



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

Promoting choice and value for all gas and electricity customers

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Date: 30 March 2012

Dear Colleagues

Social obligations data review – decision on 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 sought views from stakeholders on the data we gather in 2010¹, and followed this short consultation with a meeting with suppliers to discuss their initial views. In September last year we consulted formally on the changes we proposed to make². The purpose of this letter is to outline the changes we have decided to make to the information we collect. Accompanying this letter is an amended version of our guidance to suppliers on the submission of information used to monitor suppliers' performance in relation to domestic customers. There has been some re-ordering to the existing data items and sections following the revisions to the reporting requirements.

We recognise that suppliers will need sufficient time to update their systems to take into account the revised reporting requirements set out in this letter and the revised guidance. Therefore, we do not expect suppliers to begin reporting under the revised reporting arrangements until **28 October 2012** (i.e Quarter 3). Suppliers should report Quarter 1 (due 28 April 2012) and Quarter 2 (due 28 July 2012) as usual under the current, old reporting requirements.

Background

Standard Licence Condition (SLC) 32 requires gas and electricity suppliers to provide information to Ofgem relevant to their dealings with domestic customers. Ofgem collects this information to monitor suppliers' performance in the areas of debt, disconnection, the number of customers using PPMs, the provision of energy efficiency information, the

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

² Social obligations data review – consultation on proposed changes:
<http://www.ofgem.gov.uk/Sustainability/SocAction/Monitoring/SoObMonitor/Documents1/Social%20obligations%20data%20review%20-%20consultation%20on%20proposed%20changes.pdf>

number of customers on suppliers' Priority Service Registers (PSRs) and the services offered to PSR customers.

Ofgem received seven responses on this consultation. Non-confidential responses have been placed on the Ofgem website. This letter summarises the responses to our consultation and sets out our decision on the changes to the data we collect.

Responses to the consultation

Response to the consultation, together with Ofgem's views and decision, are summarised below. A number of requests to clarify the reporting guidance were also made by respondents. As a result we have made changes to the guidance to provide that clarity to ensure that suppliers are reporting on a consistent basis.

Number of customers in debt

Whilst there was broad support for collecting information on the number of customers in debt but not yet on a repayment arrangement, one respondent was concerned that this would not provide any insight into why they were struggling to pay and some asked whether these customers could be characterised as such. Some respondents enquired whether a debt value threshold should be set such as £50.

Ofgem view

The information we currently collect - the number of customers on a debt repayment arrangement scheduled to last longer than 91 days/13 weeks - misses those customers who are in debt to their supplier but have not yet set up a repayment arrangement. We will remedy this by collecting this information on this group of customers. We note the argument that whilst many customers will be struggling to pay there may be others who for other reasons have yet to pay their bill. Therefore we have revised the proposed definition so that it refers to the number of customers in arrears - rather than customers who are struggling to pay - for longer than 91 days/13 weeks but who have not yet agreed a repayment arrangement.

We do not intend to set a minimum level of debt or threshold for reporting purposes and have made this clear in our guidance document.

Repayment rates

There was broad support for our proposal to collect information on repayment rates split down by credit payment method. One respondent suggested that debt repayment bands were too narrow and should be in bandings of £5. Another suggested that we monitor reductions in repayment rates to capture initiatives to assist indebted customers.

One respondent sought clarity on whether an initial credit placed on a PPM when it was installed should be treated as a debt.

There was agreement that failed arrangements should be monitored but questions as to how multiple failures would be captured and how customers terminating the repayment scheme themselves should be treated. Others cautioned against assuming that failed arrangements necessarily meant that the arrangement had been set incorrectly by the supplier.

Ofgem view

In our view splitting the repayment rates of credit customers by payment method and by payment amount will help us to understand better the range of repayment rates of this

broad group of credit customers. We do not consider that capturing data in broad bandings of £5 would provide a sufficient level of detail to enable us to do this.

We are keen that suppliers are proactive in assisting those customers who may find it difficult to maintain their level of debt repayment and welcome their initiatives in this area, for example during the winter period. We consider that it is more appropriate to capture this information on a qualitative basis through our regular meetings with suppliers, and to reflect these activities in our quarterly and annual reports.

