



Gas suppliers, electricity suppliers, consumer groups, and other interested parties

*Promoting choice and value for all gas and electricity customers*

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Dear Colleagues

### **Social obligations data review – consultation on proposed changes**

Ofgem collects quarterly and annual data from domestic suppliers in relation to debt, disconnection, prepayment meters and help for vulnerable customers. This is used to review suppliers' performance in relation to specific social obligations, including areas of operation where vulnerable customers may be affected. By monitoring these statistics, Ofgem can identify areas of suppliers' policies and practices where improvements need to be made. The data is gathered and published on a quarterly and annual basis.

Over the past year we have been reviewing the data we collect from suppliers. We previously sought views from stakeholders on the data we gather early last year<sup>1</sup>. We also followed this short consultation with a meeting with suppliers to discuss their initial views. The purpose of this letter is to outline our proposed changes and seek views from suppliers and other stakeholders on these changes.

#### Background to the review

Gas and electricity suppliers have an obligation under Standard Licence Condition (SLC) 32 to provide information to Ofgem relevant to their dealings with domestic customers (see appendix 1). We collect information under SLC32 to monitor suppliers' performance in the areas of debt, disconnection, the number of customers using PPMs, the provision of energy efficiency information, the number of customers on suppliers' Priority Service Registers (PSRs) and the services offered to PSR customers.

We collect this data to help us ensure domestic customers are being protected and specifically to:

- identify areas for future policy work;
- monitor supplier performance and determine if suppliers are complying with their licence conditions relating to customers who have a disability, a chronic sickness, are of pensionable age or on low incomes (SLCs 26-32); and
- identify and assess particular issues of concern with supplier performance.

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<sup>1</sup> Domestic suppliers' quarterly social obligations report – Q3 2009  
<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Documents1/Q3%20Letter%20Final.pdf>

The data collection was last reviewed in 2007 when the latest guidance on 'Monitoring suppliers' performance in relation to domestic customers' was issued<sup>2</sup>. We have been conducting this review to determine if the data currently collected is still fit for purpose or if any changes need to be made to achieve our objectives listed above.

We have considered the views of stakeholders, in addition to the findings of our own work relating to debt, disconnection and prepayment meters<sup>3,4</sup>. We have also considered whether additional monitoring is needed in relation to remote switching to prepayment mode and remote disconnection which is possible with smart meters. This follows our consultation on these issues in June 2011<sup>5</sup>.

It is likely that further additions to the data collected will be made next year once arrangements for the Green Deal are known.

### Proposed changes

Respondents to our request for views had a number of suggestions to add or remove certain data items from the data collection to better meet our objectives for how the information is used. Some responses also revealed that some definitions in our guidance need changing or tightening up to meet our objectives and improve the clarity of what we are requesting. A summary of the key changes we are proposing is given below. Further detail on these proposed changes and definitions can be found in appendix 2.

#### *Number of customers in debt*

As a proxy for the number of gas and electricity customers in debt, we currently collect information on the number of customers on a debt repayment arrangement scheduled to last longer than 91 days/13 weeks. This measure excludes customers who are in debt to their supplier but have not yet set up a repayment arrangement and therefore misses a core group of customers struggling to pay. Therefore, in addition to the data we currently collect, we are proposing that suppliers provide us with the number of customers in arrears for longer than 91 days/13 weeks.

This change will have a knock on effect for other areas of the data collection, such as the annually-collected data on the provision of energy efficiency information and advice. Currently we request data on customers "in debt" provided with energy efficiency information. We are proposing to widen the definition of debt in this section to be consistent with all customers in arrears for longer than 91 days/13 weeks, whether or not they are on a debt repayment plan.

We also want to clarify the circumstances where direct debit customers should be included in the number of customers in debt. The current guidance specifies that direct debit customers should only be included where they have joined the direct debit scheme specifically to repay a debt. All other direct debit customers should be excluded, including those that have had their payments increased because previous payments were set too low. We plan to continue with this approach.

