



The UK Government and Devolved Administrations set out a strategy for sustainable development, *Securing The Future*, in 2005. Drawing on this framework and stakeholder feedback, we focus on the five themes which we think capture how the Gas and Electricity Markets Authority should contribute to the sustainability challenges of the 21st century.

The second of the five themes is eradicating fuel poverty and protecting vulnerable customers. While the causes of fuel poverty go beyond energy markets, we are committed to driving forward the debate and working with Government to eradicate fuel poverty. Competitive markets can deliver lower prices, better service and more innovative products than regulated markets, but some regulation remains necessary to protect vulnerable energy customers. Our position recognises the potential conflicts between seeking to tackle climate change and reducing fuel poverty but we aim to ensure that sustainable development is achieved in a way that delivers value for money for current and future consumers.

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Indicator 6: Total number of households in fuel poverty

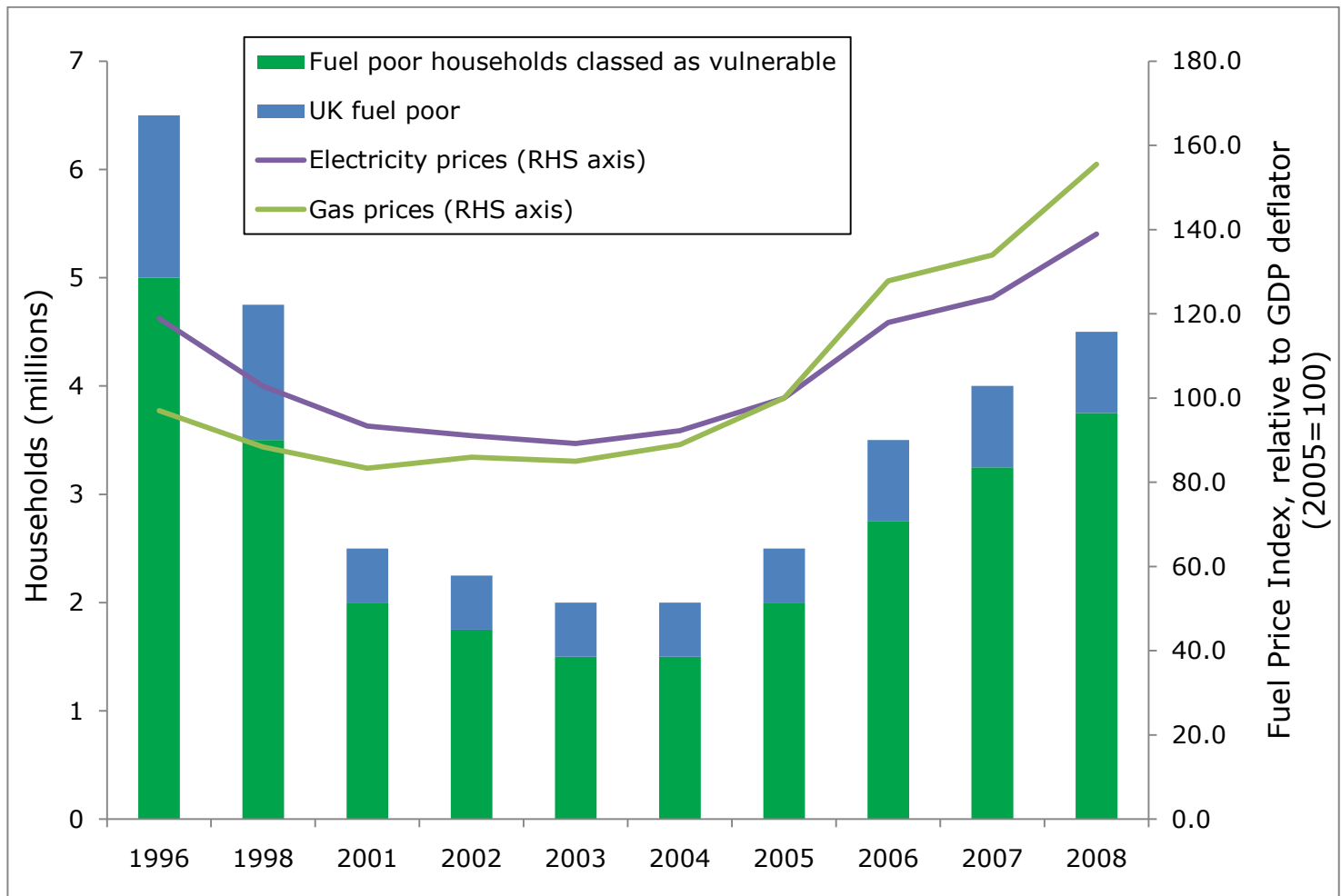


Figure 11 – Estimated number of UK households living in fuel poverty 1996-2007

Source: DECC

This graph shows the number of households in fuel poverty, in relation to the fuel price index, relative to the GDP deflator. We can see that most customers that are fuel poor are also classed as being in a vulnerable household (83% in 2008). DECC states a vulnerable household is one that contains the elderly, children or a disabled or long term sick person, as is currently over 70% of England. The incidence of fuel poverty varies throughout the UK as social and geographical factors can also play a part. Northern Ireland has the highest proportion of fuel poor households in the UK, estimated at over a third.