We made it clear in our debt review³ that the monitoring of failed arrangements should provide a clearer picture of whether suppliers are setting realistic repayment arrangements. We intend to collect this information from suppliers. However, we note that collecting data on the number of customers that have failed to make their repayments may not provide an accurate picture of the number of actual failures ie an individual customer may fail the arrangement a number of times. We have amended the guidance accordingly.

We have updated our reporting guidance to make clear that credit placed upon a PPM upon installation to give a customer time to vend should not be treated as a debt for reporting purposes.

Disconnection

Respondents supported the proposal to collect information on the number of customers where a PPM has been installed on a warrant with a blanking disc. There was also support for reporting on an annual basis the number of disconnections due to it not being safe or practicable to install a PPM.

One respondent suggested that the proposal to collect information on the number of customers contacted within two working days following disconnection could be misleading as the premises may be vacant. Whilst others agreed with the proposal, another asked whether it was necessary as the information was already monitored through the ERA Safety Net.

One respondent disagreed with the proposal to collect information on the number of gas and electricity customers disconnected for theft as the action was taken in response to a criminal act, whilst another supported collecting this information. One other respondent asked that we consider the way in which the information was used as it may be commercially sensitive.

There were a number of comments seeking clarity in reporting on disconnections in error, with one respondent commenting that ERA would need to clarify what constitutes wrongful disconnection. There was also a concern that it would be difficult to establish a basis for common categorisation of the reasons for disconnections of smart meters until some disconnections had been undertaken. It was suggested that these be reported on an individual basis.

Ofgem view

We welcome the support given to collecting information on the number of customers where a PPM has been installed on a warrant with a blanking disc, and to collecting annually the number of disconnections performed because it was not safe or practicable to install a PPM. Therefore we intend that this information be provided by suppliers.

Disconnection of supply is a last resort and where it does happen we are keen to understand the steps suppliers take to support their customers. We believe that collecting

³ Review of suppliers' approaches to debt management and prevention, June 2010:
<http://www.ofgem.gov.uk/Sustainability/SocAction/Publications/Documents1/Debt%20Review%20Report.pdf>

information on the number of disconnected customers who were contacted by telephone (actual and attempted) or letter within two working days of the disconnection will assist us in building this understanding.

Ofgem is currently undertaking work to improve the detection and prevention of theft, with changes being proposed to the regulatory framework in gas. It is consistent with these changes for Ofgem to gather information for our own monitoring purposes on the number of customers disconnected due to theft. We intend to collect this data annually but will not publish it in the annual report.

Since we published our proposals, we have amended the Standard Licence Conditions to provide protection to customers from the new approaches to disconnection provided by smart meters in terms of credit limiting and load limiting. In line with our proposals we intend to collect information on the number of customers on a credit limit and the number of customers on a load limit to enable us to monitor developments in this area. We will also monitor the number of gas and electricity customers remotely disconnected and will collect this information separately from manual disconnections.

We recognise that in the absence of any disconnections of smart meters there is currently no information on which to establish common categories of the reasons for disconnection in error or common time bandings for the periods of time that these customers were disconnected. Nevertheless, we welcome the suggestions that have been made by suppliers on categories and have reflected these examples within the guidance. It will be important to develop an understanding of these issues and a common basis for reporting. Therefore, we welcome the proposal to report individual instances of disconnection with full details of the reasons and the time off supply. We will keep this under review until we can see typical characteristics at which point we will expect ERA to establish a set of categories and time bandings. The relevant sections in the data reports will be used for qualitative information until a basis for common categorisation of disconnections and time bandings are agreed. Our proposals to collect information on the number of customers disconnected in error, and the amount of compensation paid to these customers remain unchanged.

Prepayment meters

Some respondents supported the proposal to collect information on the number of customers with a smart meter remotely switched from credit to PPM and vice versa, whilst another suggested that this be delayed until the technical specifications of the Data Collection Company have been defined.