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<sup>2</sup> Current reporting guidance:

<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Documents1/Monitoring%20Suppliers%20Performance%20Guidance.pdf>

<sup>3</sup> Review of protection for vulnerable customers from disconnection, August 2009:

<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Review%20of%20vulnerable%20customer%20disconnections%20report.pdf>

<sup>4</sup> Review of suppliers' approaches to debt management and prevention, June 2010:

<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Debt%20Review%20Report.pdf>

<sup>5</sup> Smart Metering Spring Consumer Protection Package, June 2011:

<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Smart%20Metering%20Consumer%20Protections%20Package%20-%20Statutory%20Consultation.pdf>

## *Repayment rates*

We currently collect information on the average weekly repayment rates of credit customers and those repaying a debt through a prepayment meter. This information is collected on a quarterly basis and covers all new repayment arrangements agreed in that quarter.

Suppliers have raised concerns with us that the information collected on the repayment rates of credit customers may not provide the level of granularity necessary to understand the range of repayment rates of this wide group of customers. We are therefore proposing to split the repayment rates of credit customers by payment method; ie by those who have set up a direct debit specifically to repay a debt, those paying by quarterly cash or cheque, those on budgeting payment schemes, those paying through Fuel Direct and those paying by 'other' means; and by payment amount.

One supplier has also suggested that instead of requesting weekly average repayment rates agreed during the particular quarter, we collect information on the average of all repayment rates currently being paid. We are not proposing to do this as we consider it is important we are able to examine what is currently happening with repayment rates.

We also propose to collect information from suppliers on the number of customers that have failed to make their repayments as part of an agreed arrangement each quarter. As noted in the key Principles for ability to pay (identified in our Review of suppliers' approaches to debt management and prevention, June 2010), monitoring of failed arrangements should provide a clearer picture of whether suppliers are setting realistic repayment arrangements.

## *Disconnection*

We currently collect information on the total number of disconnections each quarter. Some suppliers have also suggested that we collect information on the number of customers where a PPM has been installed on a warrant with a blanking disc (which means the PPM will not work until the supplier visits the premises to remove the blanking disc). We understand from our debt review that suppliers are increasingly doing this as an alternative to disconnection where a working PPM would cause a safety risk, and therefore propose that this information be included.

We are also proposing to ask each supplier to provide on an annual basis the number of disconnections that it performs because it was not safe or practicable to install a PPM.

In order to build up a better picture of the steps suppliers are taking to support customers after disconnection, we are also proposing to ask suppliers to provide the number of disconnected customers who were contacted by telephone (actual and attempted) or letter within 2 working days of the disconnection.

We are also proposing to collect information on the number of gas and electricity customers disconnected for theft.

Smart metering allows suppliers to remotely disconnect customers. In order to monitor this area specifically we are proposing to ask suppliers to include the number of gas and electricity customers remotely disconnected separately from manual disconnections (ie where a supplier visits the customer's premises to disconnect).

The functionality offered by smart meters will also enable suppliers to introduce new approaches to disconnection for unpaid charges, such as load limiting<sup>6</sup> and credit limiting<sup>7</sup>.

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<sup>6</sup> Load limiting is also known as 'trickle disconnection' and is where customers are limited to a minimal flow of electricity.

<sup>7</sup> Where customers are automatically cut off if they owe more than a predetermined amount.

As part of our Smart Metering Consumer Protections Package we are proposing to amend the Standard Licence Conditions to provide protection to customers from these new approaches to disconnection. In addition, in order to closely monitor developments in this area, we are proposing to collect information on the number of customers on a load limit and the number of customers on a credit limit. While this information will not provide a detailed insight on the use of load or credit limiting, it will provide us with an indication as to whether further investigation is required.

