

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

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

The government considers a household to be in fuel poverty if it needs to spend more than 10 percent of its income on fuel for adequate heating.

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Indicator 6: Total number of households in fuel poverty

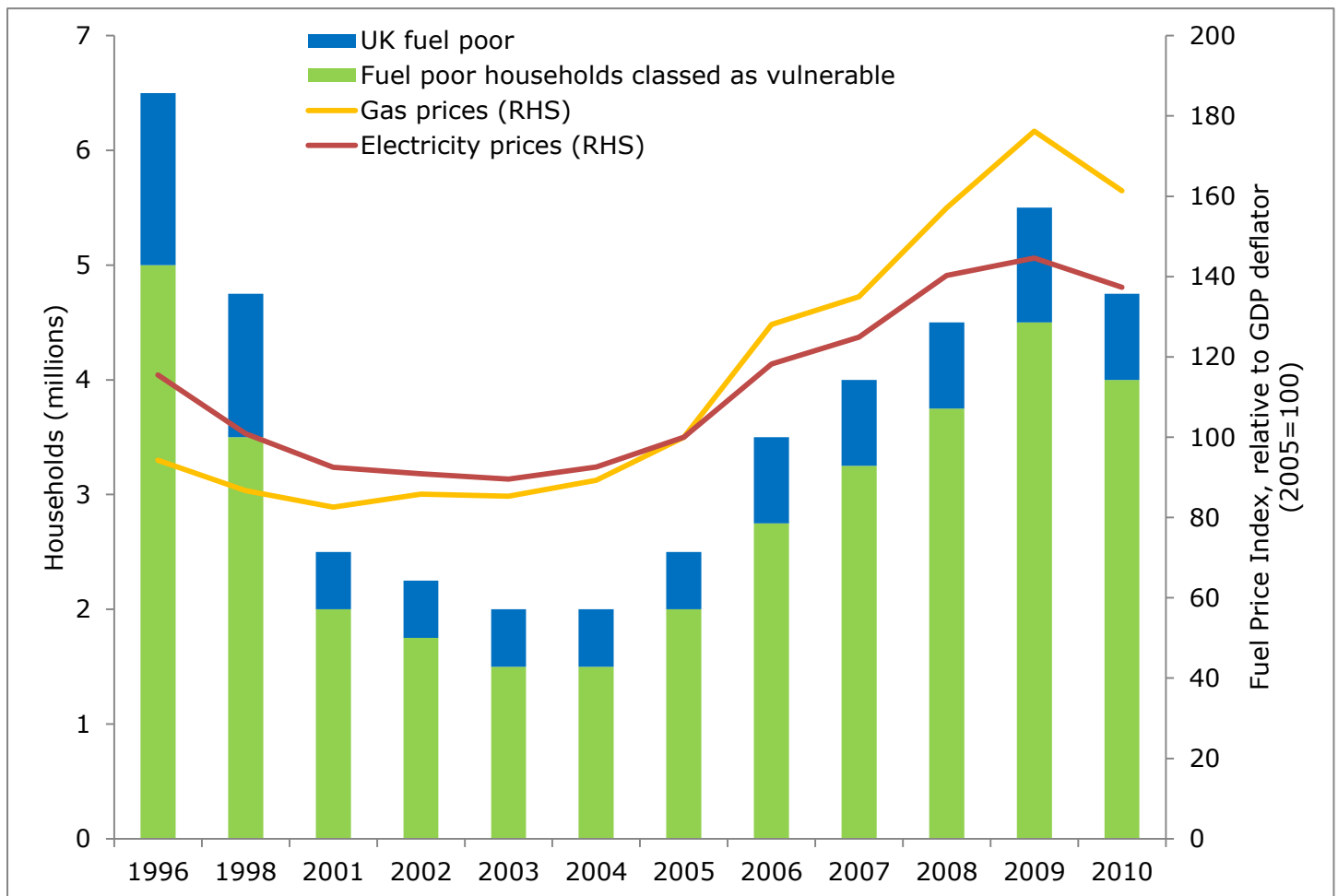


Figure 11 - Estimated number of UK households living in fuel poverty 1996-2010 (Updated January 2013)

Source: DECC

This graph shows the number of households in fuel poverty, in relation to GDP. Most customers that are fuel poor are also classed as being in a vulnerable household (84% in 2010). Declining incidences of fuel poverty from 1996 to 2003 can be largely attributed to rising incomes, energy efficiency improvements and low, stable energy prices. Since 2004, escalating fuel prices have outweighed these factors. However, in 2010, the number of households in poverty decreased following decreases in energy prices.

