



Energy Services Partnership

# Review of Suppliers' Corporate Social Initiatives

Prepared for Ofgem



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June 2005



The Energy Services Partnership



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# 1 EXECUTIVE SUMMARY

- 1.1. Helping to tackle fuel poverty is one of the seven strategic themes guiding Ofgem's work. With encouragement from Government and Ofgem, energy suppliers have developed a range of voluntary social programmes in addition to their existing regulatory obligations.
- 1.2. Recognising the serious impact rising fuel prices can have on the vulnerable, Ofgem has asked energy suppliers to focus on the targeting and interaction of energy efficiency schemes, the development of special tariffs for vulnerable customers and the provision of benefit health checks, as well as the broader issue of debt and disconnection and the provision of special services to vulnerable customers.
- 1.3. Ofgem appointed Energy Services Partnership to assess the progress made by suppliers and the range of help available in providing Corporate Social Responsibility (CSR) programmes relevant to vulnerable consumers.
- 1.4. The completion of this assessment has been undertaken by evaluating the suppliers' initiatives based on information provided by, and discussions with, the companies and major stakeholders. The UK experience has been compared to example initiatives from overseas and the SERM Rating Agency were retained who have used their proprietary methodology to assess how well the suppliers are perceived to be managing the risks arising from CSR issues.
- 1.5. Over the last five years each of the companies have, to varying degrees, taken part in social initiatives that go further than what is required by any regulatory obligation. In total, supply companies provided details of 99 initiatives. Some initiatives have multi-million pound budgets; others are small scale or pilot schemes.
- 1.6. Whilst some initiatives have been running for several years, supplier involvement in social initiatives has grown significantly over the past five years, with a particular marked increase in the last two years, and, from the information provided, this growth looks set to continue. In addition, the growth in voluntary initiatives would suggest that suppliers have started to look beyond how to deliver compliance requirements. Both singularly and collectively they should be applauded for their significant efforts to date.
- 1.7. A limited number of initiatives, such as tariff schemes and Energy Efficiency Commitment (EEC) programmes, are assisting significant numbers of vulnerable customers. Suppliers have incurred opportunity costs of approximately £110 million in aggregate during 2004-5 on social initiatives in addition to approximately £160 million required expenditure under EEC. Even after mainstream tariff initiatives are excluded, five of the six suppliers assisted the equivalent of just over 20% of their vulnerable customers. If this level of activity could be maintained, it would lead to these suppliers assisting all the vulnerable customers registered on their systems by 2010.
- 1.8. When compared with an estimate of the number of households supplied by each supplier, only one of the suppliers stated that it was supplying around the national average percentage of fuel poor customers. However, these figures are only broad estimates, based on a range of assumptions. Sharing data between interested parties would assist the refinement of the assumptions used to assess the scale of the fuel poverty issue.
- 1.9. A range of customer benefits have been claimed by the suppliers with the majority of them focusing on delivering measurable financial benefits to households. For example, benefits health checks, where completed, are claimed to identify additional available benefits of between £1,000 and £1,900 per household. Stakeholders are concerned, however, that most customers do not actually receive the benefits identified.

- 1.10. Addressing the issues of vulnerable customers is a complex task, often involving many parties. Both company responses and stakeholder experiences suggest that localised community initiatives using trusted third parties were the most successful and that significant benefits may be possible through sharing innovations.
- 1.11. RWE npower's Health through Warmth, Scottish Power's intermediaries contact lines and E.ON UK's Heatstreets initiative were all cited as initiatives where the collaboration with others worked well. These initiatives either displayed good local level working, improved access or avoided problems from being passed from one team to another. The success of one insulation scheme run with Scottish Power was attributed to the high level of trust between the supplier and the partner organisation. Successful collaboration, however, is not universal. Some interviewees commented on difficulties with Here to Help, both in setting up local arrangements and in service delivery. This would suggest that there is a misalignment between the incentives placed on suppliers and the steps needed to assist vulnerable customers effectively. For the purpose of EEC for example, suppliers' priority will be with securing the installation of measures for achievement of energy saving targets. Partnering organisations may place more priority on other issues such as the provision of advice and customer handling.
- 1.12. Both companies and stakeholders asserted that the release of information by another party would make identifying and targeting vulnerable customers easier. More active engagement with Government departments such as the Department of Health, the Department of Work and Pensions and local authorities was cited as essential if significant progress is to be made in the identification of vulnerable customers. Equally, certain stakeholders felt that the companies have better information than other sources, for example about energy consumption, where prepayment meters are fitted, where companies experience payment difficulties and where PSR customers live.
- 1.13. All suppliers stated that they have established CSR programmes with defined responsibilities, Director sponsorship and Board level reporting mechanisms in place. Performance is benchmarked in a number of ways including publicly available comparisons, such as Business in the Community's Corporate Responsibility Index and the London Benchmarking Group. EDF Energy and RWE npower also declared that CSR targets form part of their performance management schemes for senior management. The need for CSR to be an integral element of a company's culture and ethos appeared to be well recognised.
- 1.14. To obtain a picture of how vulnerable customers are benefiting from companies' social initiatives, 39 stakeholder organizations were contacted. These included charities working with specific groups of vulnerable customers, consumer groups, local authority representatives, fuel poverty lobbyists and academics. Stakeholders were selected from organisations that had already expressed interest in vulnerable customer issues to Ofgem.
- 1.15. Despite some examples of operational coherence, scepticism and mistrust over suppliers' intentions implies that they are not marketing themselves effectively and demonstrates the need for consistent messages to customers from suppliers, government and stakeholders alike.
- 1.16. Most respondents believe that the government has the prime responsibility for ensuring people have sufficient income. The majority of stakeholders felt that the government was not taking sufficient responsibility for delivery in this area, but different opinions were expressed over how this should be corrected.
- 1.17. SERM Rating Agency has used their proprietary methodology to assess how well the companies are perceived to be managing the risks arising from CSR issues. Each of the companies is actively managing the CSR risks it is facing and has risk reduction assessments that are better than the FTSE 350 average. The companies' overall ratings are similar to their performance on the particular subset of issues pertinent to vulnerable customers. This indicates that issues related to vulnerable customers are being treated as effectively as other CSR issues.

- 1.18. The difficulties faced by vulnerable customers in the UK are not unique and the impact of fuel poverty takes different forms in different countries. Companies in competitive markets overseas have developed some initiatives, but their most common contribution is to administer their governments' programmes, unlike in the UK where there is a greater expectation and responsibility being placed on Suppliers to directly assist vulnerable customers.
- 1.19. Finally, this review has looked at both quantitative and qualitative aspects of suppliers' performance. The original terms of reference for this project included ranking the performance of the suppliers. However, social initiatives address diverse and complex situations that do not lend themselves to techniques of aggregation and averaging. Consequently it was deemed inappropriate to create an overall ranking of performance. Instead the review highlights examples of best practice and makes recommendations for future action.





## 2 BACKGROUND

### 2.1 OFGEM'S STATUTORY DUTY

2.1. Ofgem is the regulator of Britain's gas and electricity markets. Its principal objective is to protect the interests of consumers wherever appropriate by promoting effective competition. It has a range of secondary duties including the duty to have regard to the interests of certain vulnerable customers. In addition, it must also have regard to the Government's wider social and environmental policy objectives, set out in guidance issued by the Secretary of State, which include contributing to the elimination of fuel poverty.

### 2.2 OFGEM'S CORPORATE STRATEGY

2.2. Helping to tackle fuel poverty is one of the seven strategic themes guiding Ofgem's work.<sup>1</sup> Ofgem aims to help Government, companies and voluntary organisations adopt a more joined up and holistic approach to identifying which households are most in need, in order to provide them with the full range of help they require.

2.3. Recognising the serious impact rising fuel prices can have on the vulnerable, Ofgem has asked energy companies to focus on the targeting and interaction of energy efficiency schemes, the development of special tariffs for vulnerable customers and the provision of benefit health checks, as well as the broader issue of debt and disconnection and the provision of special services to vulnerable customers.

### 2.3 VULNERABLE CUSTOMERS AND FUEL POVERTY

2.4. A number of terms can be used when considering social issues, such as vulnerable customers, fuel poor, customers in need and so on. While each term can be useful in its context, they are not interchangeable. The government has set a target to eradicate fuel poverty from the UK as far as reasonably practical by 2016 and from vulnerable households by 2010<sup>2</sup>. In this context, a household is considered to be in fuel poverty if, in order to maintain a satisfactory heating regime, it would be required to spend more than 10% of its income on all household fuel use.

2.5. The government estimates the number of households in fuel poverty in the UK to have fallen from 5.25 million in 1997 to 2.25 million in 2002, mainly due to the fall in energy prices over this period.<sup>3</sup> However, the rises in energy prices during 2004<sup>4</sup> are thought to have added between 200,000 and 600,000 households to the 2004 estimate.

2.6. While the elimination of fuel poverty is a significant policy issue, there are other social issues to consider such as consumer education and security. To capture as broad a picture as possible, contributors to this review were advised that its remit covered vulnerable customers and referred them to the Authority's statutory objective, which requires the Authority to "have regard to the interests of:

1. See Ofgem Corporate Strategy and Plan 2005-2010

2. See The UK Fuel Poverty Strategy, published November 2001, [http://www.dti.gov.uk/energy/consumers/fuel\\_poverty/strategy.shtml](http://www.dti.gov.uk/energy/consumers/fuel_poverty/strategy.shtml)

3. The UK Fuel Poverty Strategy 2<sup>nd</sup> Annual Progress Report 2004 [http://www.defra.gov.uk/environment/energy/fuelpov/pdf/fuelpov\\_2nocover.pdf](http://www.defra.gov.uk/environment/energy/fuelpov/pdf/fuelpov_2nocover.pdf)

4. energywatch have estimated that during 2004 electricity prices rose by 15% and gas prices by 21%.

- a) individuals who are disabled or chronically sick;
- b) individuals of pensionable age;
- c) individuals with low incomes; and
- d) individuals living in rural areas".

## 2.4 GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY<sup>5</sup>

2.7. The need for good corporate governance stems from the separation of ownership and control that exists when a company's board of directors has executive responsibility for managing the company on behalf of a diverse group of shareholders, who will not be involved in the day-to-day running of the business. Good governance arrangements mean that boards are accountable to the shareholders.