As part of our Smart Metering Consumer Protections Package, we also called upon suppliers to provide compensation to customers disconnected in error. The six major suppliers have agreed to put voluntary compensation arrangements in place through the Energy Retail Association (ERA) Safety Net. In order to help monitor the impact of these arrangements, we are proposing that suppliers provide information on the number of customers disconnected in error, the amount of compensation paid to these customers, how long they were disconnected, and the reasons for these wrongful disconnections. We will discuss with the ERA a common categorisation for reporting wrongful disconnections and common bandings for the periods of time that customers were wrongfully disconnected.

#### *Prepayment meters*

Following our work last year looking into suppliers' debt practices we are proposing to ask each supplier to provide on an annual basis the number of PPM customers on Independent Gas Transporters (IGT) sites, the number of PPM customers on IGT sites repaying a debt and, in order to provide a benchmark, the number of customers on IGT sites.

In addition to our proposal to require information on remote disconnections, we are also proposing to ask suppliers to report on the number of customers remotely switched from credit to prepayment, (and those from prepayment to credit), split by those repaying a debt and those not. We consider it will be necessary going forward for us to monitor remote switching to PPM as suppliers roll out smart meters.

#### *Energy efficiency advice and information*

On an annual basis we collect information on the number of customers provided with energy efficiency advice by a specialist energy efficiency advice line or qualified person and the number of customers on a debt payment arrangement and the number on the Priority Services Register (PSR) provided with energy efficiency information. One of the uses of this information is to inform Ofgem whether suppliers are complying with the requirement to provide energy efficiency information to customers struggling to pay.

Suppliers have suggested that we include energy efficiency information which is provided through alternative forms of communication, such as by text message and web download. We agree that some of these forms of information should be included, such as information supplied by email or text message. Currently we think that allowing suppliers to include information supplied by web download is problematic as it is very difficult to accurately identify who is downloading information. Therefore, we are not proposing to include web downloads.

We have noted that there appears to have been some confusion amongst suppliers about what information would be classified as energy efficiency advice and information. We intend to explore these issues further and will write again to clarify, and where necessary tighten, the guidance shortly.

#### *Priority Services Register (PSR)*

Suppliers also made suggestions around removing various questions regarding their PSRs as they felt certain questions were no longer needed or that the data was not used. When considering if we should remove any questions from this section we have been mindful that SLC 32 does require suppliers to provide information on the services offered by suppliers to

customers on their PSRs. We consider the information suggested for removal is still necessary for us to achieve our objectives and monitor suppliers' compliance with their Supply Licence Conditions. However, we are proposing to remove one question which asks about the number of customers who wish to join the PSR but are not able to. This is because the six major suppliers always report '0' for this.

*Changes we propose not to make*

Aside from the suggestions made with regard to PSR data noted above, it was also suggested by one supplier that we align our reporting requirements with data collected by the Retail Markets team in Ofgem to help us monitor the extent of competition in the energy supply markets. We have examined the type of data collected by both teams and have identified significant differences. These differences are necessary because of the different purposes for which we use the data. Both sets of data are important and we do not consider that there is any overlap between the two. We are therefore proposing not to make any changes.

*Next steps*

Any comments on our proposed changes are requested by 1 November 2011 and should be sent to Helen Harper (Helen.Harper@Ofgem.gov.uk).

Following responses to this letter we will reissue an amended version of our guidance to suppliers on the submission of information used to monitor suppliers' performance in relation to domestic customers. We will then be looking for suppliers to begin reporting on the new data as soon as possible.

If you have any questions regarding this letter, please contact Helen Harper on 0207 901 3073.

Yours sincerely,



**Philip Cullum**  
**Partner, Consumer and Demand Insight**

## **Appendix 1 – Standard Licence Condition 32**

### **Condition 32. Reporting on performance**

32.1 The licensee must provide the Authority and the Consumer Council with information specified by the Authority relating to matters that it reasonably considers are relevant to the licensee's dealings with its Domestic Customers.

