OFGEM: The Retail Market Review: Non-domestic Proposals

Response from the Association of Residential Managing Agents (ARMA)

(Responses should be received by **15 February 2012** and should be sent to:
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Introduction
This reply is from the Association of Residential Managing Agents whose members act as agents for landlords of private blocks of flats in England and Wales. The supply to the common parts of those blocks of flats, held in the name of the landlord, is a non-domestic supply in the licence conditions of OFGEM. [As you are aware there has been consultation on this point but the position remains the same.]
So ARMA's members are acting as agents for many small businesses that are treated as non-domestic customers even though the supply is related to domestic premises. These small businesses are much more like voluntary organisations than commercial enterprises and have little expert knowledge about the way suppliers and the energy market operates.
ARMA welcomes the moves by OFGEM in this consultation paper, which will make for a more level playing field for small businesses. However as set out below more thought needs to be given to supplies to small businesses defined by OFGEM as in receipt of non-domestic supply but which are not commercial enterprises.

Further information about ARMA is attached as an Appendix 1.

Case studies from ARMA members about problems with the energy market and blocks of flats are attached as Appendix 2.

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CHAPTER: One
Question 1: Are there other key issues that we should be looking into in the non-domestic sector?

1a. Backbilling
Backbilling is a problem for ARMA's members as it is for other small businesses. We are pleased that ERA is looking at a voluntary code of practice about backbilling but we agree with OFGEM's comments in a letter of the 6th of December on the draft code. The draft is not good enough.

The time limit put forward in Standard 4 states that, "where a micro-business customer has taken all reasonable steps to avoid a back-bill, suppliers will commit to limit any back-bill to three years for electricity bills and for a period related to settlement in relation to gas."
We feel strongly that this period should be one year and we note that British Gas is willing to abide by one year. Any code should be accepted by the suppliers that are not members of ERA.
In addition we do not think this should be self-regulatory; the problems with poor meter reading are severe and will not be solved if smart metering is delayed or postponed indefinitely as now seems probable.

1b. Disconnection
Disconnection of the supplies to the common parts of a block of flats is a drastic action. It is not just about disconnecting a business customer who will not pay; it is about the supply to the fire alarm, emergency lighting, the lift, and water and sewerage pumps in high rise blocks. There have been few disconnections but the ones that have happened have been unnecessary and shown poor practice from the utility companies.
ARMA has recently agreed a protocol with ERA about disconnections to blocks of flats and it is attached as an Appendix 3 to this response.
ARMA wishes a similar disconnection code become a requirement for the treatment of all small business customers and that the code applies to all suppliers not just the members of ERA. The evidence provided to OFGEM by Consumer Focus in the paper 'Small business, big price: Depth interviews with disconnected micro-business energy customers shows that action is needed as soon as possible to protect all small businesses from unnecessary disconnection.

1c. Credit Checking and Consumer Choice

Difficulties arise from the hybrid status of Resident Management Companies (RMCs) which, while classified as commercial enterprises by OFGEM, operate in a way which is more akin to not-for-profit organisations. OFGEM has classified landlords, including thousands of resident management companies as non-domestic , but their particular characteristics need to be recognised, within the regulatory regime.

We estimate that up to 60,000 micro businesses are Resident Management Companies (RMCs). These are small companies whose members are the leaseholders in a block of flats. The RMC is responsible for managing the communal areas of those same flats. ARMA estimates that for about 60% of blocks of flats in England and Wales the effective landlord for supplies to communal areas is a resident management company.

Under Landlord and Tenant law, landlords, including resident management companies, have to collect and spend service charges as trustees (S42 of 1987 Landlord &Tenant Act). The company acts a trustee and the service charge monies do not belong to the company as the company's assets. This means that these companies generally have no assets and many file as dormant at Companies House. They are not in business to make a profit; they collect service charge monies and spend it only on services for blocks of flats. They may keep a reserve fund for long term repairs but they have no other assets.