Declining incidences of fuel poverty from 1996 to 2003 can be largely attributed to rising incomes, energy efficiency improvements and low, stable energy prices. Since 2004, escalating fuel prices outweighed these factors; the gas price has almost doubled since its lowest point in 2001 leading to an increase in fuel poverty.

Indicator 7: Competition and vulnerable customers

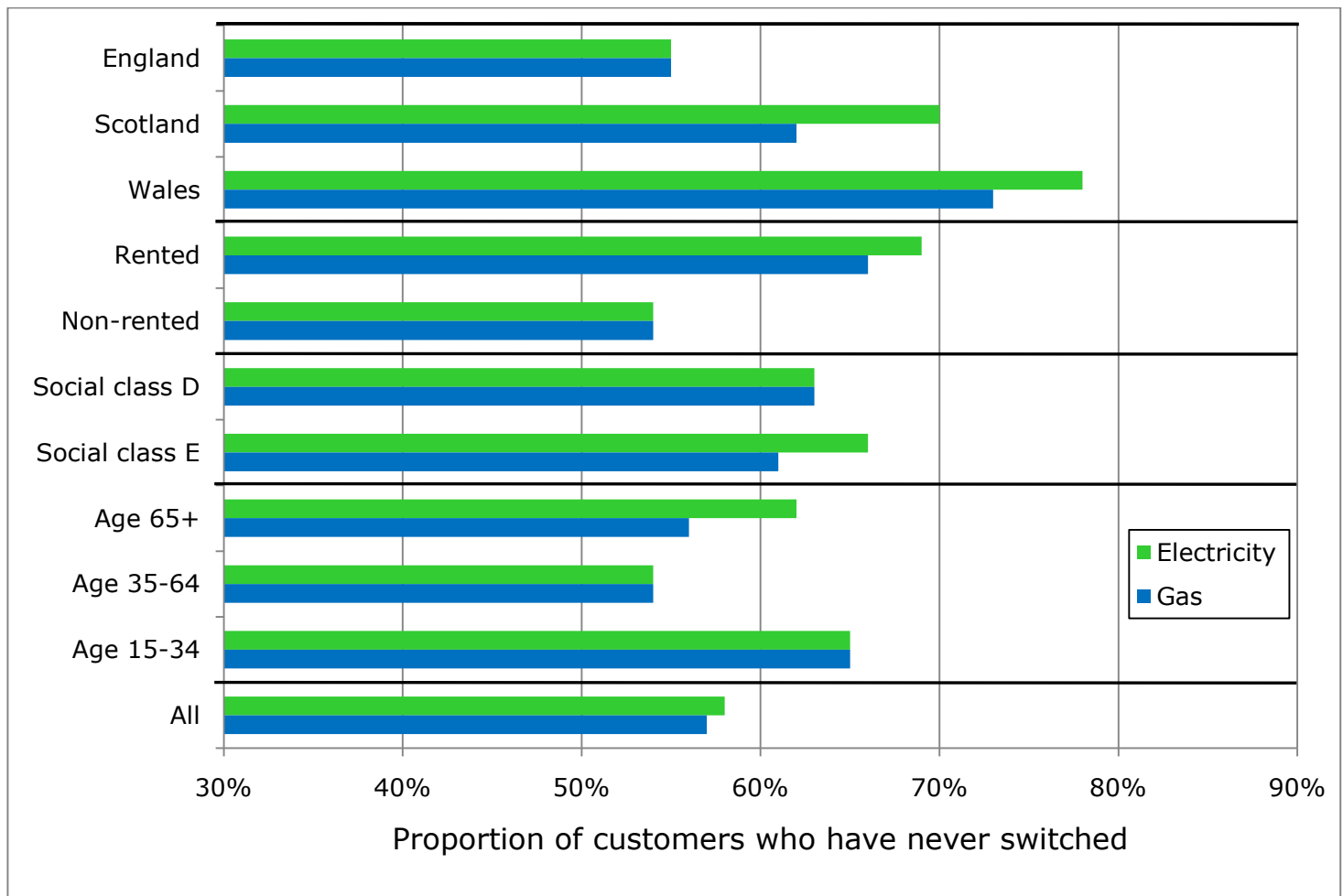


Figure 12 - Number of customers who have never switched energy supplier

Source: Ipsos MORI Consumer Engagement Survey, March 2010

Overall, the number of gas and electricity customers who have never switched has remained broadly the same as previous recent years, with switching rates amongst vulnerable customers also showing little variation.