32.2 The information referred to in paragraph 32.1 may, in particular, include information about:

- (a) the number of the licensee's Domestic Customers using each method of payment for Charges for the Supply of Gas;
- (b) failures by the licensee's Domestic Customers to pay Charges for the Supply of Gas by the date on which the payment was due;
- (c) Disconnections carried out by the licensee;
- (d) the provision by the licensee of gas safety checks and energy efficiency information; and
- (e) the services offered by the licensee to Domestic Customers on its Priority Services Register and the number of Domestic Customers who are listed on that register.

32.3 The information provided by the licensee under paragraph 32.1 must be in the form of a statistical record having such content and being presented in such a format and at such intervals of time as the Authority may from time to time direct following consultation with the licensee and the Consumer Council.

## Appendix 2: Proposed changes to definitions and data items

The following shows our proposed changes and should be read alongside our current reporting guidance found here:

<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Documents1/Monitoring%20Suppliers%20Performance%20Guidance.pdf>

### Definitions – proposed changes

Section of reporting return	Definition of	Location in guidance	Current definition	Proposed new definition
2	Domestic Debt –all customers	Page 7, para 2.7	All items in this section should include customers who have their PPMs set to collect debt and non-PPM customers on a debt payment arrangement scheduled to last longer than 91 days/13 weeks.	All items in section 2 ( <b>apart from new questions 2.6 and 2.7 in 'proposed inclusions' section below</b> ) should include customers who have their PPMs set to collect debt and non-PPM customers on a debt payment arrangement scheduled to last longer than 91 days/13 weeks, and customers who are struggling to pay.
2	Debt payment arrangement (part specific to direct debit customers)	Page 7, para 2.8	Direct debit customers should only be included where they have joined the scheme specifically to repay a debt. All other direct debit customers should be excluded.	Direct debit customers should only be included where they have joined the scheme specifically to repay a debt, or where they have fallen into debt while on direct debit by defaulting on one or more payments.  All other direct debit customers, including those customers with a debit at the end of a payment scheme that will be rolled into a new payment scheme, should be excluded.
2	Customers struggling to pay	Not currently there	No current definition	Customers who have not yet set up a formal debt repayment arrangement but who have arrears outstanding for longer than 91 days/13 weeks. Direct debit customers (above) are excluded.

5	Disconnection	Page 9, para 2.22	<p>"Disconnection" is used as a general term, not specific to the removal of a meter. This will, in the case of electricity, cover de-energisations.</p> <p>This section refers exclusively to customers who have had their supply disconnected/de-energised for the non-payment of debt.</p> <p>Premises that are found to be vacated when the supplier arrived to disconnect should not be included...</p>	<p>"Disconnection" is used as a general term, not specific to the removal of a meter. This will, in the case of electricity, cover de-energisations.</p> <p>This section refers exclusively to customers who have had their supply disconnected/de-energised for the non-payment of debt.</p> <p>Installed PPMs with a blanking disc inserted at warrant should be included.</p> <p>Premises that are found to be vacated when the supplier arrived to disconnect should not be included...</p>
5	Disconnection for theft	Page 9, para 2.22	No current definition	<p>"By disconnection on grounds of theft" we mean the number of customers disconnected carried out on the basis of supplier's statutory powers (or contractual terms which reflect those powers) in respect of damage/ injury to, or the interference with, meters pursuant to:</p> <p>paragraph 6(3) of schedule 6 to the Electricity Act 1989;</p> <p>paragraph 11(3) of schedule 6 to the Electricity Act 1989;</p> <p>paragraph 10(2) of Schedule 2B to the Gas Act 1986.</p>
9	Energy efficiency	p. 13, para 2.56	... the information may be verbal or written.	...the information may be verbal or written, including information supplied by text message or email.