Accounting guidance from the main accounting bodies for these resident management companies is that the transactions relating to service charges should be separate to those of the company because they are made as part of a

trustee relationship. So the statutory accounts filed at Companies House by these companies show no trading activity.

The suppliers treat these companies as if they were just like any other commercial enterprise. They carry out credit checks as if they were a commercial enterprises and the RMCs may be refused supply by many energy suppliers because as companies they have no assets in their statutory accounts at Companies House; or alternatively conditions are put on the offer, such as a large deposits – not possible if you have no reserves- and direct debit payments.

Direct debits may seem sensible to the suppliers but it is not for these landlords. Service charge monies collected by landlords from private leaseholders are defined by statute as trust monies as explained above and should be kept in trust funds. This trust status means that the fund should not be allowed to be in deficit and so a direct debit payment becomes problematic. In addition many managing agents and ARMA members are chartered surveyors. The current guidance from the Royal Institution of Chartered Surveyors is that no direct debits should be set up on any trust or client account; these are the accounts opened by agents for landlord clients.

Utility companies have taken an increasingly tough stance with these companies in recent years. The issue that OFGEM needs to address is that these micro businesses want to compare rates in the market, but may have little effective choice.

Question 2: What would stakeholders like to see on our website to help business customers and support a competitive supply market?

An independent listing of tariffs from suppliers aimed at small businesses and that are not spot tariffs, similar to the comparison sites for the domestic sector.
OFGEM needs to make the suppliers provide information to allow price comparison sites for small businesses and voluntary organisations.
The industry codes of practice for small businesses about disconnection and backbilling should be available on OFGEM's website and the procedures for suppliers that relate to contract renewals and rollovers and the rights of small businesses about these.

CHAPTER: Two
Question 3: Do stakeholders agree with our proposals to extend the scope of SLC 7A to include a wider small business definition, and do you agree with our proposed definition?
Yes it is logical. Even though most landlords in the residential leasehold sector are micro businesses it is clear that other small businesses are not well served by the current market and could benefit from the protections being offered to micro-businesses.
Question 4: Do stakeholders foresee significant costs or complications if we were to introduce our proposals? If so, please provide details and cost estimates.
No answer.
Question 5: Do stakeholders agree with our estimates on the number of extra businesses covered by our proposed definition?
No opinion.
Question 6: Do stakeholders agree that we should review termination procedures and our current position that allows automatic rollovers?
This needs urgent attention. These contract terms are common amongst large businesses with clout against small businesses and should be stopped. There

should be no automatic rollovers. It is quite wrong that a contract can have such short windows, which can be months before the contract expires, in which to decide whether to opt out and there is no requirement for the supplier to give adequate notice of that period.
Question 7: Are there other clauses that stakeholders believe we should be reviewing, in light of our expanded definition proposal?
No opinion.

CHAPTER: Three
Question 8: Do stakeholders agree with the conclusions we have drawn?
Yes
Question 9: Do stakeholders agree that we do not need to make changes to SLC 14 governing objections to supply transfer for non-domestic suppliers?
The action you propose to raises awareness of the requirements on suppliers, together with increased monitoring, should encourage better behaviour. But the situation should be kept under review as it is clear from your evidence that there are examples of poor performance.
Question 10: Do stakeholders believe that we should publish our data relating to supplier objections on a regular basis?
Yes
Question 11: Are there other issues with the objections procedure, other than the obligations of the licence condition, which stakeholders consider need to be addressed?
No answer.
Question 12: Do suppliers who have voluntarily sent data have views on whether the data we currently ask for on a monthly basis needs to change and why?
No answer.