2.8. The Combined Code on Corporate Governance describes the arrangements that apply in the UK<sup>6</sup>. Each publicly quoted company listed on the London Stock Exchange is required to make a two-part statement. The first part reports on how the company applies the principles in the code. In the second part of the statement the company has either to confirm that it complies with the Code's provisions or – where it does not – to provide an explanation. This “comply or explain” structure has been a central element of the UK's approach to corporate governance issues since the first code was introduced in 1992 after the Cadbury report<sup>7</sup>.

2.9. As new issues have arisen, the provisions of the code of practice have evolved, so that the Combined Code now includes principles and provisions for issues including:

- ✓ the balance of boards and their independence;
- ✓ the professional development of board members;
- ✓ directors' remuneration;
- ✓ the arrangements for accountability and auditing performance; and
- ✓ relations with shareholders

2.10. Effective governance arrangements are expected to align the interests of management with those of shareholders so that shareholder value is maximised. However, in parallel with the development of the corporate governance agenda, companies have been challenged to review their role within society.

2.11. Society expects companies to behave responsibly. As well as financial accountability to its shareholders, the impact of a company on its staff, the environment and the communities in which it operates is being scrutinised more closely than ever before by governments, campaigners, trade unions, consumers and environmental activists. Corporate social responsibility (CSR) has become the umbrella term used to refer to these varying impacts and how companies address these issues.

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<sup>5</sup>. Thanks are due to Mark Goyder, Director of Tomorrow's Company, for his assistance in preparing this section.

<sup>6</sup>. The current version of the Combined Code on Corporate Governance was published by the Financial Reporting Council in July 2003.

<sup>7</sup>. A committee chaired by Sir Adrian Cadbury was commissioned in May 1991 to review those aspects of corporate governance specifically related to financial reporting and accountability. Its report was published in December 1992.

- 2.12. In practice this means that companies are being judged increasingly on how they behave, not only towards their shareholders, but in all their relationships with people and the world around them. Business in the Community<sup>8</sup> has developed a Corporate Responsibility Index to score companies on how well they measure, manage and report business practices affecting the environment, the marketplace, the workplace and the community.<sup>9</sup> Both the FTSE Group and Dow Jones have indices where inclusion is based on an assessment of corporate responsibility.
- 2.13. In 1999 the Institute of Chartered Accountants in England and Wales published guidance to boards on implementing the internal control requirements of the Combined Code.<sup>10</sup> This noted that a company's objectives, its internal organisation and the environment in which it operates are continually evolving and, as a result, the risks it faces are continually changing. It advocated the need for a sound system of internal control which undertakes a thorough and regular evaluation of the nature and extent of the risks to which the company is exposed. This can include risks from avoiding or misunderstanding society's expectations, so a company's handling of CSR can be a useful indicator of how well a company is being run.
- 2.14. From 1st April 2005, new regulations from the DTI<sup>11</sup> will require listed companies to report in a more forward looking way on all the risks and opportunities of the business. The purpose of these regulations is to give shareholders and other users of the company's accounts a more rounded and inclusive view of the business, where it has come from, where it is going, what it stands for, and what is the health of its major relationships. Included in this picture will be those social and environmental issues that could have a material impact on the performance and prospects of the business. Although primarily developed for communications with shareholders, a thoroughly prepared Operating and Financial Review will require companies to think about their relationships with many stakeholders and the potential effect that intangible risks such as a deteriorating reputation could have on the company's market value.

## 2.5 COMPANY INVOLVEMENT IN CORPORATE SOCIAL RESPONSIBILITY

- 2.15. Ofgem sees the emergence of the concept of corporate social responsibility as a powerful business tool in helping companies contribute to wider economic, environmental and social well-being. Key CSR issues include accountability, governance and sustainability. Ofgem is keen to encourage companies to give fuel poverty programmes priority within their CSR activities.
- 2.16. With encouragement from Government and Ofgem, energy companies have developed a range of voluntary social programmes. These include the provision of special tariffs, benefits health checks, trust funds, and support for a range of community projects. In addition to voluntary initiatives, companies have to meet certain regulatory requirements including the provision of help to customers in payment difficulties, energy efficiency advice, and provision of energy saving measures under the Energy Efficiency Commitment (EEC). In practice, many of the programmes which suppliers have developed combine voluntary and regulatory initiatives in order to ensure focused and innovative approaches are taken to assisting customers in need.

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8. Business in the Community describes itself as a movement of 700 companies. Its purpose is to inspire, challenge, engage and support business in continually improving its positive impact on society.

9. Of the six companies involved in this review, Centrica, EDF Energy Energy, RWE Npower, Scottish Power and Scottish and Southern Energy all participated in the 2004 Index. E.ON UK (as Powergen) participated in the 2003 Index, but not in 2004.

10. Also known as the Turnbull guidance.

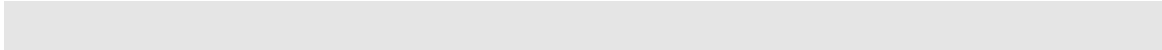
11. The Companies Act 1985 (Operating and Financial Review and Directors' Report etc.) Regulations 2005 (S.I. 2005 / 1011)

## 2.6 TERMS OF REFERENCE FOR THE REVIEW

2.17. Ofgem appointed Energy Services Partnership to assess the progress made by companies and the range of help available in providing CSR programmes relevant to vulnerable consumers. The terms of reference for the assessment were to highlight best practice and assess the priority given to corporate social initiatives. The following areas were to be given specific consideration:

- ✓ the range of company programmes and ways in which these benefit customers;
- ✓ the extent to which programmes have been successfully incorporated into wider community programmes at local level through effective working with other partners;
- ✓ the extent to which programmes are effectively targeted on customers in need;
- ✓ the views of local authorities and relevant consumer and voluntary organisations on the effectiveness of company programmes;
- ✓ the identification of examples of good practice from which consumers can benefit;
- ✓ the positioning of programmes within companies' overall approach to CSR;
- ✓ the ranking of companies' performance, both overall, and according to specific criteria agreed with Ofgem;
- ✓ relevant experience among utilities overseas in assisting vulnerable customers.

2.18. It is appropriate at this point to restate that CSR is not restricted to the consideration of social issues and fuel poverty. These are pertinent and significant issues for energy suppliers; however, a rigorous CSR programme is also likely to consider other issues, such as environmental impact and the health and safety of staff, which fall outside the focus of this review.



## 3 OUR APPROACH

### 3.1 INTRODUCTION

- 3.1. Our detailed approach and methodology for each stage of the assignment are set out below. The ESP approach has been to manage a consortium that will produce synergistic benefits by combining the utility sector knowledge of ESP with the CSR benchmarking expertise of SERM. SERM is an independent UK-based rating agency that specialises in assessing how well companies manage their social, environmental and other non-financial risks.
- 3.2. There have been four stages to this project - gathering information about the companies' initiatives, capturing the views of other stakeholders, combining these to produce an assessment of company performance and finally comparing the UK experience with examples from overseas. These stages ensured that both an external and internal perspective had been considered when analysing each company's initiatives.

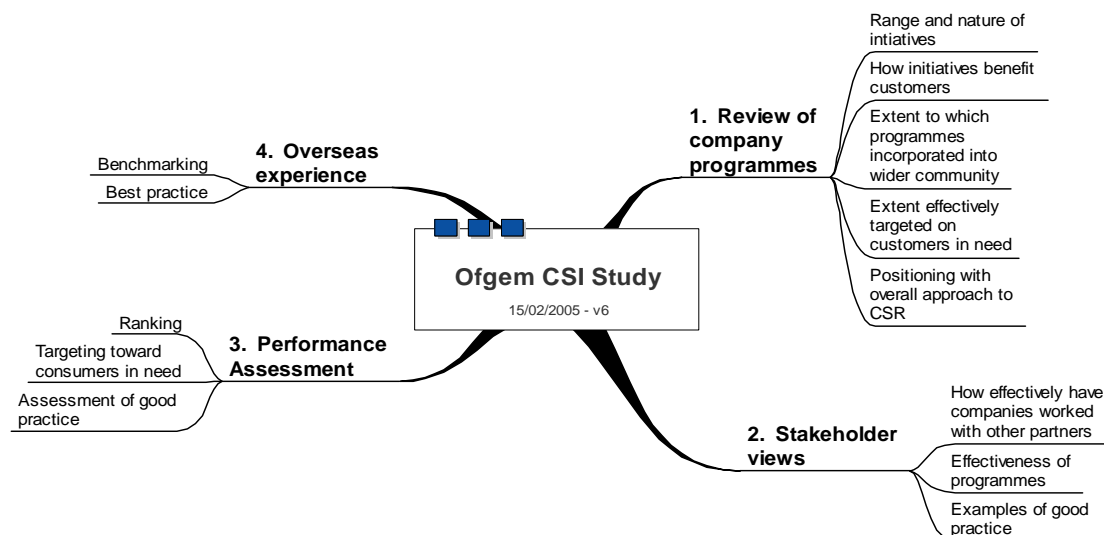


Figure 3-1 Ofgem CSI Study

### 3.2 STAGE ONE: REVIEW OF COMPANY PROGRAMMES

- 3.3. The review of the existing company social initiative programmes has assessed how successful each company's programme is and considered whether these programmes are effectively helping customers in need.
- 3.4. ESP developed a Company Audit Questionnaire relating to the social initiatives in companies' CSR programmes. The DTI provided a large amount of numerical data on how customers have benefited from initiatives taken by the companies. This information was collected for the UK Fuel Poverty Strategy Annual Report. The ESP questionnaire was designed to complement the information gained

by the DTI by focussing on how suppliers are working with Government agencies, suppliers and Non-Government Organisations (NGOs) to deliver those benefits.

3.5. In conjunction with the questionnaire, ESP conducted desktop research into each company’s CSR programme and the associated initiatives, the potential benefits and any partner organisations. Meetings were also held with each of the six main energy suppliers.

### 3.3 STAGE TWO: STAKEHOLDER VIEWS

3.6. The stakeholder review sought the views of a wide range of stakeholders (summarised in the picture below), identified examples of good practice and obtained an external opinion as to the ability of the Companies to deliver under their CSR programmes. As with the review of companies’ CSR programmes a Stakeholder CSR Audit Questionnaire required stakeholders to provide responses about companies’ CSR programmes to which they have had exposure, the companies’ effectiveness within the community and the areas that appear to have been omitted.