Indicator 7: Competition and vulnerable customers

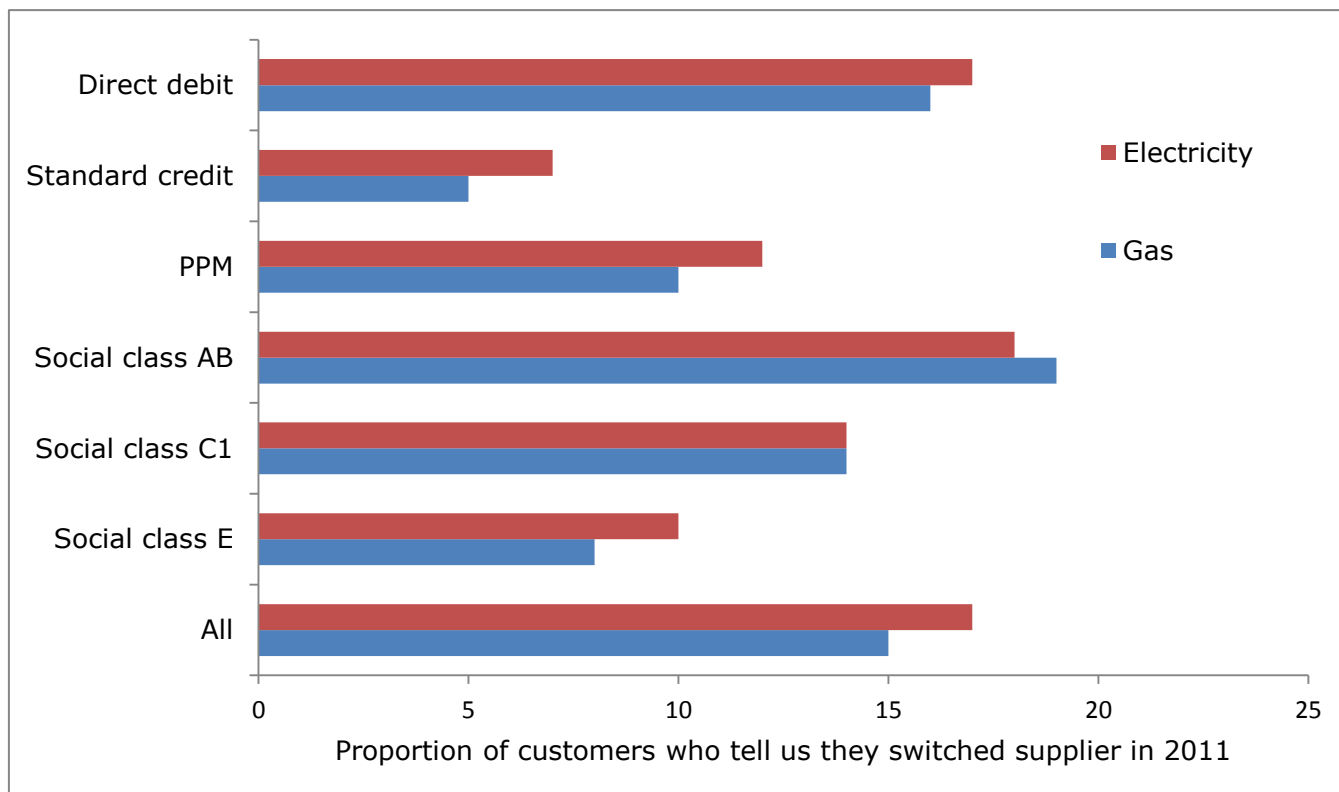


Figure 12 – Proportion of customers who tell us they switched supplier in 2011 (updated November 2012)

Source: Ipsos MORI Customer Engagement Survey, April 2012¹

Our latest Customer Engagement Survey conducted in March 2012, shows that 13% of gas customers and 14% of electricity customers switched their supplier during 2011. Although the year-on-year decline for gas customers is not statistically significant, it represents a third year of decline for gas customers and a fourth year of decline for electricity customers, among whom the decline from 2011 is statistically significant.