## Proposed inclusions

Inclusions to quarterly collection

Section of reporting return	Question number	Current question	Proposed new question	To be included on a quarterly or annual basis or both
2	2.6 (new question number)	No current question	Number of customers who are struggling to pay (see new definition of struggling to pay).	Both. The annual figure will be a snapshot as at Q4
2	2.7 (new question number)	No current question	Number of customers in debt. (Include only customers who have their PPMs set to collect debt and non-PPM customers on a debt payment arrangement scheduled to last longer than 91 days/13 weeks).	Both. The annual figure will be a snapshot as at Q4
<p><b>NB: The proposed new questions below for section 3 should include non-PPM customers on a debt payment arrangement scheduled to last longer than 91 days/13 weeks. Suppliers should also provide data separately for each of the following payment methods: direct debit (as per the definition above), quarterly cash or cheque, budgeting payment schemes, Fuel Direct, and 'other'.</b></p>				
3		No current question	Number of customers entering into a weekly payment agreement of £0-£3 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.
3		No current question	Average (mean) number of weeks customers entering into a weekly payment agreement of £0-£3 in this quarter are being allowed to repay their debt.	Both. The annual figure will be a cumulative figure for the 4 quarters.
3		No current question	Number of customers defaulting on a payment agreement of £0-£3 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.
3		No current question	Number of customers entering into a weekly payment agreement of £3-£6 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.

3		No current question	Average (mean) number of weeks customers entering into a weekly payment agreement of £3-£6 in this quarter are being allowed to repay their debt.	Both. The annual figure will be a cumulative figure for the 4 quarters.
3		No current question	Number of customers defaulting on a payment agreement of £3-£6 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.
3		No current question	Number of customers entering into a weekly payment agreement of £6-£8 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.
3		No current question	Average (mean) number of weeks customers entering into a weekly payment agreement of £6-£8 in this quarter are being allowed to repay their debt.	Both. The annual figure will be a cumulative figure for the 4 quarters.
3		No current question	Number of customers defaulting on a payment agreement of £6-£8 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.
3		No current question	Number of customers entering into a weekly payment agreement of £8-£10 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.
3		No current question	Average (mean) number of weeks customers entering into a weekly payment agreement of £8-£10 in this quarter are being allowed to repay their debt.	Both. The annual figure will be a cumulative figure for the 4 quarters.
3		No current question	Number of customers defaulting on a payment agreement of £8-£10 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.
<b>NB: The proposed new questions below for section 4 should include only customers who have their PPMs set to collect debt.</b>				
4		No current question	Number of customers entering into a weekly payment agreement of £0-£3 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.

4		No current question	Average (mean) number of weeks customers entering into a weekly payment agreement of £0-£3 in this quarter are being allowed to repay their debt.	Both. The annual figure will be a cumulative figure for the 4 quarters.
4		No current question	Number of customers entering into a weekly payment agreement of £3-£6 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.
4		No current question	Average (mean) number of weeks customers entering into a weekly payment agreement of £3-£6 in this quarter are being allowed to repay their debt.	Both. The annual figure will be a cumulative figure for the 4 quarters.
4		No current question	Number of customers entering into a weekly payment agreement of £6-£8 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.
4		No current question	Average (mean) number of weeks customers entering into a weekly payment agreement of £6-£8 in this quarter are being allowed to repay their debt.	Both. The annual figure will be a cumulative figure for the 4 quarters.
4		No current question	Number of customers entering into a weekly payment agreement of £8-£10 in this quarter.	Both. The annual figure will be a cumulative figure for the 4 quarters.
4		No current question	Average (mean) number of weeks customers entering into a weekly payment agreement of £8-£10 in this quarter are being allowed to repay their debt.	Both. The annual figure will be a cumulative figure for the 4 quarters.
<b>Additional questions for section 4</b>				
4		No current question	Number of PPMs installed on IGT network sites.	Just annual.
4		No current question	Number of PPMs for debt installed on these IGT network sites.	Annual only.
4		No current question	Number of smart meter customers	Both. The annual figure will be a