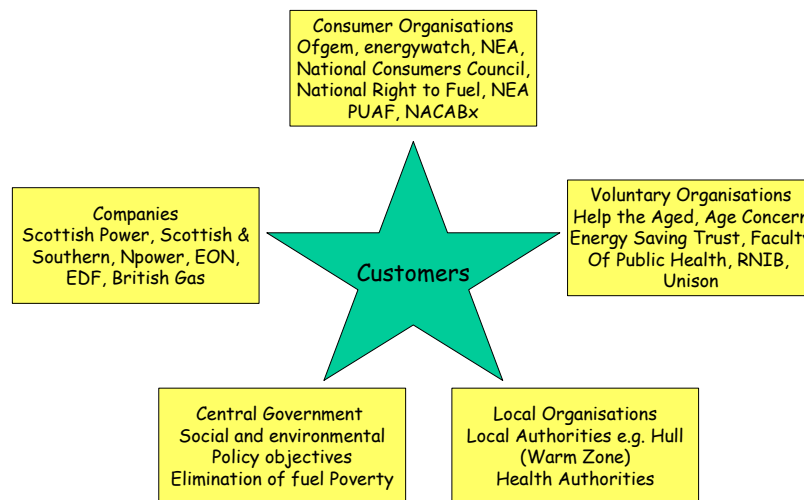


Figure 3-2 Stakeholders

3.7. The results of the questionnaire have been analysed and as before compared to identify any significant trends, areas of common practice, best practice and any major discrepancies. Meetings then took place at four stakeholders; namely energywatch, a regional city council, the National Consumer Council (NCC) and National Energy Action (NEA).

### 3.4 STAGE THREE: COMPANY ASSESSMENT

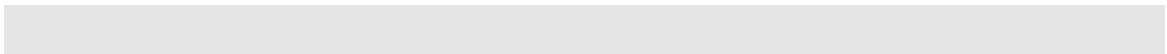
3.8. The assessment of each company’s performance identified areas of best practice and any particular initiatives and their characteristics that have been more successful than other initiatives. The audit questionnaires and subsequent discussions have provided us with an “internal” view of how the companies and their stakeholders perceive their initiatives. In addition we have utilised SERM to

provide an assessment, based on published sources, of how the companies are perceived to be managing the risks in this area.

- 3.9. The primary inputs to this assessment have been the results from stages 1 and 2 coupled with analysis of the quantitative data available from the DTI and the assessments provided by SERM.
- 3.10. The SERM Rating system has been developed to compare companies' risk exposure and performance across selected Peer Groups and/or constituents of an Investment Portfolio. The ratings are constructed from a wide range of sub-sector / regional operations and any selected group of companies can be analysed under the system.
- 3.11. SERM conducts extensive research from over 40,000 journals, Government, NGOs, prosecution records and any other pertinent publicly available information sources. SERM does not rely on interaction with the selected companies and the completion of lengthy questionnaires / interviews.
- 3.12. SERM's in depth desk based research is designed to provide an informed and consistent external perspective of how a company is managing its CSR issues and associated 'Reputational Risk'. A full description of the SERM methodology can be found in their report, which is available from the Ofgem web site ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).

### **3.5 STAGE FOUR: OVERSEAS EXPERIENCE**

- 3.13. This stage of the project has provided an international reference point for the project. Using SERM's international network of analysts, we have provided an assessment of how well UK companies are managing the corporate social responsibility issues when compared with a global peer group. During this stage we also identified examples of good practice that are likely to have relevance for UK customers.



## 4 COMPANY INITIATIVES

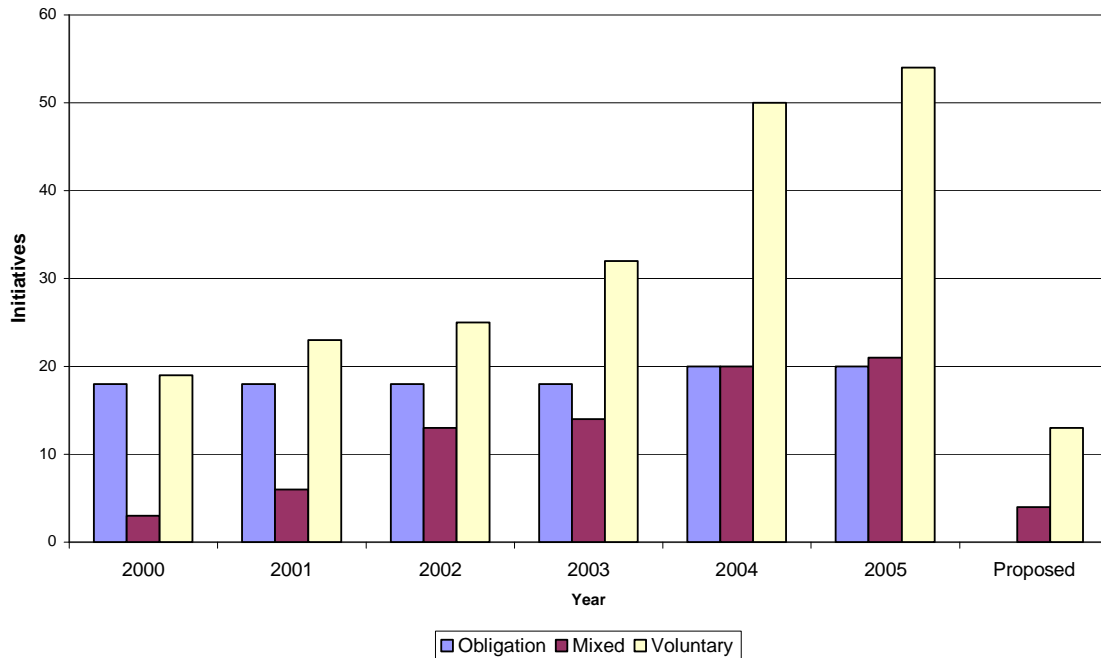
- 4.1. Set out below is a summary of the initiatives the industry is involved in, the reach of those initiatives and the costs and benefits to suppliers from social initiatives.
- 4.2. Suppliers were asked to complete the questionnaire in Appendix 1 to provide details of the social initiatives they are running. They were reminded that the review was not solely interested in fuel poverty, but in the actions taken to help anyone who falls into the broad definition of vulnerable customer employed in the Authority's statutory duty.
- 4.3. Suppliers have obligations from their licences to operate priority service registers and offer special services to customers included on them, operate energy efficiency advice lines and manage the installation of energy efficiency measures under the EEC. Suppliers were asked to provide details of their social initiatives and Appendix 2 provides a summary of the information provided. In some cases there is an overlap when an initiative combines the delivery of an obligation with voluntary measures that are over and above these requirements.

### 4.1 THE NATURE AND RANGE OF INITIATIVES

- 4.4. In total, suppliers provided details of 99 initiatives. Some have multi-million pound budgets; others are small scale or pilot schemes. The purpose of some initiatives is to satisfy obligations. However, suppliers have developed initiatives and arrangements that mix legal requirements with voluntary measures and some initiatives are driven entirely by considerations other than legal compliance. Suppliers were asked to confirm how their initiatives fitted into this classification, using the following definitions:
  - ✓ **Obligation (O)** An initiative that delivers a licence or other legal obligation such as the Energy Efficiency Commitment. This includes industry-wide agreements that have been introduced as self-regulation; e.g. the vulnerable customer safety net arrangements developed by the Energy Retail Association to protect vulnerable customers from disconnection.
  - ✓ **Mixed (M)** An initiative that can both deliver or contribute to a licence obligation and provide other benefits to consumers.
  - ✓ **Voluntary (V)** An initiative that can provide benefits to customers over and above those due from any licence obligations.
- 4.5. While some initiatives have been running for several years, supplier involvement in social initiatives has grown significantly over the past five years, with a particular marked increase in the last two years, and, from the information provided, this growth looks set to continue. Figure 4.1 illustrates how the number of initiatives developed by suppliers has grown over the past five years. The growth in voluntary initiatives would suggest that suppliers have started to look beyond how to deliver compliance requirements, although this remains a major incentive.
- 4.6. Each company presented a range of initiatives with diverse characteristics. Some companies have given social initiatives a wider interpretation than others. This is to be expected given the broad definition of vulnerable customers the review is employing. However, initiatives can be aggregated into six broad categories:



**Figure 4.1**  
**Industry Aggregate**  
**Number of Initiatives Operating By Year**



- ✓ **Tariffs** range from delays to implementing price increases for prepayment customers and price caps to social tariffs that may also include other measures to improve a household's energy efficiency.
- ✓ **Energy Efficiency** initiatives will include arrangements for delivering energy efficiency improvements to households.
- ✓ **Financial** initiatives are directed at improving a customer's financial affairs, either by managing or preventing debt or by increasing income.
- ✓ **Identification.** The focus of these initiatives is to identify vulnerable customers, so that other measures can be offered as appropriate.
- ✓ **Consumer Education and Advice** arrangements provide information or advice to consumers, but do not involve the implementation or take up of particular measures.
- ✓ **Community Involvement.** These arrangements involve the suppliers supporting community projects.

4.7. In practice, many initiatives do not fit neatly under these headings, but combine measures from more than one category. Suppliers were asked to indicate how their initiatives could be mapped onto the categories. Table 4.1 summarises their responses.