The survey asked customers whether they had ever switched supplier, up to the end of 2009. Since then we have introduced a package of measures designed to assist consumers to engage in the market as an outcome of our 2008 market investigation, the Energy Supply Market Probe.

Measures include an annual energy statement, a requirement for written estimates from doorstep sales people, and sales literature which is clear and easy to understand. Pre-payment meter customers can now switch even if they have debts up to £200. Through the Energy Best Deal Campaign we are also working with Citizens Advice to provide consumers with advice on savings they could make by switching supplier (and/or by changing the way they pay their energy bills).

Indicator 8: Disconnection for debt

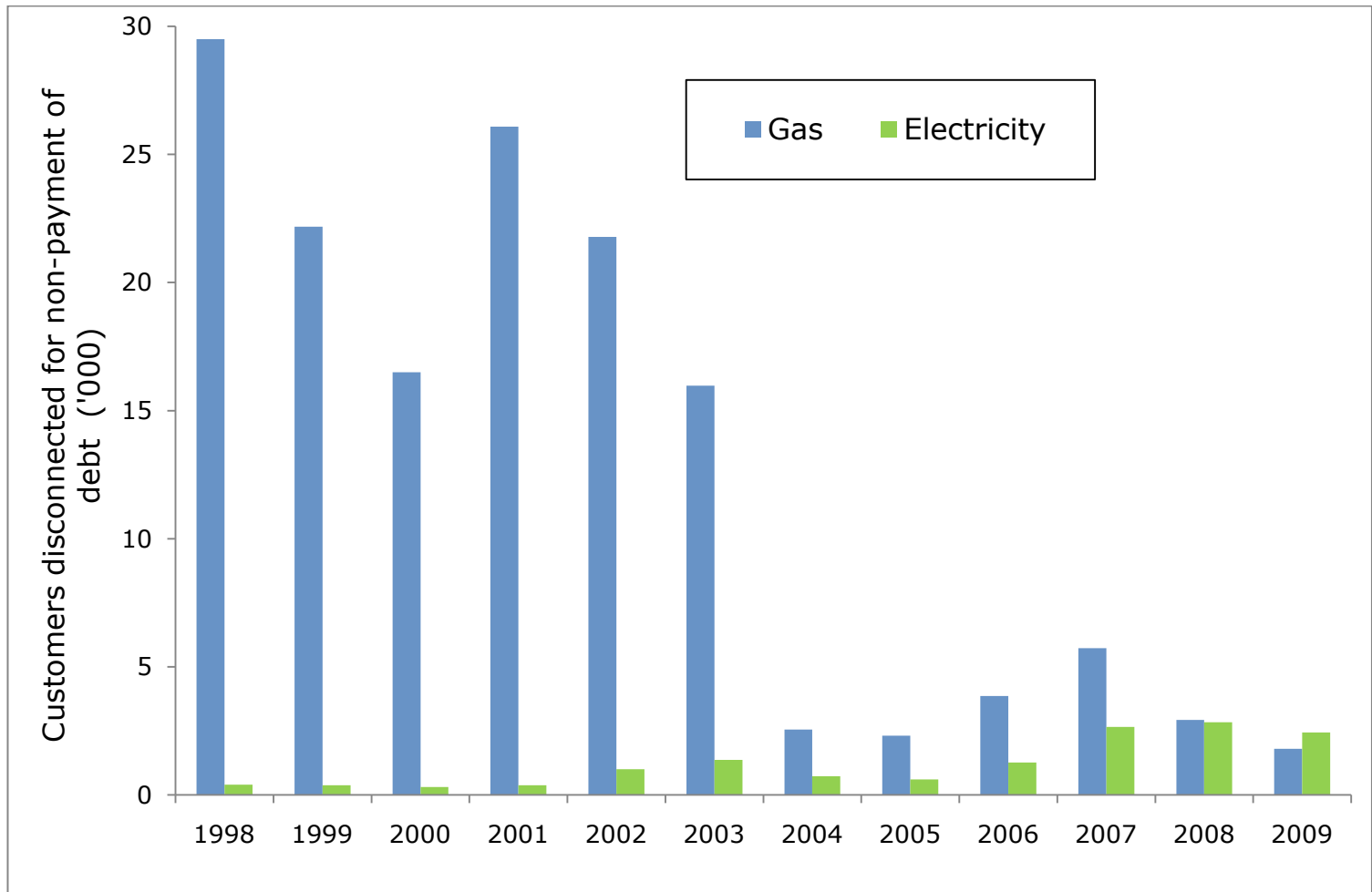


Figure 13 - Total number of customers disconnected for non-payment of debt.

Source: Ofgem report

Disconnections have been falling for the past two years and 1500 fewer customers were disconnected for non-payment of debt in 2009 compared to 2008. This is a positive result in challenging economic circumstances. Our work with the industry has helped to start reversing the slight increase in electricity disconnections seen over the past few years.