



Consumer Bulletin

Focusing on Sustainable Development

Ofgem has created a new division providing an emphasis on Sustainable Development.

The Sustainable Development division incorporates consumer, social and enforcement activities with our environmental team to reflect the increasing role of sustainable development for energy consumers and Ofgem.

Sarah Harrison, Ofgem's Senior Partner for Sustainable Development, has written to stakeholders in a consultation that will ultimately shape the work of the division.

"The new Division will give a stronger voice to sustainable development throughout Ofgem, helping us to meet our duties to existing and future consumers to promote sustainable energy markets and networks and play our part in delivering a low carbon economy." said Sarah Harrison.

One crucial area of work is on Smart Metering policy and a new team has been formed ready to work with Government to meet the 2020 mandate for the roll out of smart meters. This is a huge project to deliver a more sustainable energy future for consumers.



Debt and Vulnerable Disconnection review

Ofgem has proposed changes to suppliers' licence conditions to tighten up protection from unwarranted disconnection for certain categories of vulnerable customers in winter. The proposed amendments would make it clear that suppliers are expected to take the initiative in checking if a customer is covered by the moratorium on disconnections in winter. And, ahead of winter, they will have to reconnect any who have been cut off.

Under the moratorium, between October and March, suppliers must not disconnect customers of pensionable age who live alone, or live with persons who are of pensionable age or under the age of 18.

Meanwhile Ofgem's review of protection for vulnerable customers from disconnection found that suppliers' policies and procedures to identify vulnerable customers and prevent them from being disconnected were largely satisfactory.

The review was done jointly with Consumer Focus as part of our wider project on debt and disconnection. As well as many examples of good practice, we found areas of weakness and inconsistency between suppliers that need to be addressed.

Ofgem is working with the Energy Retail Association (ERA) and individual suppliers to make improvements including looking at current self-regulatory arrangements in this area, clarifying suppliers' obligations on debt and disconnection and promoting further best practice across the industry. Suppliers have made a commitment to ensure a swift return of energy supply (usually within 24 hours) to vulnerable customers who are disconnected inadvertently.



Smart Metering

Britain's householders like devices that tell them how much they are spending on energy but they are less happy when it sounds an alarm when energy use gets too high. These were among interim findings from a Great Britain-wide trial of smart meters.

The Energy Demand Research Project (EDRP) trial involves four energy suppliers and 77,000 households. It is looking at how consumers react to improved information about their energy consumption, measuring the long-term response to a range of interventions including smart meters and in-home displays. The third report on the project was published in September 2009

Issues in the last report included reaction to in-home visual displays showing the amount of electricity being used at any point in time. There were positive reactions to more accurate information on energy usage but there were also some comments about the accuracy and reliability of the displays. Consumption information provided through the internet via the smart meter has been popular while triallists have been less positive about smart meters that include an alarm to warn of high consumption.

Further reports on the trials published over the next year will draw on an increased amount of data to give a fuller picture of consumer reactions.

Following the announcement by Government of the programme to fit smart meters, Ofgem is to take a leading role in the rollout programme.

Fuel poverty and the future of social tariffs

Recession and high energy prices make fuel poverty (where a household spends more than a tenth of its income on energy) a growing concern.



In its latest fuel poverty statistics the Department of Energy and Climate Change (DECC) reported that four million households were in fuel poverty in the UK in 2007. Of those, 3.25 million were vulnerable, meaning they are elderly or include children, long-term sick and disabled people. Unofficial estimates suggest there are currently as many as 6.6 million customers in fuel poverty.

Energy suppliers play an important part in helping fuel poor and vulnerable consumers through their social initiatives, as well as through statutory Carbon Emissions Reduction Target (CERT) obligations. Each of the six major energy suppliers undertakes a range of initiatives as part of its social programmes to assist the most vulnerable and fuel-poor customers.

Ofgem published a review of the different social initiatives that Britain's big six energy suppliers were involved with in the first year of its commitment of meeting Government's requirement of spending at least £150m a year to 2011. This report found that the suppliers spent £157 million on voluntary social programmes in 2008-09, including social tariffs.

The Government has announced the inclusion of a mandated price support scheme for vulnerable customers after 2011 in the Energy Bill currently before Parliament.

Green Energy Certification Scheme

Preparations are advanced for a certification scheme that will assure consumers that a tariff described as green actually brings an environmental benefit that goes beyond the suppliers' obligations. An independent panel is assessing suppliers' tariffs in preparation for the launch of the scheme. The panel is headed up by Solitaire Townsend, a specialist in corporate social responsibility and sustainability.

The scheme will be based on Ofgem's green supply guidelines, set out earlier this year. One of the key requirements under the guidelines is that suppliers who want to label a

tariff as 'green' must demonstrate that it results in an environmental activity, leading to a minimum reduction in carbon emissions, over and above what suppliers already achieve through obligatory programmes.

The big six energy suppliers together with Good Energy have all signed up to the guidelines.

Green supply has been a confusing area for customers because suppliers already have statutory obligations to source renewable electricity and reduce carbon emissions from households through programmes such as the Renewables (RO) Obligation and the Carbon Emissions Reduction Target (CERT). However up until now, many green tariffs have simply re-packaged this activity, making them no more environmentally-friendly than a standard tariff.

Probe remedies

Ofgem has put in place a package of reforms that will give domestic and commercial consumers greater power to shop around and choose the best energy deal. The commercial consumer reforms apply to micro-businesses, the smallest businesses that make up the majority of the sector.

