

Consumer Bulletin

Ofgem launches market review

Our latest analysis of retail prices shows that the margin on a standard dual fuel tariff is now around £90, an increase of 38 per cent from September.

While we expect efficient firms to make a profit, we want clarity on behalf of consumers that the market is transparent and is working as effectively as possible. So we will review the retail energy market to decide if further changes (following our Energy Supply Probe) are needed to ensure this.

We will go beyond our usual quarterly reports on prices and do a comprehensive review of the retail market and our recent reforms from the consumers' perspective. For further details see the [Electricity and Gas Supply Market Report](#).

A factsheet "[Help with your winter energy bills: What you need to know](#)" has been published giving consumers advice on how to save on their energy bills.



Debt and disconnections update

We recently published 2010's quarter one (Q1) and quarter two (Q2) debt and disconnections report which is part of our ongoing monitoring of suppliers' practices in these areas.



Key trends:

- Overall the number of disconnections for debt fell in the first two quarters of 2010 compared to the same period last year, in particular, the number of gas disconnections fell by 46% in Q2 2010 compared to Q2 2009;
- The total number of customers repaying an energy debt was lower in the first two quarters of 2010 compared to the same period last year for both fuels;
- Despite the decrease overall, the number of gas prepayment meter customers repaying a debt increased by 25% in Q1 and 20% in Q2 of 2010 compared to the same period last year;
- The average level of debt per customer continued to increase in Q1 and Q2 2010 compared to the same quarters last year; and
- For credit customers, repayment rates decreased in Q1 and Q2 of 2010 compared to the same quarters last year and levelled for prepayment meter customers.

We are encouraged by the overall decrease in number of customers in debt and the number of disconnections shown in the figures. However, we are very concerned about the increase in average debts and large gas debts. As we are entering the cold winter months we are urging suppliers to do all they can to help their customers, particularly customers who are vulnerable, to manage their energy bills.

We are currently conducting a review of the data we collect relating to debt and disconnections to ensure that it is fit for purpose and that we are monitoring key developments. We have received views from suppliers and consumer groups and intend to report on our proposed changes by the end of the year.

Continuing to gain valuable consumer insight



Our Consumer First Panel first met in 2008, consisting of 100 Panellists (drawn from all walks of life) to represent Great Britain's consumers.

Our Panel is a unique resource in allowing us to gain valuable insight into what domestic consumers think about the energy industry.



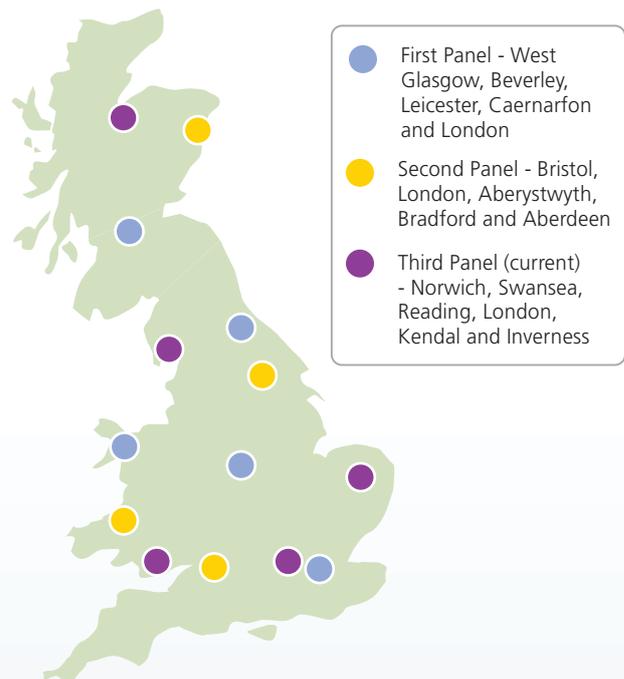
For each year of the Panel we have changed the membership and locations in order for the Panel to continue to give us 'ordinary consumer' views rather than 'expert' ones.

We are now into the third year of our Consumer First Panel. The new Panellists met for the first time in October and told us:

- How their energy use has changed over the years;
- The key information and support considered necessary to help with the change to smart metering technology;
- What messages would need to be given to encourage demand for smart metering and help enable behaviour change; and
- The different roles and responsibilities required to support the installation and rollout process.

A report on the findings will be available on our website in the New Year and the Panel will be meeting again in January.

Consumer First Panel locations



Demand Side Insight

We are working to develop our knowledge of energy consumer behaviour and attitudes. In particular we are keen to understand what drives changes in consumers' consumption. Linked to this, we are responsible for overseeing the Energy Demand Research Project (EDRP) on behalf of Government.

The EDRP is a suite of trials designed to investigate consumer response to improved feedback on their energy use using a range of interventions such as smart meters, in-home displays, enhanced billing and energy saving information. The two-year trials ended in September and the final analysis and report are due to be completed in March 2011.

Reporting on our sustainable development commitment

Last month Ofgem launched a new reporting package to demonstrate our contribution to sustainable development.

The package features [Sustainable Development Focus](#), our new high-level round-up of Ofgem's work over the last year in encouraging progress towards our five sustainable development themes:

- Transition to low carbon economy;
- Eradicating fuel poverty and protecting vulnerable customers;
- Promoting energy saving;
- Ensuring a secure and reliable gas and electricity supply; and
- Supporting improvement in all aspects of the environment.