4.8. As well as initiatives in these areas, each company runs employee involvement initiatives, such as volunteering programmes or matched giving schemes. In certain cases, these initiatives benefit vulnerable customers; however company involvement in local communities covers a much wider range of issues and activities than those considered in this review. Companies' CSR reports will provide further information.

| Type                        | British Gas | EDF Energy | E.ON UK | RWE npower | Scottish & Southern | Scottish Power |
|-----------------------------|-------------|------------|---------|------------|---------------------|----------------|
| Tariffs                     | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Energy Efficiency           | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Financial                   | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Identification              | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Consumer Education & Advice | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Community Involvement       | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |

*Table 4.1 Types of social initiative developed by each supplier (as at March 2005)  
Source: Suppliers*

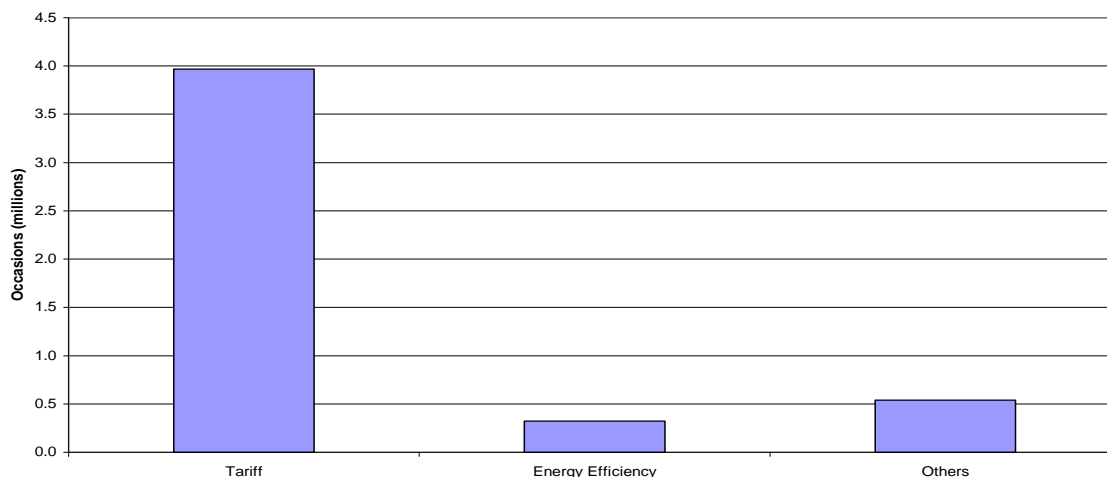
4.9. The development of energy efficiency initiatives is unsurprising given the incentive on the companies to direct EEC funding to priority households<sup>12</sup>. However, each company has also developed innovative schemes to tackle the issues of particular subsets of vulnerable customers; for example, SSE's homeless help package, the REECH scheme from British Gas targeting ethnic minority communities, Powergen's Pocket Affordable Warmth Survey, Scottish Power's helplines for intermediaries, RWE npower's Health through Warmth initiative and EDF Energy trialling the use of meter readers to identify potentially vulnerable customers.

## 4.2 THE SCALE OF ACTIVITY

4.10. Companies were asked how many customers were assisted by each of the initiatives they were pursuing. Supplier estimates suggest that customers received assistance on at least 4.8 million occasions during 2004-5. Figure 4.2 overleaf shows how much of this assistance is provided through tariff schemes, through initiatives that package energy efficiency measures with other forms of assistance and through other types of initiative, such as advice schemes. As would be expected, tariff schemes are creating the largest numbers of occasions for assistance, accounting for 82% of the total. However, companies are also investing in many smaller scale projects with more focused objectives and in initiatives for which it is difficult to attribute specific assistance such as education and awareness or charity support schemes. Over 50 smaller non-tariff initiatives have assisted customers.

<sup>12</sup>. The Electricity and Gas (Energy Efficiency Obligations) Order 2004 (S.I. 2004 / 3392) defines priority customers as those who are in receipt of specified benefits, such as council tax benefit, housing benefit, income support, pension credit and disability living allowance or, provided the household income is below a threshold, in receipt of child tax credit or working tax credit.

**Figure 4.2**  
**Number of occasions assistance given 2004-5**  
 (Source: Suppliers)



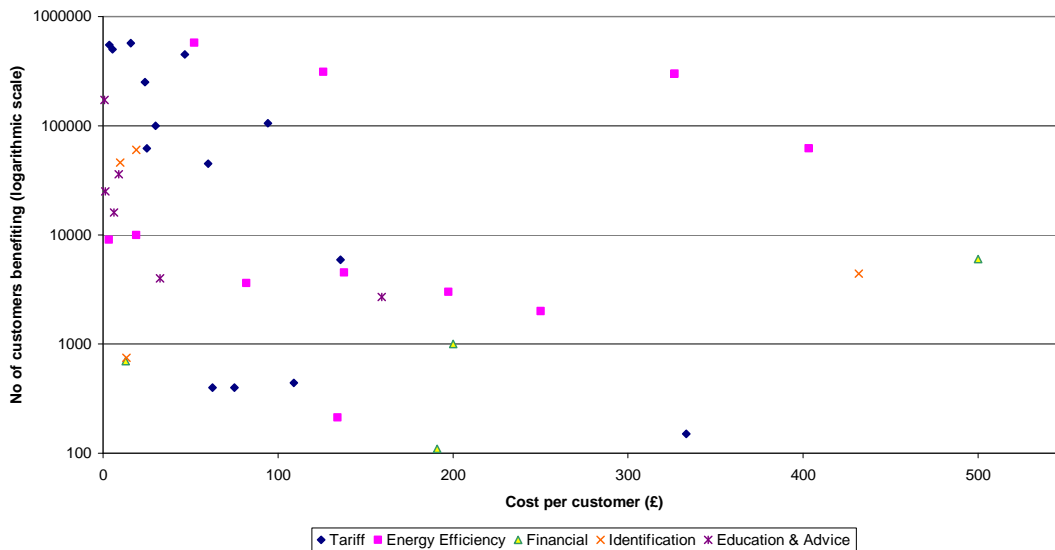
4.11. Table 4.2 below provides an indicator of the cumulative impact that the suppliers attribute to their social initiatives, in terms of the percentage of customers assisted by corporate social initiatives in 2004-5. These figures do not include any assistance provided through obligatory schemes such as EEC or the Priority Services Register. It is possible for customers to benefit from more than one initiative; however it is unlikely that these figures overstate the actual percentage of customers assisted by a significant amount. Again this table illustrates how tariff measures, such as a freeze on increasing prices, can assist a significant number of customers.

| Supplier                   | % of customers assisted through social initiatives | % assisted, excluding tariff initiatives |
|----------------------------|--|--|
| British Gas                | 12.4%  | 1.3%                                     |
| EDF Energy                 | 12.4%  | 5.9%                                     |
| E.ON UK                    | 19.5%  | 3.7%                                     |
| RWE npower                 | 8.0%   | 1.8%                                     |
| Scottish & Southern Energy | 15.2%  | 1.5%                                     |
| Scottish Power             | 21.0%  | 4.1%                                     |

*Table 4.2 Percentage of customers assisted in 2004-5 through companies' social initiatives*  
 Source: ESP estimates based on supplier responses

4.12. The costs and benefits of the social initiatives vary significantly. For tariff initiatives, the cost broadly matches the revenue foregone and benefits customers directly through lower bills. Education and advice initiatives can be delivered at a much lower cost per customer, but are likely to have less direct impact over a period of time as consumers become more aware of the opportunities available to them. Energy efficiency measures are delivered at a variety of costs depending on scheme characteristics. Figure 4.3 plots the cost per customer for a selection of the initiatives against the number of customers assisted during 2004-5. (Note that a logarithmic scale is used for the number of customers assisted.) The range of values observed on the figure indicates that suppliers are not always seeking the lowest cost delivery option.

**Figure 4.3**  
**Cost / customer compared to number of vulnerable customers**  
**benefiting (for a sample of initiatives)**



4.13. The companies have estimated that in aggregate, during 2004-5, the opportunity costs attributable to their social initiatives amounted to approximately £110M<sup>13</sup> in addition to approximately £160m required expenditure under EEC. In some cases this would be an indirect cost; e.g. the cost attributed to releasing staff to support community based projects in work time, while the cost of tariff initiatives equates to the revenue foregone by delaying a price increase or supplying on a preferential tariff. However, in many cases, costs will be directly incurred; e.g. funding a partner organisation's activities. Companies justify their investments in CSR on a number of grounds, such as:

- ✓ Brand enhancement
- ✓ Part of the responsibility that comes with being a leading blue chip organisation
- ✓ Good business practice contributing to a profitable and sustainable company in the long term
- ✓ Corporate reputation
- ✓ Risk management
- ✓ Attracting and motivating talented staff
- ✓ Retaining the licence to operate
- ✓ Minimising environmental impact

4.14. Suppliers work with partner organisations to deliver many of their initiatives. The next chapter reviews how companies deploy the investments they make and the benefits to customers that result.

<sup>13</sup>. ESP assessment from company figures. Appendix 2 includes, where the companies have agreed to publication, details of the costs attributed to each initiative.

## 5 COMPANY PERFORMANCE

### 5.1 INTRODUCTION AND KEY MESSAGES

5.1. Set out within this chapter is a review of the information provided by each of the companies in relation to:

- ✓ Benefits to Customers
- ✓ Reaching the wider community and the use of partners
- ✓ The effectiveness of customer targeting
- ✓ Corporate Social Responsibility

5.2. Detailed information describing both the type and nature of the initiatives (either in place, or in development) coupled with the benefits that the initiatives should yield, has been provided by all of the companies. Details from the individual company returns are included within Appendix 2. It should be noted that companies have interpreted the scope of social initiatives differently. They have, therefore, submitted varying levels of information on activities they consider being within the remit of their social initiatives. ESP's analysis is based solely on the data provided by the companies.

5.3. The key messages contained within this chapter are:

- ✓ A range of customer benefits have been claimed by the companies with the majority of them focusing on delivering measurable financial benefits to households.
- ✓ The companies are measuring the impact of their initiatives on the community through a variety of Key Performance Indicators e.g. number and type of energy efficiency measures installed.
- ✓ Benefits health checks, where completed, are claimed to identify additional available benefits of between £1,000 and £1,900. However, only limited data is available showing the actual additional benefits claimed per household.
- ✓ All of the companies work with a number of national and local partners in order to reach into the wider community. Successful partners were identified as credible, had reach and access to the communities targeted by initiatives, and were able to generate trust in the scheme.
- ✓ The companies use a variety of targeting methods including internal data such as debt status indicators as well as data provided by external parties such as their partners.
- ✓ All of the companies stated that more active engagement with Government departments such as Health, Work and Pensions would significantly help in the identification of vulnerable customers.
- ✓ Incorporating social initiatives within the companies' broader CSR programmes appears to have been universally accepted with differing levels of commitment.

### 5.2 CUSTOMER BENEFITS

5.4. Set out in Table 5.1 is a summary of the customer benefits described by the companies in their returns. In addition to identifying customer benefits, some companies also identified benefits for themselves. For example E.ON describes its Energy Monitor initiative that is designed to increase E.ON's understanding of customer attitudes.

| Customer Benefit  | British Gas | EDF Energy | E.ON UK | RWE npower | Scottish & Southern | Scottish Power |
|---|-------------|------------|---------|------------|---------------------|----------------|
| Reassurance in relation to energy prices and cost saving in relation to tariffs (some for specific subsets of the community)  | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Funding measures resulting in lower energy bills and/or improved energy efficiency  | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Additional funding from charity   | ✓           |            | ✓       | ✓          |                     | ✓              |
| Additional benefits identified through BHC  | ✓           | ✓          | ✓       | ✓          |                     | ✓              |
| Debt assistance through Grants or trust funds to reduce or clear arrears of gas or electricity debt, and may provide help with other essential household bills or costs | ✓           | ✓          | ✓       | ✓          | ✓                   |                |
| Alternative payment systems and/or revised payment plans  | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Access to PSR and other special services e.g. large print bills   | ✓           | ✓          |         | ✓          | ✓                   | ✓              |
| Campaigns/ Information booklets and/or increased energy understanding   | ✓           | ✓          |         | ✓          |                     |                |
| Education programmes within the community e.g. ethnic minorities  | ✓           |            |         | ✓          |                     | ✓              |
| Specific heating for the fuel poor  |             |            |         |            | ✓                   | ✓              |
| Greater control over bills to help prevent "accidental" debt  |             |            |         |            |                     | ✓              |
| Community Liaison Officers resolve difficult customer accounts  |             |            |         | ✓          |                     | ✓              |

Table 5.1 Summary of Customer Benefits

5.5. Whilst each initiative is designed to yield customer benefits it is sometimes difficult to measure whether benefits have actually been delivered to vulnerable customers, particularly for those initiatives with longer-term goals such as education programmes that are related to changes in attitude.

