

## **Domestic Suppliers' Social Obligations Report – 2015**

Key findings

**Ofgem and Citizens Advice**  
12/10/2016

ofgem

# Suppliers' Social Obligations

The Social Obligations Report (SOR) is a key annual publication which helps us understand how suppliers are meeting the needs of consumers in vulnerable situations. We monitor supplier performance on a range of social obligations, including:

- Debt and debt repayment arrangements
- Prepayment meters (PPM), including use of warrants
- Disconnections
- Priority services for customers in vulnerable situations
- Energy efficiency
- Smart, including new data on emergency credit & payment methods

Analysis of SOR data and engagement with suppliers helps us identify

- areas for improvement, and
- examples of good practice.

We use the SOR data to check that suppliers comply with our rules, to challenge poor performance and to inform policy.

# How we analyse social obligations data

We look at trends in performance across the GB market for 2015, and within this

- Examine differences between Wales, Scotland and England
- Report separately for electricity and gas customers
- Analyse suppliers by size:

Large	Medium	Small
British Gas EDF Energy E.ON npower ScottishPower SSE	First Utility OVO Energy Utility Warehouse Extra Energy Co-operative Energy Utilita	All other domestic suppliers

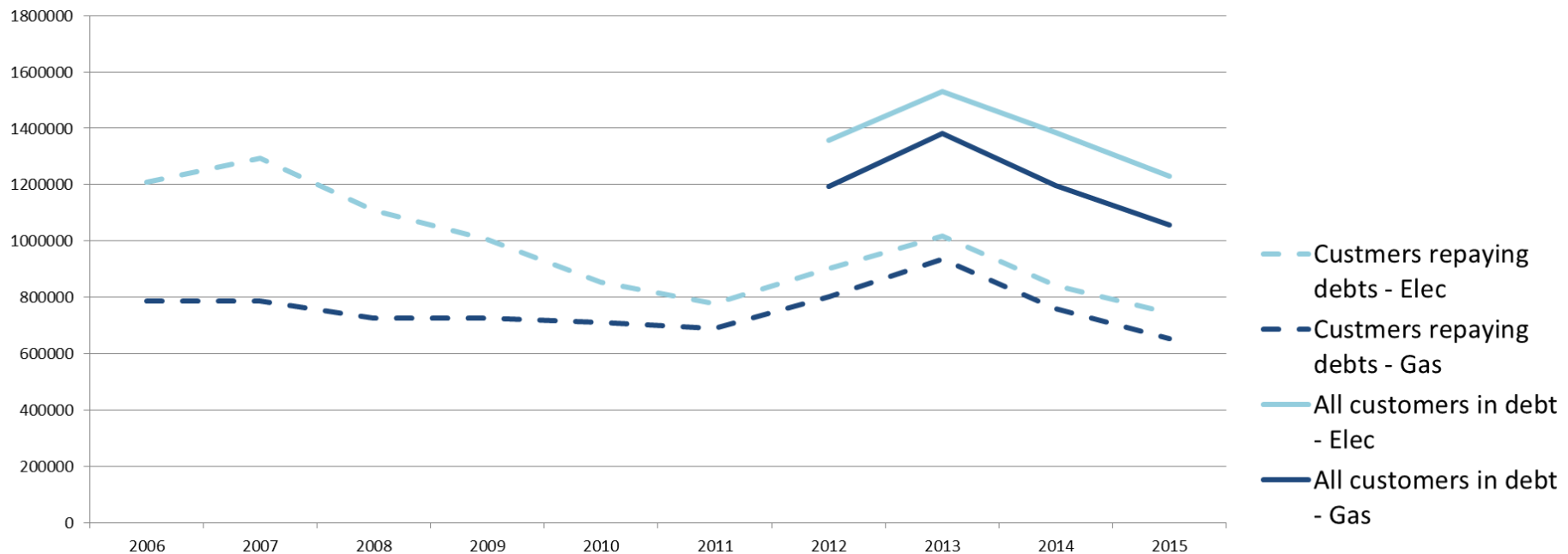
- Identify individual suppliers where there is evidence of particularly poor practice or consumer outcomes.

# Customers in debt (1)

Encouragingly, fewer customers in are in debt to their energy supplier following post-recession peak in 2013

- 4.6% of gas customers were in debt in 2015 vs. 6.2% in 2013.