CHAPTER: Four
Question 13: Do stakeholders agree that the introduction of a new supply licence condition focussed on sales activities is a suitable method to prevent harmful sales and marketing activities in the non-domestic sector? The Retail Market Review: Non-domestic Proposals 44
Yes

Question 14: Do stakeholders agree that this licence condition is necessary if Ofgem decides not to proceed with its Standards of Conduct proposals?
Yes

Question 15: Do stakeholders consider the introduction of an accreditation scheme for TPI Codes of Practice will reduce harmful TPI activities across the whole market?
Yes. We think this is an excellent proposal.

Question 16: What do stakeholders consider to be key criteria for an accreditation scheme for TPI Codes of Practice?
We recommend the use of UKAS (United Kingdom Accreditation Service) or the criteria set out by the Office of Fair Trading for trade associations.

Question 17: Do stakeholders believe it is necessary for TPIs to disclose their actual fee, or would making clear the fact that the customer is paying a fee for their services be sufficient?
Yes this is essential. It is not just that a fee or commission is taken but the client needs to know the amount to decide if that fee is reasonable for the work done. At present some small businesses use TPIs because they feel totally ignorant of

how to deal with the big energy companies. There must be disclosure and more transparency so that the customer is given knowledge.

CHAPTER: Five
Question 18: Do you feel the revised SOCs will help to achieve our objectives?

Yes. But they should also be followed up by more guidance on how those standards should be achieved. These examples would not be prescriptive but would focus on the problems identified in OFGEM's surveys and how good practice might be shown to be evident.

Question 19: Do you agree that the SOCs should be in a licence condition and enforceable?
Yes
Question 20: Do you agree the revised SOCs should apply to all interactions between suppliers and consumers?
Yes
Question 21: Do you have information regarding potential costs this may impose on suppliers?
No
Question 22: Do you think these proposals should apply to the whole non-domestic market, or only a sub-set of it, e.g. small businesses?
The whole
Question 22: Given your answers to the questions above, do we still need the licence changes proposed elsewhere in this document?
Yes

END

APPENDIX 1 to the response from ARMA

About ARMA

The Association of Residential Managing Agents (ARMA) is the only body in England & Wales to focus exclusively on matters relating to the management of residential leasehold blocks of flats. With over 260 firms in membership, ARMA's founding principal aims are to represent its members and therefore the interests of lessees, resident management companies and investor freeholders. It is estimated that there are over 1.8 million private leasehold flats in England and Wales. Whether the buildings in which they are situated are owned and controlled by investor freeholders or the lessees themselves, a large proportion employ managing agents to handle the day to day running and ongoing cyclical maintenance of their buildings. ARMA's members provide management services to 850,000 flats.

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APPENDIX 2 to the response from ARMA

CASE STUDIES FROM ARMA MEMBERS

1. West Point – North - EDF

When we took management handover the supply to the undercroft car park had been disconnected due to non payment and the car park was being supplied by a generator costing approximately £6000 per month. Upon obtaining the meter number and account details from the concierge we called EDF in order to get the supply reconnected and in order to do so EDF required the following:

Payment of a £30,000 security bond

A certificate from a qualified electrician confirming that the supply was safe to re connect.

Once we had provided the above we had to arrange for an electrician to meet the EDF engineer on site to re connect the supply. All in all the process took about one month

2. Gwennyth Street – South West – Southern Electric

We took handover of Gwennyth Street on 1st October and by the 10th Southern Electric disconnected the supply to the whole building due to non payment. Gwennyth Street is unique in that the whole building including all apartments are supplied by one meter located in apartment 2. Therefore Southern Electric obtained a warrant to enter the apartment and cut off the supply.

Southern Electric informed me that the only way the supply could be reconnected was to pay the outstanding amount of £9000 with no option of a payment plan and that after payment it could take another week for an engineer to attend and re-connect the supply. Fortunately the security bond was paid by the Freeholder (a commercial landlord) and the supply was re connected within 48 hours of disconnection.

Generally speaking the main problems we have are with utility companies not understanding the management structure and that managing agents act on behalf of the Landlord/ Man Co. This causes delays in getting accounts set up correctly in the correct name and often utility companies won't discuss the account as we are calling as opposed to the Landlord/ Man Co.