5.6. Appendix 2 provides details of the costs and benefits associated with the varying initiatives across the companies. The measurement tools being used are:

- ✓ Customer take up e.g. for specific social tariffs
- ✓ Tools to estimate the level of energy efficiency achieved

- ✓ Average energy savings
- ✓ Customer satisfaction research
- ✓ Number and type of energy efficiency measures installed e.g. the number of households fitted with cavity insulation
- ✓ Number of customers impacted by specific initiatives e.g. the number of customers on a PSR
- ✓ Customer service representative call records
- ✓ Level of company donations
- ✓ Value of debt written off
- ✓ Number of charity referrals
- ✓ Increase in benefits identified per household
- ✓ Number of staff within a company trained

5.7. A number of these measurement tools not surprisingly identify the benefits from a company rather than a customer perspective e.g. all the companies measure the increase in the level of benefits identified as a result of benefits entitlement checks. These vary between £1,000 to £1,900 dependant upon the company. However, the real measure of success should be how much of the entitlement identified is actually claimed by the customer. Unfortunately, information on this is limited<sup>14</sup>.

### 5.3 LINKS TO THE WIDER COMMUNITY

5.8. All of the companies work with a number of national and local partners in order to reach into the wider community. Each company has its own process by which it selects its partners, with some having created business processes specifically for business partner selection. Common selection criteria used includes, considering partners' areas of expertise, ability to deliver, capacity, reach and the cost of implementing services.

5.9. In addition to these, the companies use additional specific criteria including: brand awareness, the targeting of voluntary organisations, employee choice and partners that are corporately and environmentally responsible.

5.10. The choice of partner depends heavily on the nature of the initiative for all companies. To fulfil their obligations, the number of partners varies from company to company from between 100 and 800 partners each of whom fall into some or all of the following classification:

- ✓ Local authorities and local authority sponsored organisations
- ✓ Social housing providers
- ✓ Primary care trusts
- ✓ Energy efficiency advice centres
- ✓ Social services

<sup>14</sup> EAGA research for British Gas indicates that 45% of customers offered a benefits health check obtained the additional benefits identified.

- ✓ Housing associations
- ✓ Charities
- ✓ Financial Institutions
- ✓ Trusts
- ✓ Fire services
- ✓ Police Authorities

- 5.11. In order to deliver their obligations, the main players the companies list as being involved with are the NEA, NHS and the EAGA partnership. For the mixed and voluntary initiatives, significant players include charities such as Help the Aged, Scope, Gingerbread, Save the Children, Surestart, National Debt Line, RNIB, Age Concern, Citizen's Advice Bureau, Communities First, MacMillan Cancer Relief and the English Federation of Disability Sports. In addition, some companies have established independent charitable energy trusts to provide assistance to vulnerable customers.
- 5.12. To date the relative merit of individual partnerships has been measured through the success of individual initiatives, where for example, the companies have looked at whether the objectives were achieved, positive feedback received from customers and partners, independent confirmation through the PR generated and the increased awareness of the brand from delivering the initiative. Furthermore, in the case of British Gas and E.ON they have defined detailed KPIs and SLAs, including the number of physical measures installed, unclaimed benefits identified and the number of homes surveyed.
- 5.13. Overall, the companies ranked the majority of partners highly, ranking them between 7-10 on a 0-10 scale (with 10 being the most successful score). Companies noted that successful partners were credible, had reach and access to the communities targeted by initiatives, and were able to generate trust in the scheme. Good project management involved clearly defining goals, making sure the objectives of the partner organisation and the supplier were aligned, establishing roles and responsibilities, agreed reporting, clear communication between the parties involved and visibility of monitoring and review. In addition, the most successful partnerships were able to get key workers to understand and sign up to the aims of the initiative, were committed to participation, and promptly dealt with shortfalls and followed up on issues.

#### **5.4 EFFECTIVENESS OF TARGETING**

- 5.14. Some of the company schemes are deliberately available to all customers such as the British Gas consumer education initiative and the RWE pricing freeze. These have not been included within table 5.2. The level of sophistication associated with the targeting of the vulnerable is different across each company and initiative. The companies used a variety of targeting methods, which include using internal data such as debt status as well as data provided by external parties such as their partners. The specific approaches used to identify target groups that the companies have mentioned are set out in table 5.2 overleaf.
- 5.15. All of the companies stated that more active engagement with Government departments, such as the Department of Health and the Department of Work and Pensions would significantly help in the identification of vulnerable customers. Referrals from trusted third parties and the use of local community based organisations were the two particular arrangements that assisted in the take up of initiatives by vulnerable customers.



| Customer groups and data sources   | British Gas | EDF Energy | E.ON UK | RWE npower | Scottish & Southern | Scottish Power |
|--|-------------|------------|---------|------------|---------------------|----------------|
| Customers in receipt of state pension and pension credit. Over 60s. Pensioners             | ✓           | ✓          | ✓       | ✓          |                     |                |
| Internal processes and data  | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Ethnic communities   | ✓           |            |         |            |                     |                |
| Customers in receipt of eligible state benefits  | ✓           |            | ✓       | ✓          |                     | ✓              |
| Socio-demographic profiles of vulnerable customers   | ✓           | ✓          |         | ✓          |                     |                |
| Customers identified through partner channels e.g. Help the Aged                           | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Customers identified through health professionals/local housing providers/ Social Services | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Customer debt status / billing database  | ✓           | ✓          | ✓       | ✓          | ✓                   | ✓              |
| Consumption data   |             | ✓          | ✓       | ✓          |                     |                |
| Customer provided data e.g. customer application forms or home visits                      | ✓           | ✓          | ✓       | ✓          |                     | ✓              |
| PSR register   | ✓           | ✓          |         | ✓          |                     |                |

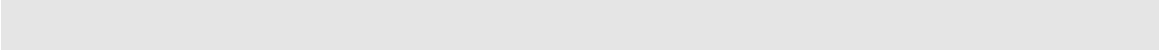
Table 5.2 Customer Groups and Data Sources

## 5.5 CORPORATE SOCIAL RESPONSIBILITY

- 5.16. There were established CSR programmes with defined responsibilities, Director sponsorship and established Board level reporting mechanisms for all companies. The need for CSR to be an integral element of a company's culture and ethos was well recognised. A good example of CSR forming an integral part of a company is EDF ENERGY whose progress against their CSR targets forms part of their company-wide performance management process with results contributing to the annual staff incentive scheme. This ensures that CSR performance affects individual financial staff bonuses for all staff.
- 5.17. There are a series of different benchmarks to monitor the success of the CSR programmes with some companies using external agencies and criteria. The benchmarks used by companies are illustrated in the figure 5.1 overleaf.

**Figure 5.1**

|  |   |   |
|--|---|---|
| <p><b>British Gas</b></p> <p>Dow Jones indexes, BitC Corporate Responsibility Index, FTSE4Good Indices, MORI CSR survey, Customer satisfaction surveys, employee engagement survey, London Benchmarking Group, surveys on individual initiatives</p> | <p><b>EDF Energy</b></p> <p>CRI Business in the Community results contribute to the annual staff incentive scheme, desk top research for specific groups, Forum for the Future, Utility Sector Basic Rights working group</p> | <p><b>E.ON UK</b></p> <p>Annual CSR report subject to independent assurance, commissioned Fishburn Hedges to assess performance, Forum for the Future</p> |
| <p><b>RWE npower</b></p> <p>Annual targets and reporting, London Benchmarking Club, JD Power surveys, CRI Business in the Community</p>  | <p><b>Scottish &amp; Southern</b></p> <p>JD Power customer satisfaction surveys, power cuts, CRI Business in the Community</p>  | <p><b>Scottish Power</b></p> <p>Use a number of measures (details not provided) such as CRI Business in the Community</p>                                 |

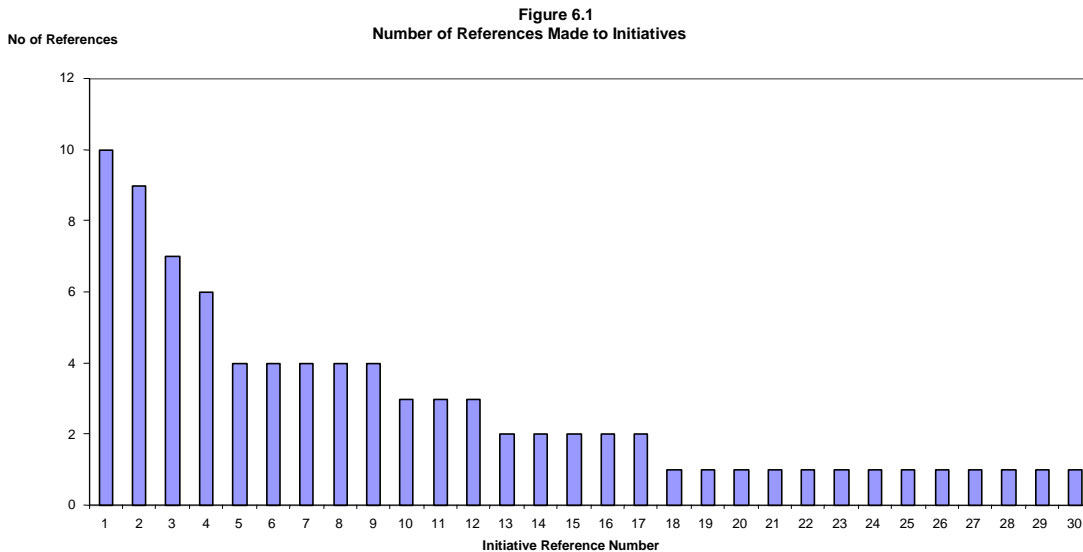


## 6 STAKEHOLDER VIEWS

- 6.1. To obtain a picture of how vulnerable customers are benefiting from companies' social initiatives 39 stakeholder organisations were contacted, including charities working with specific groups of vulnerable customers, consumer groups, local authority representatives, fuel poverty lobbyists and academics. Stakeholders were selected from organisations that had already expressed interest in vulnerable customer issues to Ofgem.
- 6.2. The questionnaire issued to the stakeholders (see Appendix 3) followed a similar format to the one sent to suppliers, asking about the suppliers' initiatives they were aware of, benefits to consumers, targeting, approaches to CSR and examples of best practice. Telephone interviews and meetings supplemented responses. In total 20 stakeholders contributed to this phase of the review, of which 8 have worked with suppliers on specific initiatives.
- 6.3. Vulnerable customers, like the population as a whole, are a diverse group with different needs and interests. There are, therefore, many different perspectives to the treatment of vulnerable customers by energy suppliers. A diverse set of responses is to be expected; however, when a consistent theme does appear, it gives a strong signal of good or poor practice.
- 6.4. This chapter has three sections. The first section reviews stakeholders' awareness of and views on suppliers' initiatives. The second section summarises stakeholders' comments. The final part of the chapter summarises stakeholders' views on good practice.