Alongside Sustainable Development Focus we also published [Sustainable Development Indicator Reports](#), which provides a range of data relating to sustainable development in the gas and electricity sectors. Taken together, these publications replace the Sustainable Development Report that we have published in the past.

We welcome your comments and suggestions on this annual reporting process, please contact Tom Handysides (tom.handysides@ofgem.gov.uk) to give your views.



Average consumption figures to change in January

As part of our work to understand consumers' consumption, in August we published a consultation document entitled "[Revision of typical domestic consumption values](#)".

It presented our review of figures used by us, and other organisations, to represent typical annual domestic energy consumption levels.

Currently, we use the following to represent typical annual domestic consumption: 20,500 kWh for gas and 3,300 kWh for standard electricity. We use these figures to feed into a wide range of analysis, including calculating average annual energy bills and the levels of savings available to consumers who switch. These consumption levels are also often quoted in the press and used by others in the energy industry. These values were last reviewed in 2003 by energywatch, and due to developments in consumption patterns we felt these values needed to be reconsidered.

We reviewed consumption data and analysis from other organisations and considered consumption trends over time. Given annual consumption levels of domestic energy customers in Great Britain, median values were seen to be more representative of typical levels than values derived using the mean. Based on this analysis we considered the figure of 3,300 kWh per year still provides a good estimate of typical annual domestic electricity consumption, but that 16,500 kWh would be more representative of

annual domestic gas consumption. We consulted and sought views on the methodology employed in our analysis as well as our proposal to adopt the figures above.

After a full consideration of responses, we plan to change our typical consumption values to those proposed. We note that a coordinated approach should be taken to facilitate the implementation of these new figures by Ofgem and other interested parties, and that this will help promote consumer understanding of the adjustment. To ensure that suppliers and other stakeholders have adequate time to update their systems, and incorporate new figures into relevant literature and procedures, we will adopt the new figures from 17th January 2011.

We are keen to minimise any confusion this change may cause for consumers. Therefore, we intend to issue a press release and other material around the implementation date in order to explain this change in methodology, and the impact it will have on headline typical energy prices.

Safeguarding consumers' interests

Ofgem intends to introduce a package of consumer protection measures in Spring 2011 to provide for the continued safeguarding of consumers' interests as the roll out of smart metering begins.

One of the benefits of smart metering will be the ability to switch payment methods remotely. However, the remote functionality of smart meters also creates new issues in that it will become much easier for suppliers to disconnect customers or switch them to prepayment meters. Given that some suppliers are already starting to move early and install smart meters on a commercial basis, we recognise the need to move swiftly to ensure that any necessary additional consumer protections, especially in this area, are in place.

Currently the rights of suppliers to use prepayment meters and disconnect customers are set out in the Gas Act 1986 and the Electricity Act 1989 and there are a number of consumer protections in the gas and electricity supply licences. The requirements stipulate that:

- The customer must be given at least 28 days to pay their bill and then at least 7 days notice before the supplier can install a prepayment meter or disconnect the supply following non-payment of charges;
- Suppliers must offer a prepayment meter, where it is safe and

reasonably practicable to do so, to domestic customers who are struggling to pay their bills;

- Suppliers must take all reasonable steps to identify the status of customers and the occupants of premises prior to disconnection; and
- Suppliers are prohibited from knowingly disconnecting customers of pensionable age during winter (October to March) and must take all reasonable steps to avoid disconnecting premises where the customer or occupants are disabled, chronically sick or of pensionable age during this time too.

Members of the Energy Retail Association have also introduced further voluntary protections through their code of practice known as the Safety Net. Among other protections this precludes the disconnection of vulnerable customers at any time.

We are now considering how the current obligations on suppliers apply in the context of smart metering where the supplier is remotely switching a meter from credit to prepayment mode, or remotely disconnecting the supply. Currently a supplier would know



whether it was safe and practicable for the customer to use a prepayment meter because it would have visited the premises to install it.

However, where remote switching to prepayment mode is possible, there may no longer be an operational reason to visit the customer's premises. Therefore, we want to ensure that there are processes and requirements in place to ensure that suppliers continue to only make the switch where it is safe and reasonably practicable.

We will be consulting on our proposed licence amendments in January and welcome views from consumers and consumer representatives.

Citizens Energy Forum

The third meeting of the European Citizens' Energy Forum took place in London in October. The Forum was chaired by the European Commission, hosted by Ofgem's Chair Lord Mogg and attended by over 80 delegates.

Delegates represented national and European consumer associations, European Member States, national

energy regulators and the electricity and gas industry. The particular focus of the Forum was on the development of competitive retail markets that benefit consumers, with issues discussed being: complaint handling; billing and smart metering.

Work will now commence with the European Commission reporting at the

next Forum on the options chosen by Member States to establish their dispute settlement mechanism on complaint handling. As well as the European Regulators' Group for Electricity and Gas (ERGEG) and the Council of European Energy Regulators (CEER) developing recommendations for further guidance regarding smart metering.

For further information contact consumer.first@ofgem.gov.uk or see our website: www.ofgem.gov.uk