We also have problems with utility companies charging 20% VAT as opposed to 5%. This is due to the landlord's supply being registered as a residential address and being classed in the eyes of the utility company as a private residential supply.

3. British Gas Trajan Place MCL Meter I05G00544

A period of 2 years duplicate billed due to BG erroneously adding an 'A' to the end of the meter stating the usage was heat-wise. Engineer was sent to the site twice to prove the second meter did not exist. Took over 4 months to get resolved. Account was written off only to be charged again in error by British Gas after the accounts had moved to Haven Power. Charges eventually written off nearly a year after transfer due to a level of complaints being raised

4. Eon Energy The Coppice Apartments Man Co Ltd
First invoice received dated 27th November 2010, for the period 02.02.07 – 24.11.10
Eon state the reason we had not received a bill previously was because they had registered the meter incorrectly so no invoices were being produced.

5. "What tends to be happening is that electricity supplies for the common parts of blocks of flats are being treated as a commercial not a domestic supply and consequently energy companies are agreeing annual contracts. If the managing agent then fails to re-negotiate the contract at the appropriate time, without further warning electricity charges suddenly dramatically increase."

"I have had a particular problem relating to gas supply to a block with communal heating. The letter regarding the contract did not arrive until some time after the contract ended and we were then into a new contract period and increased charges. After a number of unanswered letters and the involvement of the Ombudsman for the gas industry, the supplier finally agreed a reasonable rate."

6. "We are trying to get the best deals for our client, a resident management company, but upon credit checking, most utility companies say that as a dormant company they will not take the risk - we cannot set up Direct Debits from the client account, so are limited with the suppliers we can go to..."

7. "I am still having great difficulty in getting suppliers to quote for the two supplies at 10 Montrose Place. Please see the response below from our Southern Electric account manager:
"Best option for Montrose Place is to leave with EDF. The incumbent supplier already has the customer, and is best placed to determine whatever terms they consider reasonable. From any 'new' suppliers perspective, Montrose Place Management Ltd is a total unknown quantity, and there is no way to judge their financial stability. Experian now regard property as a high risk sector, and most energy suppliers adopt a cautious approach when there is no substantive detail to company provenance. If EDF are reluctant, you might be able to sweeten them with a variety of options, if the client is willing e.g. shorter payment time, DD, advance weekly payments, security deposit etc. Given the present economic climate, I suspect this type of situation will occur more frequently, and clients will find it increasingly important to keep their energy supplier 'on side'. Sorry, we can't help in this particular instance."

8. I have received a quote from EDF but unfortunately the payment terms are 14 days direct debit and they have re-confirmed that this is the best they can offer.
I am also coming across similar responses from all other suppliers who are unwilling to take on the supplies without being able to confirm the financial stability of "Montrose Place Management Company Ltd"

9. "Credit Most of the sites are set up with dormant registration (at Companies House) which caused us issues when looking to form a group contract

British Gas they wouldn't even renew out of contract contracts because of Credit rating."

10. "I have just received a £24,300.00 bill from E-on. For a block where we have always paid the bills (the block has 4 meters) and this bill only relates to one meter. They maintain the meter has always been read, by them, as a 4 figure meter and it would appear they have just discovered it is a 5 figure meter, hence the massive bill. As the other entrances are identical and all the bills are similar we have never suspected a problem. Now, I believe they could come back and ask for this amount on the other 3 entrances.

They are going back to 2004 and I have raised a complaint that we have always paid them the amount billed, their attitude is that we have used the electricity therefore we must pay. Can you advise where we stand legally on this, they have indicated they will allow time to pay etc."

10."You will be aware that the problem of credit vetting has been an issue now for the past 12-18 months. I believe the issues to be caused by an increase in the suppliers credit procedures along with the fact that service charges are no longer dealt within the company accounts."