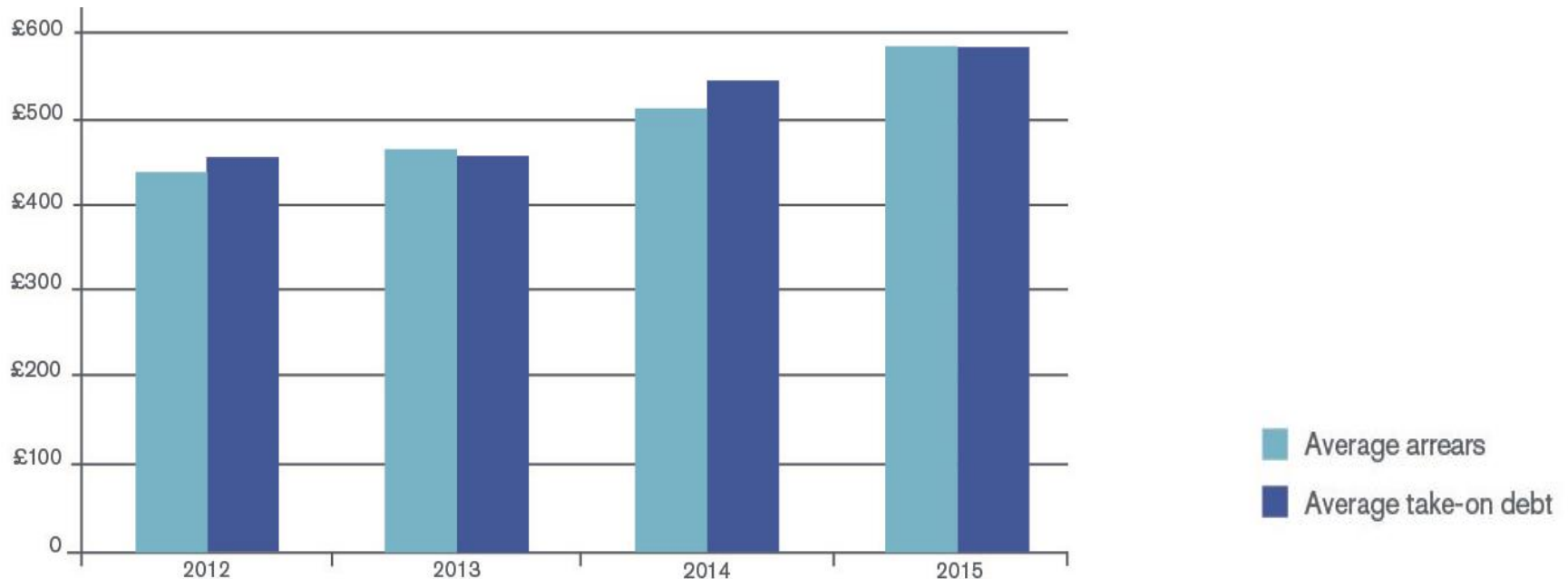
Customers repaying a debt to their energy supplier, and total customers in debt (those repaying a debt and those who are in arrears)



## Customers in debt (2)

However, the average amount owed by customers in debt has risen in recent years. The average debt for those entering a debt repayment scheme in 2015 was almost £600.