All of the reforms emerged from a major investigation into Britain's retail energy market by us which was completed last year.

The letter of these new laws is backed up by a new set of standards of conduct that set out the spirit of the laws. While these standards are not specifically enforceable, they will be part of any considerations of enforcement action.

The package includes:

- new licence conditions prohibiting unjustified price differences which came into force on 1 September 2009;
- tougher rules governing door-step sales which came into force on 21 October 2009;
- requirements on suppliers to publish financial information on different parts of their business -

effective from 21 October, with suppliers having to publish the first set in mid-2010;

- rules to improve micro-business customer contract terms and conditions and limit roll-over of contracts from 18 January 2010;
- rule change from 18 January 2010 enabling pre-payment meter customers to switch if they owe their supplier up to £200 - increased from £100;
- requirements which come into play in July 2010 for suppliers to include key information on bills and produce annual statements.

The new over-arching standards for suppliers are:

- you must not sell a customer a product or service that he or she does not fully understand or that is inappropriate to his or her needs



and circumstances;

- you must not change anything material about a customer's product or service without clearly explaining to him or her why;
- you must not prevent a customer from switching product or supplier without good reason;
- you must not offer products that are unnecessarily complex or confusing; and
- you must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake.



Ofgem holds stakeholder roundtable to discuss retail tariffs and energy efficiency

Energy sector stakeholders have warned against using pricing to create incentives for householders to be more efficient in their energy use.

An Ofgem stakeholder roundtable in September said price signals (introduced before smart metering) could contribute to fuel poverty and would also be unfair as households do not have timely information on their energy use. It also warned that price incentives could damage consumer trust, which will be fundamental to customers' acceptance of smart meters, and the new options this opens up in future.

The roundtable, focussing on an Ofgem discussion paper entitled "Can energy charges encourage energy efficiency?", included consumer and environmental groups; suppliers; and government officials. It discussed the relationship between retail tariffs and energy efficiency incentives for households. Robin Bidwell, a member of Ofgem's governing authority, GEMA, chaired the meeting.

Conclusions were that action in the near term should focus on education, information provision together with true financial incentives and rewards to encourage behaviour change and investment.

Energy Best Deal review

Four out of five frontline advice workers have pledged to give advice to their clients about getting a better deal on their energy prices following an Ofgem and Citizens Advice Bureau (CAB) initiative.

This major improvement on previous practice emerged from the recently published evaluation of Ofgem's and CAB's Energy Best Deal (EBD) campaign which was set up in 2008. The campaign gives advice on savings that people can make by switching supplier and / or the way they pay their bills and on help that is available for those who are struggling to pay their energy bills.

Ofgem initially funded a pilot campaign with the CAB and then supported a national roll out (funded by DECC). Other highlights from the evaluation report by the Centre of Sustainable Energy (CSE) on the national campaign were:

- 64 per cent of consumers said they would seek a better deal on their energy prices by contacting their fuel company, investigating the prices of other companies or changing supplier.
- 9 per cent indicated they would apply for a home improvement grant (Warm Front or the Home Energy Efficiency Scheme).

This shows how EBD has not only informed consumers of their rights but also prompted them into action. We are extremely pleased that the CAB has secured funding from suppliers (EDF, E.ON and ScottishPower) for a further roll out of this campaign for winter 09/10.



Lord Mogg, Commissioners Kuneva and Riebalgs open the Forum

London Citizens' Energy Forum

The second European-wide Citizens' Energy Forum took place in London on 29-30 September. This year's forum endorsed recommendations for good practice in billing, complaint handling and smart metering - aiming to provide EU consumers with simple, clear and informative gas and electricity bills. In Great Britain this will be covered by Ofgem's Probe remedies.

The retail electricity market in Europe has been a problem market. Only 45 per cent of consumers find it easy to compare offers from energy providers, which can be one of the reasons why only 8 per cent of consumers switched providers in the past two years. The European Commission has launched a major study of the retail electricity market and will present the results to the third London Forum in 2010.

Launched in 2008, the Citizens' Energy Forum, brings together consumer organisations, industry, and government regulators to tackle practical energy-related issues which matter to European consumers.

Consumer First update

Many of Ofgem's Consumer Panellists believe strongly that rewards for efficient use of energy and penalties for inefficient usage should match individual circumstances. They highlighted the injustice in penalising, for example, high users, with big families but on a low income, and people with medical conditions that require equipment.

This was one of many views included in the findings from Ofgem's **Consumer First Panel** workshop published in September.

The Panel of 100 everyday customers were asked to design a tariff structure that would encourage people to consider their energy usage more closely. Some suggested that a higher tariff tier should kick in when a consumer moves above an average usage for their particular circumstances.

The Panellists were asked to consider the role of consumer engagement in Ofgem's price controls where the regulator sets every five years the revenue for monopoly energy networks.

Understanding among the Panellists of network issues varied considerably. Issues with the greatest resonance included how companies met their social objectives, supporting a low-carbon economy and quality of service of energy supplies.

The Panel membership and locations were refreshed for our October events. The new Panel was convened in Aberystwyth, Bristol, London, Bradford and Aberdeen. It examined how consumers viewed the Sustainable Development debate. In particular, it discussed what Ofgem's future role in relation to Sustainable Development should be. A full report on the first round of the second Panel events will be available on the Consumer First section of the Ofgem website.

Ofgem's **Consumer Challenge Group** have now completed their input into the electricity Distribution Price Control (DPCR5) and plan to publish a report on its work shortly following the publication of the Final Proposals.