There was a request for clarity from some respondents regarding whether the information sought on the number of PPMs installed on Independent Gas Transporters (IGT) sites and for debt applied overall or just to the period in question. Another respondent noted that information on IGTs was already contained within the current overall PPM figures.

Ofgem view

We are keen to understand the development of remote switching to PPM as suppliers roll out smart meters. Therefore we consider it necessary to collect information on the number of customers remotely switched from credit to PPM, and those from PPM to credit, split by those repaying a debt and those not.

We note the request for clarity on the information to be provided on IGT sites and can confirm that we will collect information on the number of PPMs installed on IGT sites and for debt on IGT sites both as total figures and in the reporting period. We have clarified our reporting accordingly. Suppliers will still be required to include information on IGT PPMs within the existing reporting requirements.

The six major suppliers already provide information quarterly and annually to Ofgem on the use of the Debt Assignment Protocol, as outlined under Standard Licence Condition (SLC)

14.5 and 14.6. We now expect all suppliers to report this information. For completeness, we have formalised this requirement to report in the social obligations reporting guidance.

Energy efficiency advice and information

Most respondents highlighted the need for guidance and clarity on what constitutes energy efficiency advice and efficiency information particularly as two had plans in place for providing energy efficiency information to customers in arrears as part of the debt follow up process. One respondent supported the current definitions.

Advice and information provide by text, website, IVR, visits including when provided in relation to marketing activities were all areas identified as needing clarity.

One respondent suggested that the guidance be amended to remove the reference to EEC and include CERT and ECO.

Ofgem view

To meet suppliers requests for clarity in energy efficiency advice and information we have decided to collect data on these metrics separately. In terms of *advice*, we consider that customers in debt, and customers in arrears who proactively contact a specialist energy efficiency advice line do so in the expectation that they will receive the relevant energy efficiency advice from a qualified specialist advisor or team. Therefore, suppliers should report on this basis.

We consider *information* on how customers can reduce their energy consumption to be something that suppliers should proactively provide to customers in debt and those in arrears. We note that suppliers currently use a variety of methods to meet this requirement including letters, text messages, emails and outbound calls. We consider that all of these methods can be included for reporting on this metric. Calls taken should be excluded.

For reporting on advice and information suppliers will be required to capture these contacts separately for customers in debt, and customers in arrears. We have also clarified the guidance to make clear that suppliers should not include multiple communications with a single customer or simple signposting for example on the back of bills.

We note suppliers requests to include web downloads as a means of providing energy efficiency information. As noted in our proposals letter, we do not consider it appropriate to include the web download in the existing advice and information reporting metrics. Nevertheless, we recognise that web information is an important source of assistance for consumers. Therefore we have created a new reporting metric requiring suppliers to provide the number of web hits on their dedicated energy efficiency pages.

We are keen to understand more about the provision of energy efficiency information more generally. Therefore, we have included a requirement for suppliers to provide qualitative information annually on where in the debt path customers are proactively provided with energy efficiency information. This will help us to understand at what point customers are given this help. Similarly we require suppliers to provide qualitative annual information on the energy efficiency information provided on their website and dedicated energy efficiency web pages.

We agree that the guidance should be amended to remove the reference to EEC and include CERT and ECO.

Priority Services Register (PSR)

There were five responses to our proposal to remove one question from the reporting regarding the number of customers who wish to join the PSR but are not able to, all of which were in favour of removing this question.

Ofgem view

We intend to remove this particular reporting requirement. This is because the six major suppliers always report '0' for this.

Next steps

Suppliers should begin to report under the revised reporting arrangements from Quarter 3 (28 October 2012). Suppliers should report Quarters 1 and 2 as usual, under the current, old reporting requirements.

Accompanying this letter is an amended version of our guidance to suppliers on the submission of information used to monitor suppliers' performance in relation to domestic customers. This takes into account the changes in the data suppliers are required to provide to meet their obligations under Standard Licence Condition 32. Suppliers should ensure that their social obligations reports meet the definitions in the revised guidance.

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

Yours sincerely,



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Partner, Consumer and Demand-side 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.