### Average arrears and average debt when a repayment arrangement is set up for electricity customers

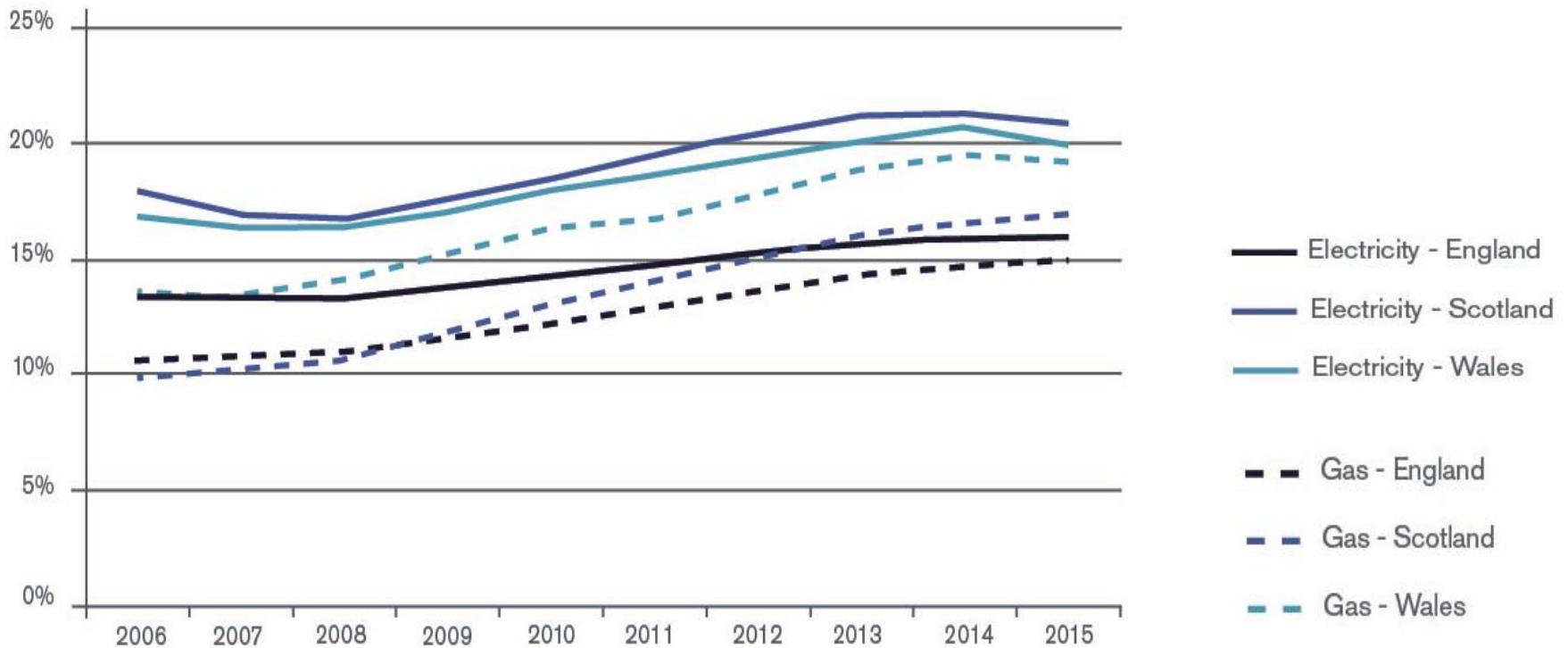


Suppliers should do more early on to prevent customers from accruing large debts and also ensure debt repayment plans are manageable for those who owe more

# Prepayment meters

There has been long-term growth in PPM. This slowed in 2015, with demand being driven by new smart meters in PPM mode. Nevertheless, there continue to be pronounced regional differences and PPM numbers haven't fallen with the falling numbers of customers in debt.

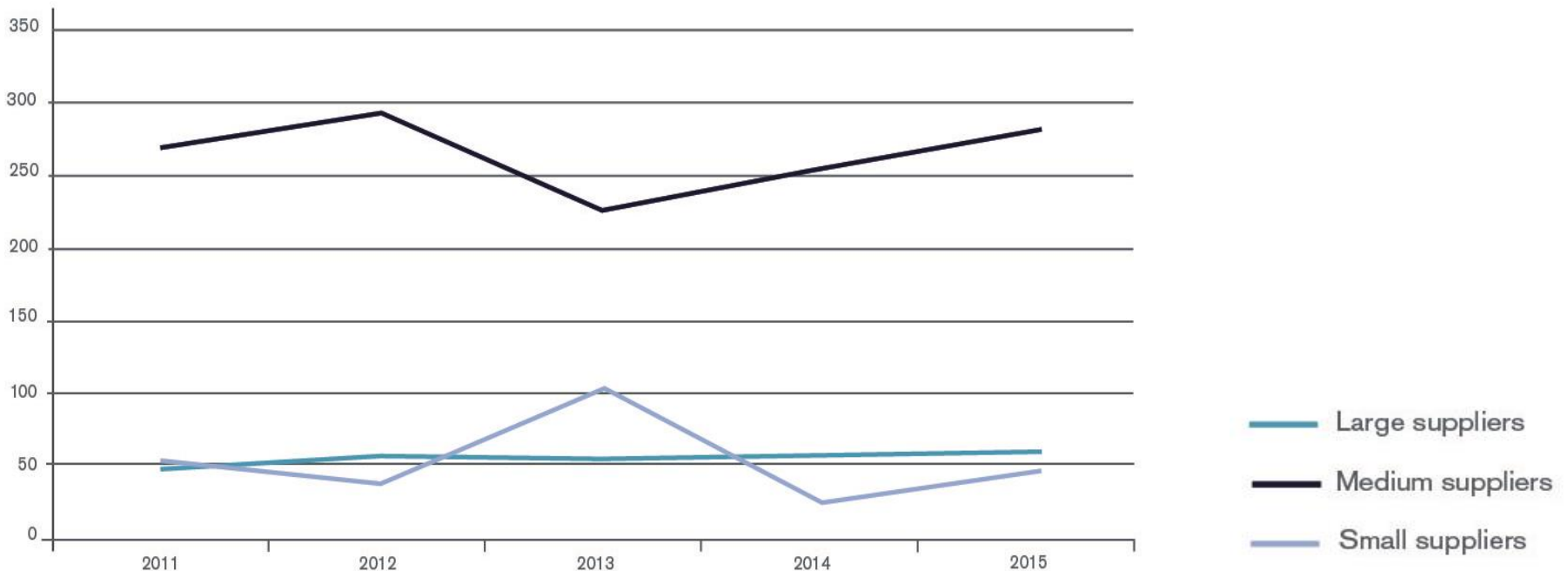
## Proportion of PPM customers in England, Scotland and Wales