### 6.1 STAKEHOLDER AWARENESS AND PERCEPTIONS

- 6.5. Stakeholders provided details of 30 initiatives. Figure 6.1 illustrates the frequency with which an initiative was mentioned. Many of these initiatives were referred to only once or twice, in some cases from a partner involved in the initiative. This suggests that more general recall of suppliers' efforts is limited.



- 6.6. Over half of the respondents were aware of Powergen's Staywarm product. Other initiatives referred to more frequently were suppliers' provision of benefit entitlement checks and the trust funds promoted by British Gas and EDF ENERGY. In total, energy efficiency initiatives, such as Warm Zones, Heatstreets from Powergen and the Energy Efficiency Commitment, were mentioned by ten respondents.
- 6.7. In general, stakeholders were unconvinced by suppliers' initiatives and questioned whether there was any substance behind the headlines generated when an initiative is launched. For some stakeholders, influencing government and the media seemed the suppliers' real target as opposed to assisting vulnerable customers. Consequently, while many initiatives have potential and are worth considering, stakeholders were concerned that there is a gap between the rhetoric and the reality of the service customers receive.
- 6.8. When discussing vulnerable customers, stakeholders regularly concentrated on the issue of fuel poverty. From this starting point, stakeholder perceptions of suppliers' initiatives can be summarised as follows:
- ✓ **Staywarm.** This initiative seemed excellent when it started, however changes to eligibility criteria and pricing structure have undermined stakeholders' support. It still provides some peace of mind.
  - ✓ **Special tariffs.** Moves to equalise pre-payment meter (PPM) and standard credit charges have been welcomed. The impression is that special tariffs are really niche marketing activities driven by publicity or a need for the company to manage its reputation, rather than serious attempts to address issues faced by vulnerable customers. Questions were raised about how the schemes were promoted, in terms of both the language and methods used, for example, requiring customers to opt-in to an initiative.
  - ✓ **Trust Funds.** These are new and their impact is expected to increase over time. It was commented that the equivalent funds in the water industry, on which the energy funds have been modelled, have been helpful and useful. However, the trust fund concept was criticised by several respondents as not proactively preventing debt and effectively requiring people to prove their destitution before receiving support. Some also questioned why, when suppliers were aware of customers in debt from their own systems, there still appears to be difficulties in attracting applications.
  - ✓ **Energy Efficiency.** This is dominated by the Energy Efficiency Commitment and the government's Warm Front scheme. Stakeholders perceive that many schemes are repackaging the EEC and that funding is more difficult to get for projects that do not fall within EEC guidelines. Reaction to the Warm Zones initiatives was positive.
  - ✓ **Benefit Entitlement Checks.** Some commented that screening potential benefit recipients could be useful, but many stakeholders expressed concern that the impact of these checks is being overstated. The reasons promulgated for this are that the focus is on the amount of benefit entitlement identified not the amount received by customers. So far there has been little monitoring or follow up to see how many customers actually receive the benefits improvement, but anecdotal evidence suggests that the proportion could be as low as 10-20%. This is because the identification of entitlements is only a first step and many customers need supporting through the application process. Some commented that suppliers' interest in benefits is distorted by the incentives in the EEC and Warm Front arrangements.
  - ✓ **Health through Warmth.** Although small at present, several stakeholders gave positive feedback about this initiative, which is felt to generate high quality referrals and make a real difference to customers. The main constraint in expanding this initiative is limited resources within the health services and the lack of specific targets as incentives.

- ✓ **National Help Line.** At this point few details are available about this initiative. However most stakeholders are sceptical about how successful this will be in assisting vulnerable customers. The potential for duplicating other help line activities and for increasing confusion in customers' minds were also highlighted.
- ✓ **Here to Help.** This initiative seems to be a good concept.
- ✓ **Other Initiatives.** Some respondents mentioned the RWE npower ESCO scheme, Fridgesavers and Factor Four positively.

## 6.2 ISSUES FOR INITIATIVE DELIVERY

### 6.2.1 Identifying Vulnerable Customers

- 6.9. The government's UK fuel poverty strategy notes that older householders, families with children and householders who are disabled or suffering from a long-term illness are especially vulnerable to the effects of fuel poverty<sup>15</sup>. The government's commitment to eradicate fuel poverty in vulnerable households by 2010 has made identifying these customers a key priority. At the time the strategy was published, approximately half the fuel poor households in England and Scotland contained older people<sup>16</sup>, while families with children were thought to account for 15-20% of fuel poor households<sup>17</sup>.
- 6.10. The task of identifying fuel poor households is becoming more complex as the existing arrangements increasingly cover the social housing sector. In England, around 20% of fuel poor households are in the social housing sector, while 15% are in private rented accommodation and 65% are owner-occupiers<sup>18</sup>. The challenge is to find the right combination of information that helps the identification process.
- 6.11. Several stakeholders agreed with suppliers that, assuming data protection issues can be resolved, central government and local authorities could aid identification by releasing data on who was in receipt of particular benefits. However it was also noted that this is not just a systems / data protection issue as there can also be difficulties sharing information between departments.
- 6.12. Certain stakeholders felt that the companies have better information than other sources, for example about energy consumption, where prepayment meters are fitted, where companies experience payment difficulties and where PSR customers live. Information transfer can be two-way and respondents wanted companies to share more of the information they have on their customers to enable them to reach vulnerable groups.
- 6.13. Some stakeholders commented that visiting households and investigating their circumstances was the only way to really identify a vulnerable household. This type of 'information' (i.e. the fact that homes seem cold and damp) is continually gained by community nurses, health visitors, home helps, workmen, etc when they visit vulnerable individuals in their homes and greatly assists the identification of vulnerable customers.
- 6.14. Some respondents referred to using local area information and other database tools to identify areas where there is a greater likelihood of identifying vulnerable customers. Socio-demographic

<sup>15</sup> UK Fuel Poverty Strategy, November 2001, para. 1.12

<sup>16</sup> Ibid, para 1.13

<sup>17</sup> Ibid, para. 1.19

<sup>18</sup> English House Condition Survey 2001, cited in Fuel Poverty in England: The Government's Plan for Action, 2004, paragraphs 3.2.1 and 3.3.1

information such as concentrations of benefit recipients and age of property databases could help to identify the localities to focus on.

## 6.2.2 Effective Targeting

- 6.15. The stakeholders who commented on this issue acknowledged that targeting is difficult. Some commented that government programmes such as Warm Front have had the same problem, although this has also shown that there is scope to improve targeting.
- 6.16. It is difficult to verify whether a household is fuel poor without intrusive questions and expensive energy audits. In addition, the existing definition of fuel poverty may not cover householders that cannot meet their basic needs yet spend less than 10% of their income on fuel. One alternative may be to use a proxy such as benefit receipt.
- 6.17. Some stakeholders suggested that the current definition of vulnerable customer is too limiting and that vulnerability is often the result of multiple issues. Others focused on the need for better segmentation of the elderly, who have different needs at different stages of their lives.

## 6.2.3 Communication and Trust

- 6.18. Several stakeholders commented that customers are suspicious of companies' energy efficiency offerings, as they do not understand why a supplier should make such an offer. Mis-selling and the closure of shop networks has meant that suppliers are now less likely to be trusted or seen as part of the community.
- 6.19. Some respondents noted flaws in the way suppliers sought to market their initiatives. Communications tend to emphasise the brand or use an inappropriate method for the target audience. The quality and type of information presented can also be off-putting.
- 6.20. Some respondents commented that some national schemes had had a very poor take up locally. Locally run schemes have worked better, particularly for the disabled or elderly who are not mobile. In some cases making the first contact is key; for example, an offer of free light bulbs helped a contractor gain access to install a Warm Front measure.
- 6.21. Local relationships at a community level through a trusted intermediary seems to be the key factor in ensuring high levels of customer participation. Trusted intermediaries can broker customer needs, assist them through the process and explain developments in an easily understandable way. One stakeholder commented that Beacon fuel poverty local authorities provide many good examples of this.

## 6.2.4 Relationships with Intermediaries

- 6.22. If local relationships with trusted intermediaries are key to effective initiatives, suppliers need to develop relationships with partners. Several stakeholders commented that they had limited resources available, which constrains the impact they can have or their ability to implement new arrangements. Some respondents gave anecdotal evidence that suppliers can be too fixed on their own objectives to consider those of their potential partner.
- 6.23. Funding for non-EEC related projects and money advice has proved more difficult to secure. Some respondents described the difficulties in obtaining support for a pilot project, including money advice.

- 6.24. Relationships between suppliers and local authorities appear to have evolved informally even though both sides are critical to the eradication of fuel poverty although some stakeholders commented that suppliers seem to be good at identifying benefits but that local authorities are not as good at publicising energy benefits.
- 6.25. It was commented that pre-competition suppliers' brands were easier to sell into communities. Some respondents acknowledged that competition could inhibit developing relationships if companies tried to make the link with the intermediary exclusive.

