

20 November 2009

Liz Chester

Ofgem

By email

Dear Liz,

Thank you for the opportunity to feed into Ofgem's proposals to change the existing Standard Licence Conditions (SLCs) in relation to debt and disconnection of certain categories of vulnerable customers in winter. We understand why Ofgem decided not to pursue enforcement action in relation to the Consumer Focus Extra Help Unit cases that were considered as potentially breaching SLC 27.10 and 27.11, and will continue to work closely with Ofgem and industry to strengthen the self regulation framework (the safety net), to protect vulnerable consumers from disconnection.

Customers in payment difficulty

Consumer Focus welcomes the clarity and guidance that Ofgem has set out in relation to SLC 27.8. It is crucial that suppliers take a customer's ability to pay into account when agreeing debt repayment rates and plans. In paragraph 3.4 of the review, Ofgem sets out the services that a supplier must offer to a customer when setting up debt repayment, including the option of Fuel Direct (when the customer is in receipt of a qualifying benefit), the opportunity to repay debt through a means other than a pre-payment meter and the provision of energy efficiency advice. During the course of the review we identified the importance of written communication to encourage customers to contact their supplier. Best practice in industry demonstrates that consistency in communicating repayment options, energy efficiency advice and other options of support for customers (for example trust funds or social tariffs) can have an impact on positively encouraging consumers to make contact to discuss debt repayment.

We remain concerned that suppliers have been demanding full, upfront, payment of reconnection charges and other charges incurred as a customer has progressed through the debt path. It is important that suppliers are flexible in the payment arrangements for these charges, and we welcome the guidance from Ofgem that debt repayment for customers on benefits or in severe financial hardship is set at no more the fuel direct level (currently £3.25 a week). Ideally we would expect suppliers to withdraw charges from vulnerable consumers, especially where the nature of the consumer's personal circumstances have impacted on their ability to engage with the supplier at an earlier stage.

We welcome the clarity that Ofgem has set out for suppliers about giving 'due consideration' to information from third parties such as Citizens Advice or the Money Advice Trust, particularly in relation to what a customer can reasonably afford to pay. We have recently received anecdotal evidence from advice providers and frontline advisers about the difficulties that they are continuing to face when contacting suppliers on behalf customers with severe financial difficulties. It is not acceptable that some of these third party agencies are now turning to the Extra Help Unit to resolve the issue because suppliers do not accept their assessment of a customer's vulnerability, and we will continue to monitor this situation, working with third parties and suppliers.

Proposals to clarify the existing licence conditions

We welcome the changes that Ofgem have proposed to SLC 27.10 and 27.11, which make it clearer to suppliers that they are expected to be proactive in checking if a customer is covered by the winter moratorium, and also introduce an obligation to reconnect any such customers ahead of the winter. Amongst the Extra Help Unit cases that we sent to Ofgem, there were examples of vulnerable consumers who would have been covered by the winter moratorium, disconnected outside of the moratorium and left off supply during winter. We are pleased that these revisions will ensure that the customer is reconnected, and go some way toward enhancing the protections for vulnerable consumers.

Please do not hesitate to contact myself or my colleague Dhara Vyas (020 7799 8048 / dhara.vyas@consumerfocus.org.uk) should you require any further information.

Best regards,



Audrey Gallacher
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Consumer Focus