The suppliers carry out their credit checks to ascertain that the company is dormant. This then leads to the following scenarios presented by the supplier:

1. We no longer wish to supply you and until you transfer away from us we will be placing you on out of contract rates (Often twice the normal rate)
2. We are willing to supply you but in order to do so we will need a three month deposit and payment by direct debit and again if this not possible we will be forced to place you on out of contract rates.

The provision of three month deposits is not something service charges are structured for and even if there are funds available it becomes an administration problem for the agent, DD does not work for our business as any DD's we have are set up in respect of Mainstay payments rather than the individual bank accounts.

As discussed, Vat has not been an issue and is usually resolved with the completion of a Vat declaration form; this has always had the effect of the Vat being charged at the correct 5%."

11. "We have engaged a utility broker to look at setting up new contracts with electricity and gas suppliers for our properties. The broker has contacted us and would like authority to set up contracts in our Company/Group Name because the credit rating of the Freeholder/resident management company is low and the best rates cannot be set up because of this. I pointed out to them that this is not the correct contractual arrangement, but the brokers have stated that the utility providers are aware that we are a managing agent and therefore would not ultimately chase us for any unpaid bills."

12. Midlands based scheme (24 apartments):

"EDF installed a meter at the scheme and it was registered as a five digit meter when in fact it was a six digit meter. All readings that were submitted by the management company were six digits yet EDF only registered the first five numbers of every read that were submitted over five years. When EDF was notified of this problem they proceeded to issue a bill for £18,000 for back dated charges.

Due to the high amount of electricity used at the development this could not be disputed through the ombudsman service. The development was five years old and the Estates Manager had numerous meetings with unhappy leaseholders who felt that they were not responsible for the charges particularly as some leaseholders had only recently purchased their property. The developer was receptive towards the management company and happily made payment for the void charges relating to the bill.

Following much negotiation with EDF they took some responsibility for the error and agreed on a 25% reduction of the final bill and offered a 24 month payment plan."

13. Midlands based scheme (24 apartments):

"EON had one landlord supply which they had registered under two separate account numbers and they issued a bill of £10,000 for backdated charges when the electricity had been paid for under a different account number. Following the threat of legal action and

disconnection the issue was investigated and the error was addressed with EON who then cancelled one of the accounts."

14. North West based scheme (38 apartments):
Meters at this scheme had been incorrectly registered as five digit meters rather than six digit meters. A significant bill resulted however this was renegotiated and a 20% discount was applied to the demand.

15. North West based scheme (49 apartments & 88 houses):
Meters at this scheme had been incorrectly registered as five digit meters rather than six digit meters. The Estates Manager took a firm stance this time and negotiated a 50% discount with them reducing the £11,335.74 to £5,667.87. They also agreed a payment plan for the £5,666 to be spread over 2 years. Eon was quite good to deal with in both instances and the same person was usually available to speak with during negotiations.

16. North West based scheme (28 apartments):
Eon have been providing invoices based upon the first five digit of the electricity meter readings, despite their own meter readers and our regularly providing meter readings with six digits. Despite the fact that we queried invoices on several occasions, E-on insisted that the last digit reading on the meter is not used and therefore the invoices we had previously been receiving were correct.

During 2010, E-on agreed to investigate the issue further and realised their error whereupon in June 2010, they issued a one off invoice for **£54,746** to correct their previous miscalculations. As per our letter dated 24th June 2010, E-on, a formal complaint was made to E-on who then fitted a 'check meter' to establish that the existing meter had been recording correctly and the charges raised were valid. This confirmed that the usage was accurate and that the invoice received correctly reflected the usage on site.

We have repeatedly argued the fact that their incompetence should not result in the lessees of the development needing to belatedly meet an obligation to settle such a large sum, however we are aware that on a legal basis, the electricity had been utilised at the development and despite being calculated late, remained valid and due.

As a consequence of our complaint concerning their incompetence in invoicing incorrectly, they subsequently agreed to **reduce the invoice by 50% to £28,658**.