### 6.2.5 Balance between Company & Government Responsibility

- 6.26. Many stakeholders felt that suppliers get involved in CSR for two reasons, brand value and deflecting threats of further legislation. Some thought social initiatives were simply a mechanism for improving public relations.
- 6.27. Some stakeholders did see some commercial justifications from CSR, such as reducing bad debt, improving customer accrual and retention and delivering EEC obligations. A number of respondents were uneasy about suppliers determining the eligibility for special, subsidised tariffs. They suggested that social policy should be a matter for central government and the industry should then innovate to supply services to vulnerable customers.
- 6.28. Most respondents felt that the government has the prime responsibility for ensuring people have sufficient income. The majority of stakeholders felt that the government was not taking sufficient responsibility for delivery in this area, but different opinions were expressed over how this should be corrected.
- 6.29. Some respondents thought that the government could do more by holding companies to account and co-ordinating efforts. A parallel was drawn with the review of telecommunications universal service obligations where Ofcom are setting the parameters. Despite the fact that some of the best initiatives are where suppliers have worked with the public sector (local govt, NHS), some concern was expressed that vulnerable customers would fall into a no-man's land between government and the suppliers.

### 6.2.6 Good Practice

- 6.30. Table 6.1 sets out stakeholders' examples of good practice observed in other sectors or countries and the sector or country where this has been observed:

| Good Practice   | Sector / Country   |
|---|--------------------|
| Sponsor local activities  | Various            |
| Funding money advice  | Financial services |
| Best Practice Register  | Water              |
| Universal Service Obligations   | Telecoms           |
| A direct debit system for benefits; e.g. the Household Budgeting Scheme | Ireland            |
| Water Aid   | Water              |

*Table 6.1 Good practice observed in other sectors or countries*

- 6.31. It was suggested that suppliers could look at what other sectors are doing. However, best practice may have to be distilled into a suitable format for developing policy. For example, the water Best Practice Register, compiled by Water Voice, provides details of best practice and who achieves it while universal service obligations are more developed in telecommunications and ensure that those with the

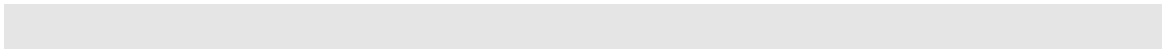
lowest income or greatest need have a degree of provision. In discussion, however, it was noted that competition in the energy sector might make suppliers less willing to disclose their best practice.

- 6.32. Water Aid appears to have been adopted by all water companies as the industry’s charity of choice. Developing a concerted approach to fuel poverty may be viable, but competitive pressures may make this difficult.
- 6.33. Stakeholders were also asked what techniques could be used to improve the take up of initiatives. Suggestions emphasised local contact through newspapers and magazines, pensioner forums, home visits and providing front line staff with training and information of what is available and the eligibility criteria. The fundamental need for trust in the party providing the assistance was reiterated. It was also suggested that there was significant activity but little pooling of information.
- 6.34. Stakeholders suggested that the initiatives in Table 6.2 were examples of best practice.

| Initiative  | Company                                 | Comments   |
|---|---|--|
| Specialist phone lines for intermediaries, staffed by specialists                     | Scottish Power                          | Well received by advisers. A lot of the frustration is in the time taken to resolve complaints.  |
| Use of socio-demographic and geo-demographic mapping                                  | EDF Energy                              | To identify those most likely to be at risk of fuel poverty  |
| Health through Warmth / Warm Zones  | RWE npower<br>EDF Energy<br>British Gas | Very good use of local level partners to identify and refer vulnerable customers at risk or already suffering from fuel poverty and then targeting necessary measures at them. |
| Here to Help / Heatstreets  | British Gas<br>Powergen                 | Good local level working   |
| Leaflet for intermediaries on fuel poverty  | Scottish Executive                      |  |
| Internal organisation, such as bringing energy efficiency and debt functions together | SSE<br>EDF Energy                       | SSE and EDF Energy are examples where the organisation helps the rapid dissemination of information  |
| Local insulation scheme   | Scottish Power                          | Excellent relationship with Scottish Power built on mutual trust.  |
| Equalising PPM and standard credit tariffs  | EDF Energy<br>British Gas               |  |

*Table 6.2 Examples of Best Practice Proposed by Stakeholders*

- 6.35. CAB or welfare rights officers in local authorities already have the skills needed to help many customers. It was stated that one supplier pays an intermediary to provide such a service.





## 7 PERFORMANCE ASSESSMENT

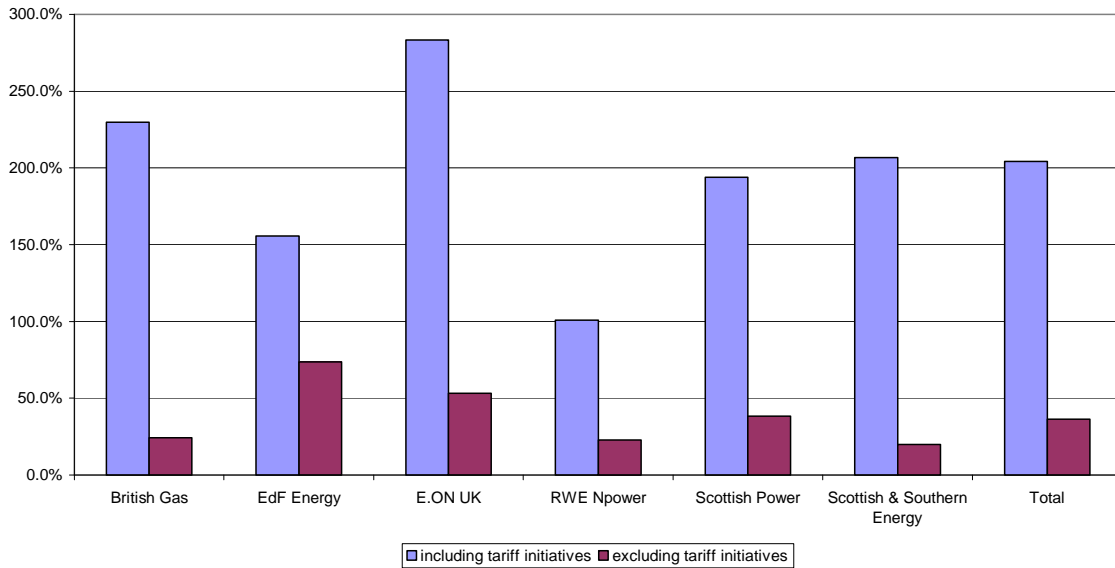
### 7.1 THE BASIS FOR THE ASSESSMENT

- 7.1. Each of the companies is involved, to varying degrees, in social initiatives that go further than is required by any regulatory obligation. It would be possible to look at each company, count up the number of initiatives, the number of customers assisted by their initiatives or the amounts of money spent and create a simple ranking of performance on this basis.
- 7.2. Such an approach, however, is likely to be counterproductive. While the number of initiatives developed by a company can be an indicator of how deeply support for vulnerable customers is embedded with the organisation's culture, focusing on this measure could incentivise companies to develop large numbers of small schemes without due consideration of their impact. Similarly, Chapter 4 and in particular Table 4.2 illustrated the bias that including tariff measures can have on the numbers of customers assisted, while focusing on amounts spent does not take into consideration the impact that an initiative has on vulnerable customers.
- 7.3. Vulnerable customers experience many diverse problems, so no single initiative or package of measures will be most appropriate in all circumstances. Some initiatives provide significant but one-off help to a highly targeted group of vulnerable customers, while others are general information and awareness campaigns whose impact may only be seen over the longer term and amongst the generality of customers. In addition, customer bases and socio-demographics are not uniform across the companies. Given this diversity, simple quantitative metrics have some value, but do not capture company performance sufficiently.
- 7.4. Instead, combining the qualitative evidence from stakeholders that has been set out in the previous chapter with quantitative data from the suppliers has created a picture of each company's performance. Separately, each company's ability to manage the risks to corporate value associated with social responsibility issues has been assessed using SERM's objective methodology, which uses only public domain information. This chapter firstly considers the quantitative evidence available and then summarises SERM's findings.

### 7.2 QUANTITATIVE EVIDENCE

- 7.5. Comparing the numbers of occasions vulnerable customers are assisted by company initiatives in a year against the total number of vulnerable customers supplied gives a measure of the approach being taken by each supplier. As shown earlier, tariff measures affect significantly more customers than other initiatives, so the data is presented in Figure 7.1 overleaf with and without mainstream tariff initiatives; i.e. standalone adjustments to prices, such as price freezes or adjustments to prepayment meter charges. Initiatives that combine a tariff adjustment with other measures such as benefit entitlement checks or energy efficiency measures are found in both data sets.
- 7.6. Suppliers can decide on the structure, content and eligibility of tariffs, so tariff initiatives can be one of the main ways of assisting vulnerable customers. EDF Energy and Scottish and Southern have developed tariff offers targeted at specific groups of vulnerable customers. However, the high proportion of customers assisted by tariff measures indicates that, so far, most tariff offers have been blunt mechanisms for delivering improvements to vulnerable customers. Tariff measures are also likely to assist customers who have received benefits from other initiatives, such as energy efficiency schemes. Consequently, the measure which excludes mainstream tariff initiatives is considered to be a better indicator of each supplier's level of support for vulnerable customers.