¹

<http://www.ofgem.gov.uk/Markets/RetMkts/rmr/Documents1/Customer%20Engagement%20with%20the%20Energy%20Market%20-%20Tracking%20Survey%202012.pdf>

Indicator 8: Disconnection for debt

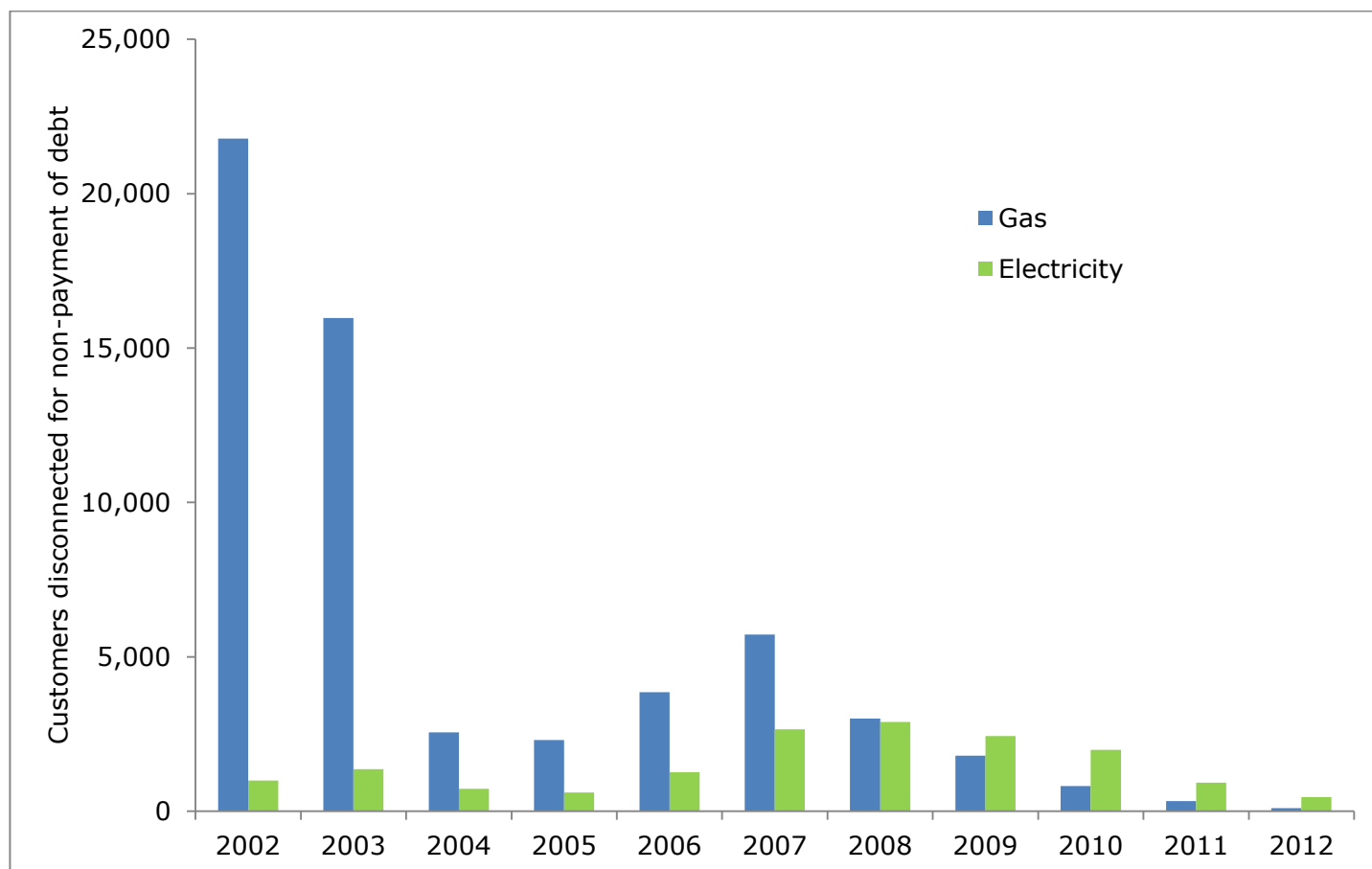


Figure 13 - Total number of customers disconnected for non-payment of debt (updated November 2013)

Source: Ofgem report

The number of both electricity and gas disconnections as a result of debt fell by more than half from 2011 to 2012, with the total decreasing from 1,252 to 557. The number of gas disconnections for debt in 2011 was only 0.5% of the number of disconnections in 2002.