It is acknowledged by E-on, that this is not an isolated incident, and that many accounts have been affected by the same meter reading error elsewhere.

17. Relevant to your recent members circular I give a potted history of our problems at development in Lancaster consisting of 47 flats (2 blocks) and 6 town houses that connect the 2 blocks.
We took over management in 2004 and in 2006 we challenged successfully the VAT rate. As a result E.ON came back with a demand for backdated Electricity in sum of £27000.00 .When challenged it came out that at the start of our management they had used an estimated reading (We regretfully believed the builders who advised that they had given correct up to date readings. This matter dragged on for some 2 years, was referred to their board, to the ombudsman, our Solicitors and we believe yourselves.
We eventually settled at just over £16000. Put to bed we felt in early 08 with E.ON in possession of correct figures and we then provided them with quarterly reading figures. In Jul 2010 we received a bill for one of the meters in sum of £25000 + .This over £20,000 more

than previous quarters. The explanation from E.On is that they had been recording readings as 5 figures! despite admitting that they had been supplied with correct 6 figure readings.. They have offered a 50% reduction which we have turned aside and they continue to send out demands for some 20K. The matter is with our Solicitors.

18. A period of 2 years duplicate billed due to BG erroneously adding an 'A' to the end of the meter stating the usage was heat-wise. Engineer was sent to the site twice to prove the second meter did not exist. Took over 4 months to get resolved. Account was written off only to be charged again in error by British Gas after the accounts had moved to Haven Power. Charges eventually written off nearly a year after transfer due to a level of complaints being raised. First invoice received dated 27th November 2010, for the period 02.02.07 – 24.11.10. Eon state the reason we had not received a bill previously was because they had registered the meter incorrectly so no invoices were being produced.

APPENDIX 3 to the response from ARMA

ASSOCIATION OF RESIDENTIAL MANAGING AGENTS (ARMA) ENERGY RETAIL ASSOCIATION (ERA) DISCONNECTION PROTOCOL FOR COMMON PARTS OF BLOCKS OF FLATS

Introduction

Landlords are responsible for ensuring that energy bills are paid, so that an energy supplier does not need to take action which can have an adverse impact on residents.

This protocol seeks to establish the roles and responsibilities of ERA and ARMA members where disconnection is considered as a sanction for non-payment. It should also act as a guide to help avoid disconnections by addressing the issue earlier in the debt-collection pathway.

1. Where the individual flats are separately metered

All energy suppliers only use disconnection as a last resort. Suppliers will make every effort to contact the landlord, before resorting to disconnection.

Prior to disconnection the customer will typically have received:

- 6 attempts to contact through correspondence
- 1 attempt by telephone
- 1 attempt to contact by personal visit to the property
- 1 attempt to contact by visit to court
- A final attempt at warrant execution

The last four of these steps will always be taken, even if there has been prior contact. During this process the supplier will also attempt to establish and consider the impact on the occupants and what action may be taken to mitigate this:

- Would disconnection be likely to affect the fire safety of the block by disconnecting any fire alarm, emergency lighting and smoke alarms?
- Would disconnection be likely to affect the water and sewerage supplies to flats because it needs to be pumped in tower blocks?
- Would the disconnection be likely to affect the working of the lifts in the block and so deny access to vulnerable residents?
- Are there any vulnerable residents who may be particularly affected by disconnection of the supply to the common parts?

Based on the steps carried out above, at least 7 days before the proposed disconnection the supplier will, where relevant to the risk factors listed above:

- inform the local authority of the circumstances;
- inform the local fire service if it considers it likely that the fire safety of the block will be affected; and/or
- inform the relevant utility supplier and/or environmental health if it considers that the water and sewerage supplies are likely to be affected.