			remotely switched from credit to PPM repaying a debt.	cumulative figure for the 4 quarters.
4		No current question	Number of smart meter customers remotely switched from credit to PPM not repaying a debt.	Both. The annual figure will be a cumulative figure for the 4 quarters.
4		No current question	Number of smart meter customers remotely switched from PPM to credit.	Both. The annual figure will be a cumulative figure for the 4 quarters.
5		No current question	Number of disconnected customers contacted by telephone (attempted contact and actual contact) or letter within 2 working days of being disconnected.	Both. The annual figure will be a cumulative figure for the 4 quarters.
5		No current question	Number of customers disconnected during this reporting period who were reconnected more than 1 quarter after their original disconnection.	Annual only.
5	A5.6	Of those disconnected in this reporting period, the number of customers not reconnected in this reporting period.	Of those disconnected in this reporting period, the number of customers not reconnected in this reporting period.	Question stays the same but way of generating the answer for the annual question to change. Supplier to manually input this in the annual return. Currently this is generated automatically from the quarterly return. As a result the number generated is the sum of all customers not reconnected beyond the quarter, not the number of customers not reconnected during the year.
5	New question number	No current question	Number of customers disconnected in this reporting period where it was not safe and practicable to install a PPM.	Annual only.
5		No current question	Number of customers with smart meters disconnected remotely in this reporting period.	Both. The annual figure will be a cumulative figure for the 4 quarters.

5		No current question	Number of customers with smart meters disconnected in error in this reporting period.	Both. The annual figure will be a cumulative figure for the 4 quarters.
5		No current question	Number of customers disconnected in error in this reporting period.	Both. The annual figure will be a cumulative figure for the 4 quarters.
5		No current question	Periods of time customers disconnected in error in this reporting period were without supply.	Both. The annual figure will be a cumulative figure for the 4 quarters.
5		No current question	Total and average amount of compensation paid to customers disconnected in error in this reporting period.	Both. The annual figure will be a cumulative figure for the 4 quarters.
5		No current question	A categorised list of reasons for those customers disconnected in error in this reporting period.	Both. The annual figure will be a cumulative figure for the 4 quarters.
5		No current question	Number of customers with smart meters subject to a load limit in this reporting period.	Both. The annual figure will be a cumulative figure for the 4 quarters.
5		No current question	Number of customers with smart meters subject to a credit limit in this reporting period.	Both. The annual figure will be a cumulative figure for the 4 quarters.
5	New question number	No current question	Number of customers disconnected for theft in this reporting period.	Annual only.
5	New question number	No current question	Of those disconnected for theft in this reporting period, number of customers reconnected.	Annual only.
5	New question number	No current question	Of those disconnected for theft and reconnected in this reporting period, the average period (days) of disconnection.	Annual only.
9		No current question	Number of customers struggling to pay or on a debt repayment arrangement provided with energy efficiency advice in this reporting period.	Annual only. Should be a sub-set of 9.1

9		No current question	Number of customers provided with energy efficiency information during this reporting period.	Annual only.
9	A9.2	Number of customers on a debt payment arrangement provided with energy efficiency information in this reporting period.	Number of customers struggling to pay or on a debt payment arrangement provided with energy efficiency information in this reporting period.	Annual only. Should be a sub-set of the question above.

*Proposed data items for removal*

1.1. We propose to remove data item A8.2 from the annual return, 'The number of customers refused from joining the Priority services register' as the suppliers always report '0' on this and state they would never refuse anyone from joining it who was eligible. Removing this question does not diminish our ability to achieve our objectives and it does not detract from suppliers' ability to comply with SLC 32.2(e) which relates to their PSRs. (see Appendix 1 for SLC 32)

We have decided not to remove the other data items that suppliers suggested we take out of the collection as these do relate directly to SLC 32.2(e) in terms of being information on the services offered to customers on suppliers' PSRs.