# PPMs installed under warrant

The number of PPM installed under court warrant has reduced, but more slowly than the fall in the numbers of PPMs installed for debt. Medium-sized suppliers use warrants more than other suppliers.

## Electricity PPMs installed for debt under warrant per 1,000 customers in debt



Given customers on PPM typically pay more for their energy and have poorer outcomes, suppliers could do more to avoid using PPMs to collect debt and avoid using warrants to install them.

# Repaying debts

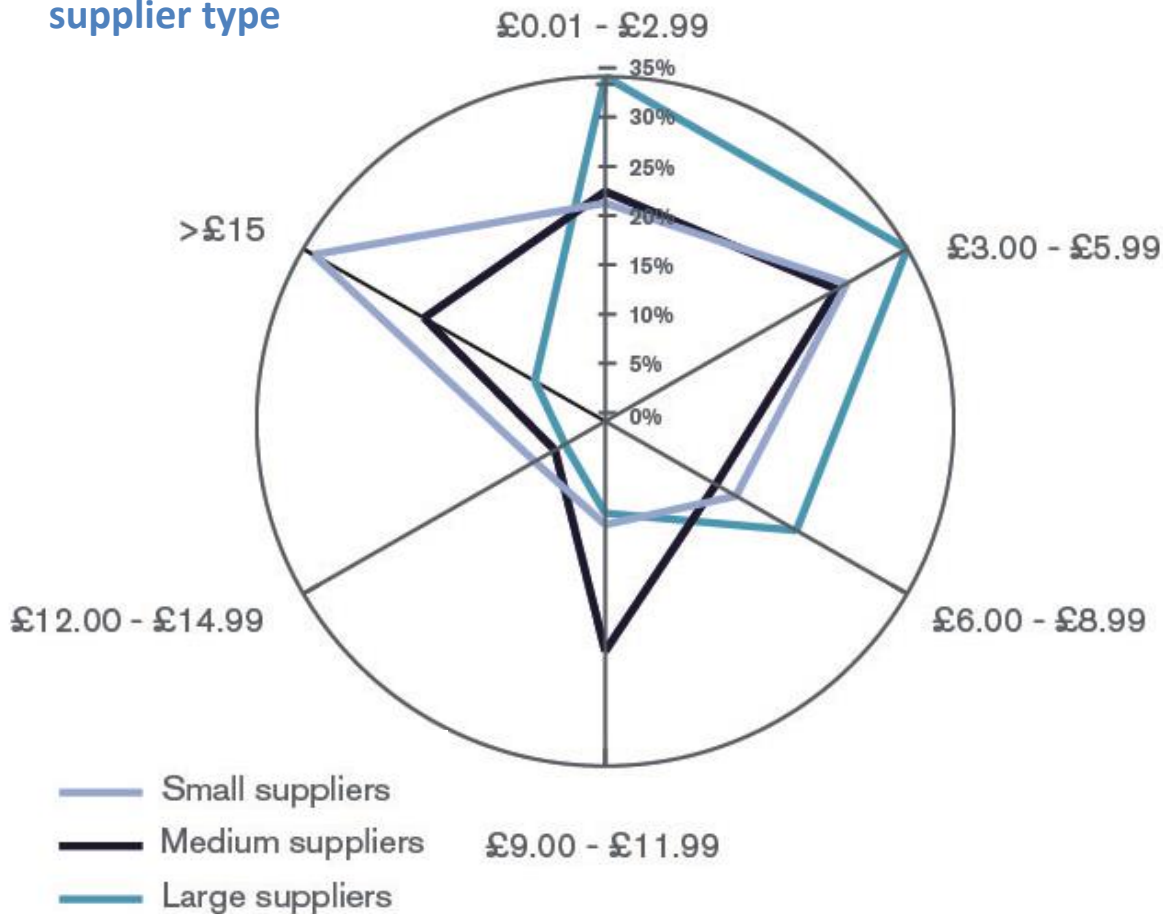
Improving debt management should be a priority for small and medium suppliers

They have around 30% of customers in debt on a repayment plan, compared to around 60% at large suppliers.