2. Where the Common Parts Supply also Supplies the Flats

It must be remembered that the supplier has no direct contact nor contract with the residents; the supplier's legal relationship is with the landlord or his representative. The landlord is responsible for payment of the energy account and for liaising with individual residents. However, where a domestic customer takes their electricity through a non-domestic supply, energy suppliers will ensure that their business teams are aware of the provisions within the Safety Net to minimise the risk that any vulnerable domestic customer who has this kind of supply is disconnected.

In addition to the steps in section 1 above, the supplier will make reasonable attempts to inform all residents of the possible disconnection. It will also attempt to remind the customer of its responsibilities to the residents, particularly those who are vulnerable.

3. Responsibilities of Managing Agents whose clients are indebted to an energy supplier

 Inform the supplier who the customer is and what impact disconnection would have on the block

 Prioritise invoices for insurance and utilities before other suppliers if funds are short.

 Go to the client for instructions about how to pay the debt.

 If funds are short, ask residents to bring forward their next payment of service charges.

 Consider asking the client to loan its own monies to pay the debt until the service charge debts are collected.

EXPLANATORY NOTES NOT PART OF THE PROTOCOL

1. Landlords in this protocol include resident management companies and right to manage companies. Many of landlords of privately owned blocks of flats are small non- profit making companies comprised of the owners themselves. These companies often have no reserves or capital assets. A few late or bad payers can easily disrupt the cash flow of the service charge account which pays for the electricity to common parts.

2. ARMA's members are managing agents who act on behalf of landlords of privately owned leasehold flats to collect service charges from residents and pay bills; they are not usually the landlord. The supplier's customer will be the landlord but the agent will be the address for the landlord's account and the agent will be delegated to deal with the account. Only about half of privately owned blocks of flats in England and Wales employ a managing agent.

3. ERA established a voluntary Safety Net in 2004 that gave a commitment from industry not to knowingly disconnect a vulnerable customer. The Safety Net definition is that a customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household. In 2011 a commitment from all suppliers was made to re-connect within 24 hours a customer who has been

disconnected who subsequently turns out to be vulnerable. Suppliers have also committed to follow up any customer who has been disconnected and who has not made contact to check again that they are not vulnerable.

4. The Safety Net covers energy suppliers' relationship with domestic customers. In the case of common parts of blocks of flats, the customer is the landlord and suppliers do not have a relationship with the residents, vulnerable or otherwise. The responsibility of avoiding disconnection by paying energy bills for common parts therefore falls upon the landlord, who is not a domestic customer and to whom the Safety Net does not apply. This protocol is intended to help prevent disconnections in blocks of flats.

5. There are few instances of disconnection of common parts of flats but they can adversely affect residents when they happen. Because of a failure of the landlord to pay for the energy supply, fire alarms, emergency lighting, lifts, and water and sewerage supplies can be affected.

This protocol is about privately owned leasehold flats, not flats rented from a social landlord. There is no pool of rental income to pay bills. Owners (leaseholders) pay service charges each year to cover the cost of services to common parts.

6. The Association of Residential Managing Agents (ARMA) is the only body in England & Wales to focus exclusively on matters relating to the management of residential leasehold blocks of flats. With over 260 firms in membership, ARMA's founding principal aims are to represent its members and therefore the interests of lessees, resident management companies and investor freeholders. It is estimated that there are over 1.8 million private leasehold flats in England and Wales. Whether the buildings in which they are situated are owned and controlled by investor freeholders or the lessees themselves, a large proportion employ managing agents to handle the day to day running and ongoing cyclical maintenance of their buildings. ARMA's members provide management services to 850,000 flats.

7. The Energy Retail Association (ERA), formed in 2003, represents electricity and gas suppliers in the domestic market in Great Britain. The ERA works closely with Government, NGOs, charities and other organisations in England, Scotland and Wales to ensure a coordinated approach is taken on the key issues affecting our industry and the British consumer. All the main energy suppliers operating in the residential market in Great Britain are members of the association - British Gas, EDF Energy, npower, E.ON, ScottishPower, and SSE.