbank  
London  
SW1P 3GE  
020 7901 7043  
liz.chester@ofgem.gov.uk

1.4. Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website [www.ofgem.gov.uk](http://www.ofgem.gov.uk). Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.5. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.6. Next steps: Having considered the responses to this consultation, Ofgem intends to undertake a statutory consultation concerning the proposed licence changes in around the end of the year. Ofgem will then consider any representations or objections received. We would expect the revised licence conditions to be in place and to take effect from Spring next year.

1.7. Any questions on this document should, in the first instance, be directed to:

Liz Chester, Social Policy Manager  
9 Millbank  
London  
SW1P 3GE  
020 7901 7043  
liz.chester@ofgem.gov.uk

**CHAPTER: Three**

We invite comments on the proposed licence changes which would make clear that suppliers are expected to be proactive in checking if a customer is covered by the winter moratorium and to reconnect any such customers ahead of the winter. We also seek views on whether the two existing conditions should be consolidated.



## Appendix 2: Previous Ofgem and energywatch work on debt and disconnection

1.1. Ofgem and energywatch (one of Consumer Focus' predecessor bodies) have a long history of involvement in the area of debt and disconnection, beginning with the guidelines on good practice for preventing debt and disconnection introduced in 2002 through to our last joint review which took place at the end of 2007.

1.2. In January 2003, Ofgem and energywatch jointly published good practice guidelines for suppliers on preventing debt and disconnection<sup>13</sup>. These guidelines invited suppliers to develop strategies which focussed on improving in six key areas:

- minimising billing errors;
- using incoming calls to identify consumers that are in difficulty;
- using consumer records to target energy efficiency improvements;
- demonstrating flexibility in debt recovery;
- offering sustainable solutions to consumers in extreme hardship; and
- helping consumers who are unable to manage their own affairs.

1.3. In March 2005, Ofgem and energywatch commissioned a report on the progress made by the six main energy suppliers in implementing the good practice guidelines<sup>14</sup>. The report highlighted that the guidelines had been positively received, resulted in improvements to suppliers' attitudes and service and had a positive impact in driving action in this area.

1.4. The Debt and Disconnection Best Practice Review Ofgem published in January 2008 was the first review we had undertaken in this area since the report by Sohn Associates in 2005. This review highlighted examples of good practice which could be shared across suppliers to ensure that customers, particularly vulnerable customers, have an appropriate level of protection. In particular, when carrying out this review we focused on how suppliers communicate with their vulnerable customers. Whilst we found that there had been real progress since the last review, this did however vary across suppliers and we highlighted areas for further improvement - particularly in how suppliers' proactively explore customers' capacity to pay when setting repayment rates.

1.5. We also commissioned some consumer research as part of this review to examine the consumer experience of debt and disconnection. This highlighted that consumers' experiences varied enormously and for those who had a poor experience, it can result in considerable dissatisfaction and detriment. Finally the review considered the quality of the correspondence suppliers send to their customers who have not paid their energy bills, in particular to see how clear and easy to understand suppliers' letters are. This suggested a number of improvements to bring the letters in line with acknowledged best practice.

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<sup>14</sup> [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

1.6. In addition to these more in depth periodic reviews, Ofgem regularly monitors and reports on suppliers' debt and disconnection performance and we have taken a number of actions (both formally and informally) in instances where we have evidence that industry's or individual supplier's performance and procedures are not as robust as they should be.

## Appendix 3 – The Authority’s Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority (“the Authority”), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.<sup>15</sup>

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly<sup>16</sup>.

1.4. The Authority’s principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of existing and future consumers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- the need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- the need to secure that all reasonable demands for electricity are met;
- the need to secure that licence holders are able to finance the activities which are the subject of obligations on them<sup>17</sup>;
- the need to contribute to the achievement of sustainable development; and
- the interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.<sup>18</sup>

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

<sup>15</sup> entitled “Gas Supply” and “Electricity Supply” respectively.

<sup>16</sup> However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

<sup>17</sup> under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

<sup>18</sup> The Authority may have regard to other descriptions of consumers.

- promote efficiency and economy on the part of those licensed<sup>19</sup> under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
- protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity; and
- secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- the effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation<sup>20</sup> and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

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<sup>19</sup> or persons authorised by exemptions to carry on any activity.

<sup>20</sup> Council Regulation (EC) 1/2003

## Appendix 4 - Glossary

### **B**

#### Big 6

The name collectively given to the six companies that supply most of the energy to domestic households in Great Britain. They are: Centrica (three retail brands - British Gas, Scottish Gas and Nwy Prydain), EDF Energy, E.On, Scottish and Southern Energy (SSE) and ScottishPower

### **C**

#### CAB

Citizens Advice Bureau

#### Consumer Focus

Consumer Focus is a statutory organisation, created through the merger of three organisations – energywatch, Postwatch and the National Consumer Council (including the Scottish and Welsh Consumer Councils) – by the Consumers, Estate Agents and Redress Act 2007.

### **E**

#### Energy Retail Association (ERA)

The Energy Retail Association was formed in 2003 and represents the major electricity and gas suppliers in the domestic market in Great Britain. All the main energy suppliers operating in the residential market in Great Britain are members of the association - British Gas, EDF Energy, npower, E.ON, Scottish Power, and Scottish and Southern Energy. For further information, visit [www.energy-retail.org.uk](http://www.energy-retail.org.uk)

#### ERA Safety Net

The ERA set out a series of principles that would be followed in order to ensure that vulnerable customers were not disconnected but offered the help most appropriate to their needs. Those customers captured by the safety net may also receive benefits health checks, repayment and metering options and a referral to local charities and advice centres. Where a vulnerable customer is assessed to be at risk, social services will be informed. The safety net is independently audited on an annual basis.

### **F**

### Fuel Direct

This is the scheme administered by the Department of Work and Pensions to allow for payment to gas and electricity suppliers from sums which are deducted at source from some specified social security benefits.

### **P**

#### Prepayment Meters (PPM)

Prepayment meters currently use electronic tokens, keys or cards to enable an amount of energy to be bought by the consumer to be used. The consumer needs to be provided with a network of outlets where tokens can be purchased or card and keys can be charge up. This network of outlets needs to be linked to a payment settlement system for suppliers.

## Appendix 5 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

**Andrew MacFaul**  
Consultation Co-ordinator  
Ofgem  
9 Millbank  
London  
SW1P 3GE  
andrew.macfaul@ofgem.gov.uk