Their customers are also given higher weekly repayment amounts.

There is a high and growing rate of failed repayments among medium suppliers.

Weekly repayment amounts for gas customers in debt by supplier type





# Repayments for PPM customers

Around 2 in 5 customers repaying a debt do so via a PPM.

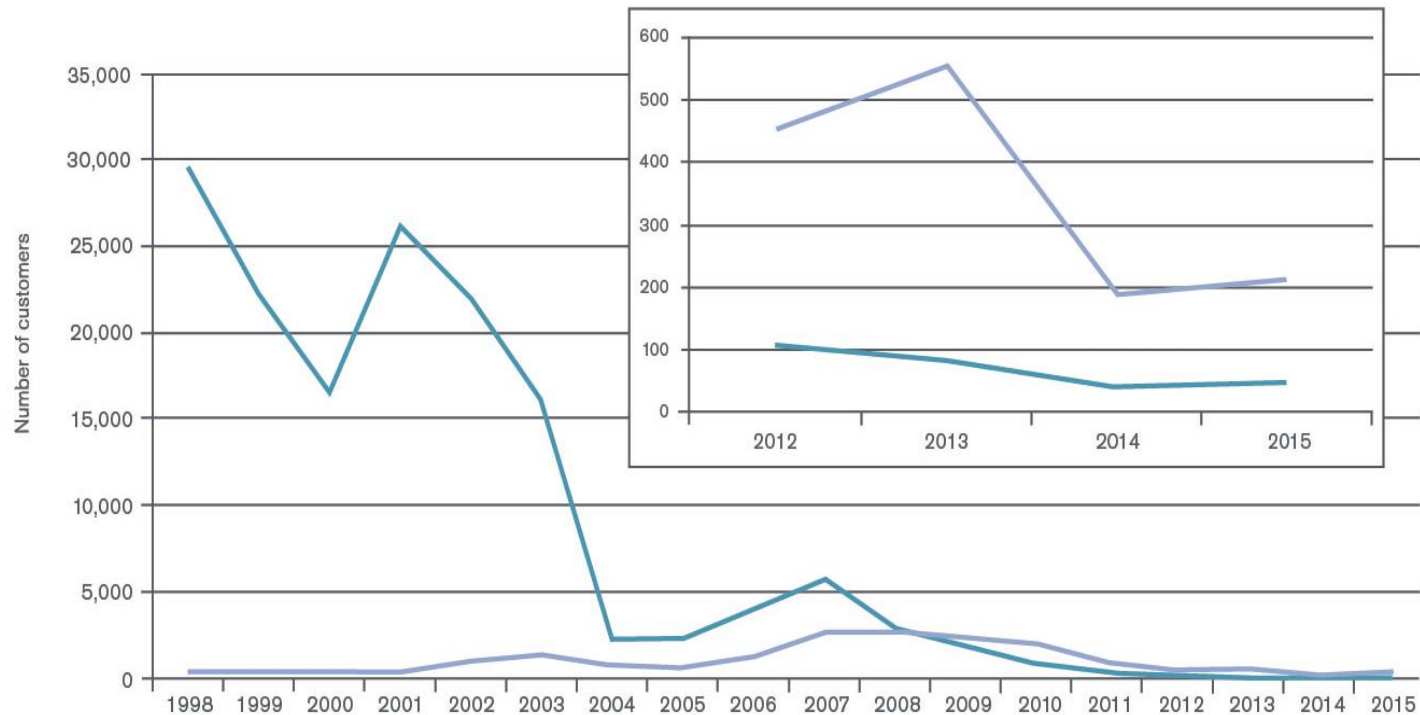
For customers of the large suppliers who are repaying a debt via a PPM, very few repay less than £3 per week (1%), while credit customers commonly repay at this level (40%).

We are surprised that PPM customers of the large suppliers are very rarely given the lowest debt repayment rates. We are keen to better understand the reasons for this.

Long-term there has been a dramatic reduction in disconnections, and most suppliers no longer disconnect customers because of debt. But there was an increase in 2015 (to 253 disconnections overall) largely driven by two suppliers: npower and Utility Warehouse.

We are engaging with these suppliers to ensure disconnection is only ever used as a last resort.

