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Dear Liz,

Review of protection for vulnerable customers from disconnection

1. This is the British Gas response to the joint Ofgem and Consumer Focus Report and Consultation paper (Ref: 121/09) in relation to the above. This response is not confidential and may be published on the Ofgem website.

Executive Summary

2. British Gas commends both Ofgem and Consumer Focus in having conducted such a comprehensive review of suppliers' policies and practices in identifying and dealing with vulnerable customers, thereby preventing disconnection.
3. We welcome the findings set out in the report, and we pay particular attention to the key finding that Ofgem and Consumer Focus have found suppliers' practices to be largely satisfactory and that there is no case for enforcement action to be taken against any individual supplier.
4. We also note the positive references to the ERA Safety Net. British Gas remains committed to complying with this self regulatory code, and indeed, we go beyond the minimum requirements set out in that code in many areas. The ERA Safety Net provides an excellent example of industry self regulation, and we have been participating fully with the ERA to implement this code. We commit to working closely with Ofgem and the ERA on those areas where further development of the code has been identified by Ofgem and Consumer Focus.
5. Given the overall assessment of supply licence compliance and also the positive findings in relation to the ERA Safety Net, we are surprised that Ofgem and Consumer Focus have felt it necessary to propose further licence conditions in this area. Whilst we do not oppose the principles which sit behind the proposed licence change, it is not clear as to how the proposals will materially change supplier behaviour, as suppliers do not appear to be doing anything now which would not be allowed with the changes. However, we look forward to working through Ofgem's evidence and arguments for change in this area, and of course, taking part in the proposed consultation on these proposed changes later in the year.
6. We also note, throughout the document, references to a number of proposed work areas as part of the ongoing programme of work in relation to debt and disconnection. We look forward to working with Ofgem and Consumer Focus in an open and transparent manner across all of these areas.
7. British Gas is discussing the issues raised on meter tampering (or, theft of energy) separately with Ofgem.

8. Finally, we seek an opportunity to meet with Ofgem to discuss our policies and procedures in more detail. We believe that we have an exemplary record in relation to our approach to debt and disconnection, especially in relation to identifying vulnerability. Indeed, this is evidenced by that fact that British Gas has only disconnected 53 occupied properties to date this year.

Review outcomes and the ERA Safety Net

9. We strongly welcome Ofgem and Consumer Focus' findings in relation to the ERA Safety Net. The ERA has worked very effectively in introducing a number of protective measures to protect vulnerable customers from disconnection (which are flagged in your report), and additionally, suppliers have introduced further measures to ensure that disconnection remains the option of absolute last resort. This is reflected in Ofgem's findings that there were less than 6,000 disconnections in the whole of 2008 (c. 0.01% of all customers), i.e. an ongoing downwards trend across the industry.
10. We remain committed to working with the ERA, Ofgem and Consumer Focus to discuss any further areas of improvement to the Safety Net, in terms of clarifying suppliers' obligations under the supply licences and promoting further best practice across the industry, including operational definitions of vulnerability, improving post-disconnection procedures, reviewing protection offered to customers where the fitting of a prepayment meter may not be appropriate and the complicated issue of mixed usage/multi occupancy properties.
11. Furthermore, we are committed to working with the ERA in terms of, (i) reviewing Billing Code governance and (ii) taking part in a further peer review of the current Safety Net arrangements.

Regulatory framework and proposals to clarify existing licence requirements

12. British Gas particularly welcomes Ofgem's conclusion that, based on the evidence sourced throughout the debt and disconnection review over the last six months, it is neither necessary nor appropriate to take enforcement action against suppliers in relation to SLCs 27.10 or 27.11.
13. Whilst we understand from your report that suppliers may have disconnected vulnerable customers in error (which is, of course, never acceptable), we have not seen any credible and material evidence or data to support the introduction of new licence conditions at this time, especially as suppliers have committed to reconnecting vulnerable customers who may have been disconnected in error, as soon as possible.
14. We do not oppose Ofgem's underlying principles here in seeking to bring further clarity, in making clear that suppliers must take proactive steps to seek to ascertain the circumstances of a customer before making a decision to disconnect (suppliers do this anyway), however, we do not understand the basis upon which Ofgem seeks to make these changes given that the proposals will not materially affect current practice.
15. Similarly, whilst we understand the principles behind reconnecting those customers who have been disconnected in summer (and would have been covered by the Moratorium in Winter) prior to the following Winter, we expect Ofgem to clearly state the case for change given that the current arrangements for protecting vulnerable customers appear to work well.
16. We look forward to taking part in the Collective Licence Modification Process later in the year and will be looking to Ofgem to present credible cases for change, backed up with any available evidence.

British Gas metering tampering cases

17. As the document notes, British Gas is in separate discussions over the interpretation of the relevant legislation and regulations in relation to theft. This matter will therefore be dealt with via that route. We also note Ofgem's intention to publish an open letter setting out its conclusions in this regard.

Examples of good industry practice

18. We welcome the publication of examples of best practice (including our own) across the Industry in relation to suppliers' debt and disconnection policies and practices. We will review these examples in relation to our own practices and make any appropriate changes where we believe they will enhance our existing operation.
19. As we have noted above, where appropriate to do so, we will also share and develop best practice with other ERA members.

Wider review of suppliers' approaches to debt management and prevention

20. Ofgem and Consumer Focus set out a number of areas for further review and for which particular attention will be paid. We look forward to working with Ofgem and Consumer Focus in an open and transparent manner across all of these areas.
21. I trust you will find the above satisfactory, but if you require any further clarification on any of the points raised in this response, please feel free to contact me at any time.

Yours sincerely,



Nigel Howard
Senior Regulatory Manager
British Gas

CC: Audrey Gallacher, Consumer Focus