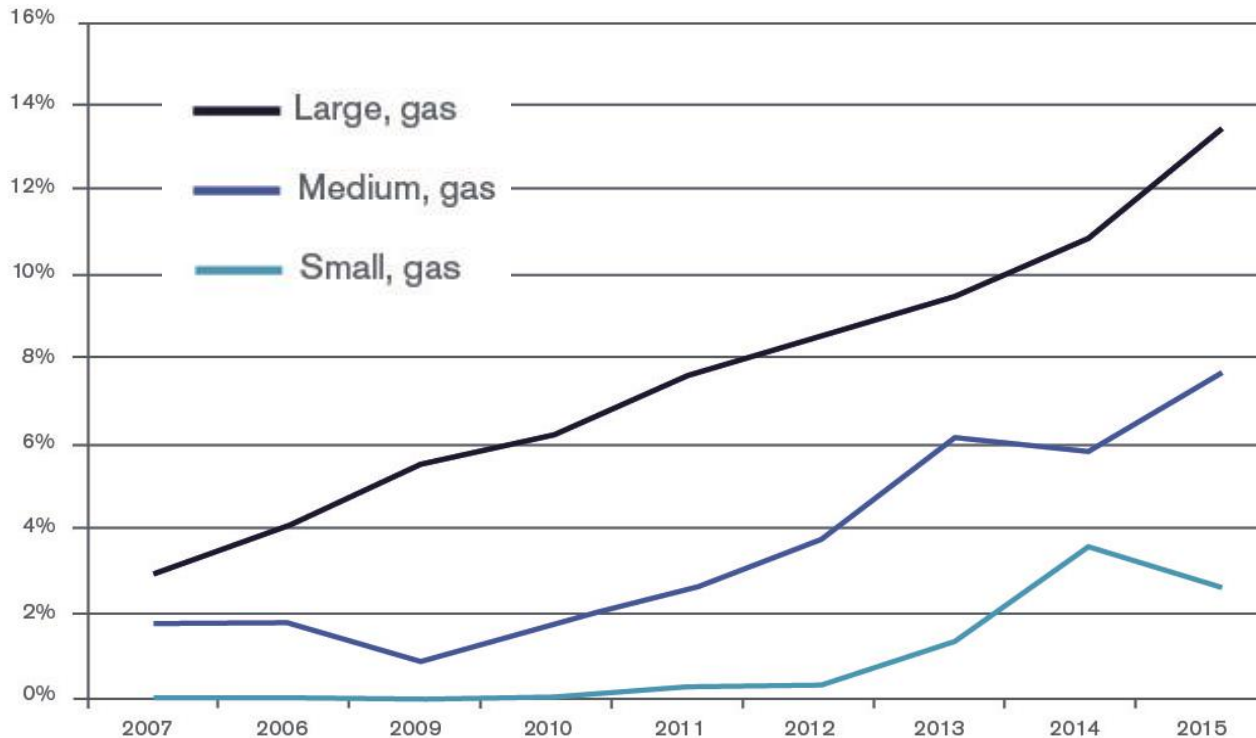
Annual disconnections for gas and electricity customers 1998-2015



# Non-financial services

A growing proportion of customers are being successfully identified as eligible for free services via Priority Services Registers, and uptake of services is also increasing. However, numbers on PSRs are lower in Scotland (under 11% vs 13-14% for Wales and England) and at small and medium suppliers.

The proportion of gas customers on PSRs, by supplier type



We will continue to monitor this to make sure customers in vulnerable situations are being identified.

# Next steps

We will continue to

- work with suppliers on improving their performance and to hold them to account for poor performance
- improve protections for customers in vulnerable situations.

We will also review the data we collect to ensure we capture the most insightful data in the most efficient way – we would appreciate any feedback: [SORHelpdesk@ofgem.gov.uk](mailto:SORHelpdesk@ofgem.gov.uk) or [vulnerability@ofgem.gov.uk](mailto:vulnerability@ofgem.gov.uk)

# Supporting consumers in debt: good practice

citizens  
advice

Ofgem Supplier Obligations Event

# About Citizens Advice

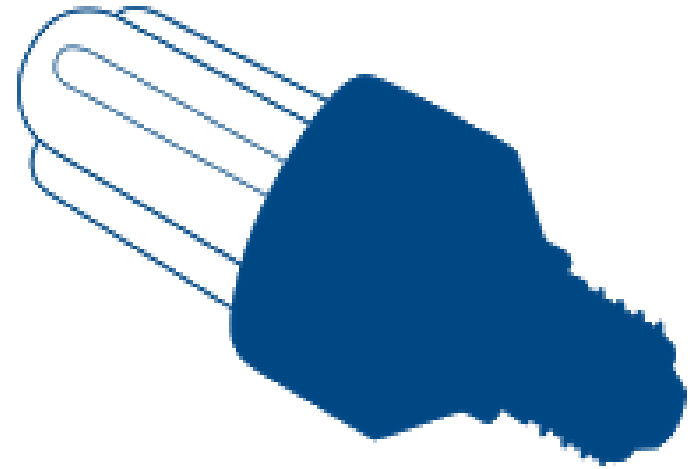
Citizens Advice and Citizens Advice Scotland represent consumers across essential regulated markets. We are the statutory consumer advocate for energy and postal services in Great Britain and for water in Scotland. We use compelling evidence and expert analysis to put consumer interests at the heart of policy-making and market behaviour. We have a number of responsibilities, including unique powers to require private and public bodies to disclose information.

We tackle issues that matter to consumers, working with people and a range of different organisations to champion creative solutions that make a difference to consumers' lives.

# Our role

The Citizens Advice service:

- Provides energy consumers with accessible advice as well as help raising a complaint through our core channels of web, telephone and face to face
- Provides energy consumers with information enabling them make decisions about their supply and access specialist services
- Advocates on behalf of energy consumers to ensure regulation reflects how they actually think and behave



## How we work: Energy team

- Represent consumers in policy debates and discussion with industry, the regulator and government
- Analyse data from across the Service to identify emerging trends and consumer detriment
  - [Work with industry and the regulator](#) to deliver improvements in company policies and practices
  - If appropriate, refer companies to Ofgem
- Work with teams across Citizens Advice to [educate, inform and inspire energy consumers](#)
- Publish wide range of data to help consumers make informed decisions and incentivise companies to improve their customer service



# How we work: Extra Help Unit

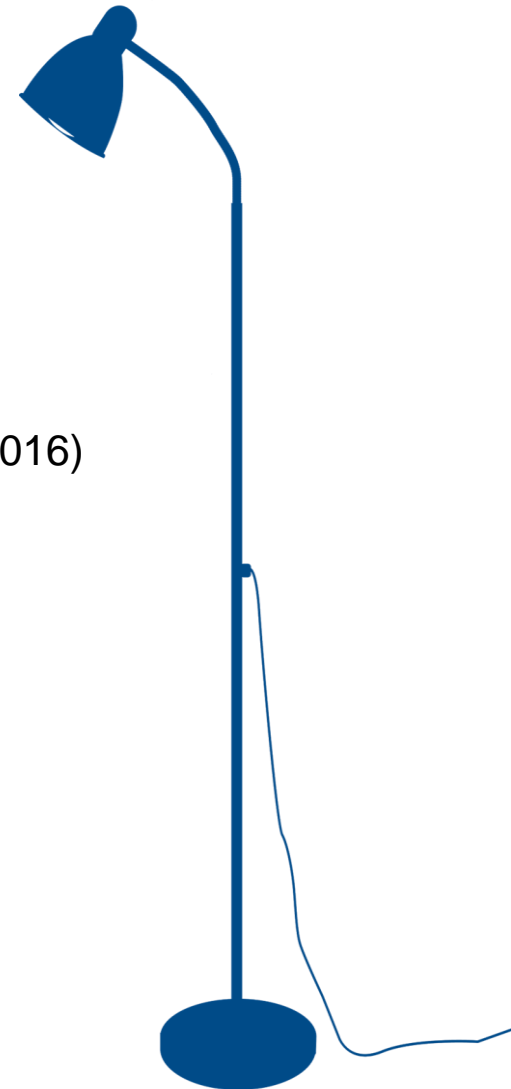
In 2015-16

- The EHU handled 9,627 complaints and enquiries from vulnerable consumers in 2015-16 as well as 1,165 Ask the Advisor calls
- 24% of complaints were priorities, meaning the consumer needed urgent help and support.
  - Carry out quarterly analysis of all priority complaints received to identify trends and highlight areas for improvement.
- In the last quarter the EHU discussed the following issues with companies: complaints performance, revenue protection, back-billing, beneficial use, disconnection for debt, meter appointments, discretionary credit when self disconnection and marketing complaints

# Recent research & reports

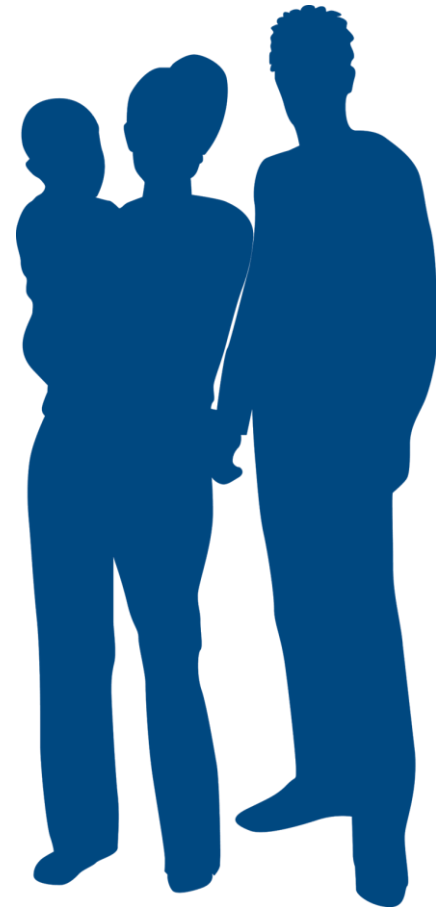
- [Addressing Fuel debt workshop](#) (July 2016)
- [Welfare reform and essential bills](#) (July 2016)
- [On supply, in control](#) (June 2016)
- [Suppliers' use of credit reference and smart meter data](#) (June 2016)
- [Staying connected](#) (April 2016)

Coming soon: suppliers' work with third parties to help and support vulnerable energy consumers (Autumn 2016)



# Good practice: supporting consumers in debt

- **Identification:** using data and communication to identify consumers who are financially vulnerable
- **Engagement:** reaching out to and engaging consumers who are financially vulnerable
- **Response:** providing an appropriate package of help and support to consumers who are in financial difficulty



# Good practice: identification

- Using a wide definition of vulnerability
- Raising staff awareness of what it means to be in debt
- Using all communication channels and contact points
- Using data sources to identify struggling households and following up with package of support
- Once consumers have been identified, provide support through specialist teams



# Good practice: engagement

- Softening the tone of debt communications - how we can help, not mentioning penalties or disconnection
- Using Plain English and Crystal Mark guidelines
- Tailored letters for vulnerable households
- Giving staff the **training, autonomy and tools** to agree personalised, flexible payment solutions with customers
- Training staff how to probe customers sensitively in order to understand their circumstances, so they can tailor a payment plan that's right for them
- Customers only have to explain their financial situation once and to one person



## Good practice: response

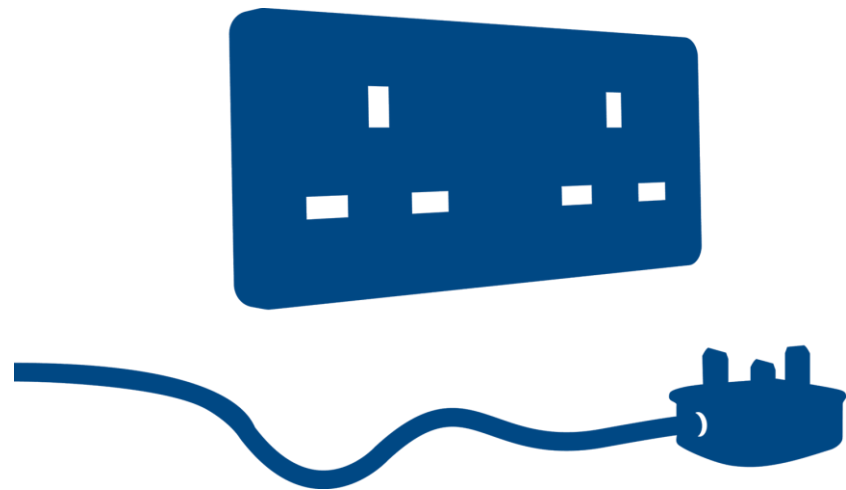


- Tailored support and advice
- One size doesn't fit all: specific debt paths for vulnerable consumers
- Outreach & home visits
- Partnerships with specialist organisations
  - Referring customers (and tracking referrals)
  - Receiving referrals

# Good practice: supporting prepayment meter users

## Tackling self disconnection

1. Get the consumer back on supply
2. Reassess debt repayment arrangements
3. Provide further financial assistance
4. Offer energy efficiency measures
5. Check if a prepayment meter is the most suitable payment method





Gillian Cooper  
12 October 2016



# Questions for discussion

1. What are your reflections on the themes coming out of the 2015 SOR report?
  - Are the themes familiar based on your work with consumers in vulnerable situations?
  - Is anything surprising, or requires further investigation?
2. What examples of good practice are you aware of that could be helpful for raising standards? E.g. within energy or from other sectors?
3. Do you have any feedback on our proposed next steps or how we collect and analyse social obligations data going forward?

**Ofgem is the Office of Gas and Electricity Markets.**

**Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.**

**We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.**