**Figure 7.1**  
**Occasions assisted as a proportion of the number**  
**of vulnerable customers supplied, 2004-5**

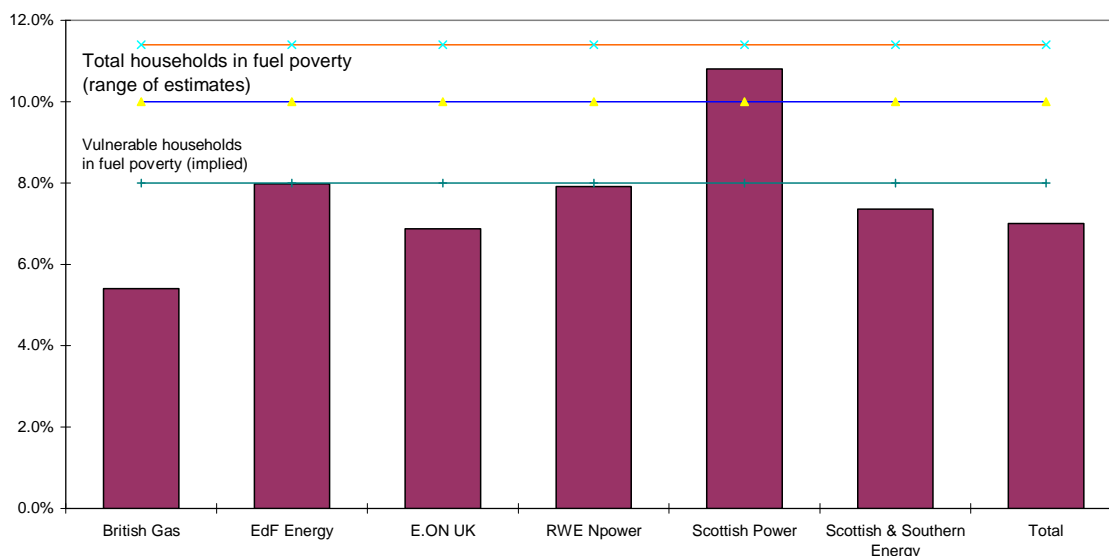


*Source: ESP assessment of supplier information*

- 7.7. Even when tariff initiatives are excluded, five of the six companies assisted the equivalent of over 20% of their vulnerable customers. If this level of activity could be maintained, it would lead to these suppliers assisting all the vulnerable customers on their books by 2010. This is, however, optimistic, as some vulnerable customers are likely to have benefited from more than one initiative, while others will have declined to accept any assistance.
- 7.8. This metric does not take into account the quality of any assistance, in terms of its effectiveness at lifting households out of fuel poverty. Excluding mainstream tariff schemes available to all customers, the largest initiatives for each of the six suppliers included two composite schemes, mixing energy efficiency and financial measures, two advice services and two tariff products. The impact of each of these approaches on vulnerable customers will be significantly different.
- 7.9. Verifying the impact of particular types of initiative could be a method for ranking the effectiveness of supplier's programmes. However, this would require detailed studies of the changes in lifestyle and living conditions over an extended period of time, which is beyond the scope of this review.
- 7.10. The scale of activity undertaken by suppliers depends in part on how significant they believe the issue is for them. Figure 7.2 compares company assessments of the number of vulnerable customers they supply with estimates of the number of households in fuel poverty in the UK<sup>19</sup>. Only one of the suppliers believes it is supplying around the national average percentage of fuel poor customers.

<sup>19</sup> The national average percentage of fuel poor customers has been derived by adding recent estimates of the increase in the numbers of fuel poor following the price rises in 2004 to a DTI estimate of 2.25 million fuel poor households in 2002 (as quoted in the Trade and Industry Committee inquiry into fuel prices, paragraph 29) and dividing these by the total number of households supplied with electricity. The number of vulnerable customers in fuel poverty is also assessed by the DTI, but was not considered directly in the inquiry report. To aid comparison, an estimate of the number of vulnerable customers in fuel poverty implied from the inquiry has been created for Figure 7.2, for which it has been assumed that all the customers entering fuel poverty following the price rises in 2004 are vulnerable.

**Figure 7.2**  
**Percentage of vulnerable households supplied compared with estimates**  
**of the proportion of households in fuel poverty nationally, 2004-5**



*Source: ESP estimates from company data*

7.11. Customer mix, marketing strategies and company history can contribute to companies having less than the national average percentage of vulnerable customers on their books. It is interesting to note the differences in these estimates, both on a company to company basis and how these relate to estimates of households in fuel poverty. However, these figures are only broad estimates, based on a range of assumptions. Sharing data between interested parties would assist the refinement of the assumptions used to assess the scale of the issue.

### 7.3 BEST PRACTICE

7.12. The use of questionnaires in this review has sought to reveal not only what initiatives are in place, but also insights into how the initiatives are being managed. As more is discovered about vulnerable customers and their issues, new opportunities and approaches will come to light. Provided there is an opportunity to implement any lessons learnt, a virtuous circle can be established so that later approaches will be more successful than earlier ones.

7.13. Stakeholder comments on identifying and targeting vulnerable customers, communication and trust and collaboration with intermediaries were set out in the previous chapter. Each of these facets can undermine the success of an initiative. This section draws together the experiences of companies and stakeholders to identify examples of good practice in each of these areas.



Figure 7-3 A Virtuous Circle

- 7.14. The careful use of data by a supplier, particularly when combined with information from external sources, has the potential to improve the identification of vulnerable customers. EDF Energy advised that they have built a socio-demographic model to assess the likelihood of vulnerable customers living in a particular area.
- 7.15. Visiting customers at home can provide a detailed picture of a household’s circumstances and enable the delivery of tailored solutions. Inevitably this approach is both resource intensive and time consuming. Both Scottish Power and RWE npower have teams of staff that undertake home visits and represent the company to the community more generally.
- 7.16. RWE npower’s Health through Warmth initiative also employs home visits and has been praised for producing very high quality referrals, but on a relatively small scale so far. The initiative takes advantage of the fact that health professionals are often seeing vulnerable customers at home and so should be able to assess the vulnerability of the household for only limited extra effort. However, it relies on health workers and others having the motivation to make referrals when there are many demands on their time already.
- 7.17. Some initiatives such as Warm Zones, Here to Help and Heatstreets have employed a door-to-door approach in selected areas. Suppliers could rely on information from their own systems when deciding on the areas to cover in this way, although targeting will be more effective as a more refined picture of an area is built up.
- 7.18. Both suppliers and stakeholders stated that customers are sceptical of suppliers offering energy efficiency products. In part this can be attributed to customers not understanding why suppliers should make such offers, as well as expectations that you don’t get something for nothing. Using a trusted “brand” such as a charity or Citizens Advice Bureau can bridge this gap; for example British Gas’s REECH initiative, which specifically targets ethnic groups using local intermediaries. Overcoming this scepticism will require consistent messages from the companies, government and stakeholders.
- 7.19. For intermediaries, keeping lines of contact short is valuable. Those with experience of this approach supported Scottish Power’s use of specific communication channels for intermediaries that take them through to specialists in dealing with vulnerable customers.
- 7.20. Although not a company initiative, a Scottish Executive leaflet on fuel poverty was put forward as an example of good practice. This is targeted at intermediaries and advisers, rather than the general public, and includes key contact details for those who want further assistance.
- 7.21. RWE npower’s Health through Warmth, Scottish Power’s intermediaries contact lines and E.ON UK’s Heatstreets initiative were all cited as initiatives where the collaboration with others worked well. These initiatives either displayed good local level working, improved access or avoided problems from

being passed from one team to another. The success of one insulation scheme run with Scottish Power was attributed to the high level of trust between the company and the partner organisation.

- 7.22. Successful collaboration, however, is not universal. Some interviewees commented on difficulties with Here to Help, both in setting up local arrangements and in service delivery, while benefit entitlement checks have been generally criticised for not ensuring that customers receive the benefits identified. This would suggest that there is a misalignment between the incentives placed on suppliers and the steps needed to assist vulnerable customers effectively.
- 7.23. Effective action requires good information to assess the scale and type of issue and good monitoring to assess effectiveness. Suppliers use a wide range of information to monitor the performance of initiatives. Some measures are internal to the company such as take-up levels or the value of bad debt written off, while others are measuring the external impact on customers, such as customer satisfaction research.
- 7.24. The effectiveness of social initiatives will depend on the impact on customers as much as the achievement of company targets, so good monitoring will employ both internal and external measures. All the companies are monitoring the performance of their initiatives. However, reviewing the measures used indicates that British Gas, E.ON UK and Scottish Power are more regularly including external impact measures to assess performance.
- 7.25. The importance of social initiatives and other CSR issues within a company is enhanced by support from senior management. All the suppliers have arrangements in place that lead to CSR issues being part of the senior management's agenda at least four times a year. Performance is benchmarked in a number of ways including publicly available comparisons, such as Business in the Community's Corporate Responsibility Index and the London Benchmarking Group. EDF Energy and RWE npower also declared that CSR targets form part of their performance management schemes for senior management.
- 7.26. The companies have interpreted social initiatives in different ways, with some focusing on those arrangements that contribute directly to customers' well being, while others have taken a wider perspective. Scottish Power referred to local economic development initiatives as an example of the company's broader commitment to the communities it operates in. Conversely, Scottish & Southern has taken the approach of giving significant assistance to a limited number of customers, rather than casting their net more widely.
- 7.27. EDF Energy and RWE npower drew attention to their employee involvement initiatives, noting that one of the benefits was to provide staff with opportunities to build links with the communities where they live. Both companies have used these arrangements to provide resources to other initiatives for vulnerable customers.
- 7.28. Transferring best practice and knowledge of initiatives within companies is a challenge in any large organisation. All the suppliers use company intranets and team briefs to pass information about their social initiatives to their staff. British Gas, EDF Energy and RWE npower have also built in links between their social initiatives and partner charities.
- 7.29. EDF Energy and Scottish & Southern appear to have designed their organisations so that information can be passed quickly within associated teams. In Scottish & Southern's case, this is evidenced in the low level of energywatch complaints, while EDF Energy's approach to customer segmentation means that the management of vulnerable customers is reported separately and so given greater transparency. EDF Energy have also located the teams dealing with energy efficiency and the PSR help line alongside its revenue management team to enable closer working and greater use of specialist services by revenue management staff.
- 7.30. Despite these examples of operational coherence, the scepticism and mistrust around suppliers implies that they are not marketing themselves effectively. The need for consistent messages to customers

from suppliers, government and stakeholders about the availability of energy efficiency has been noted earlier. In addition, suppliers have not helped themselves with communications that are too brand heavy or use language that is not tailored to the needs of vulnerable customers.

- 7.31. All suppliers have some information on fuel poverty on their websites. With the exception of npower and British Gas, the majority of the information available is difficult to obtain or is of little value to customers seeking assistance (See Appendix 5).
- 7.32. Suppliers' credibility has not been helped by the claims made for benefit entitlement checks. Research in this area is limited and inconsistent. Stakeholders perceive that there is a gap between rhetoric and reality that undermines the take up of initiatives. None of the suppliers were picked out as any better than the others, which suggests that all suppliers need to consider whether their marketing and public relations are sending out the right messages.
- 7.33. In this review we have looked at both quantitative and qualitative aspects of companies' performance. The terms of reference for this project included ranking the performance of the suppliers. However, social initiatives address diverse and complex situations that do not lend themselves to techniques of aggregation and averaging. Further, creating a ranking can also lead to companies being more concerned about how they compare with their peers, and how the comparison is constructed, rather than addressing the needs of the vulnerable customers they are supplying. For these reasons, we do not consider it appropriate to create an overall ranking of performance.
- 7.34. However, it is clear that particular initiatives and approaches are examples of best practice for some of the aspects we have studied. Table 7.1 below summarises our findings and provides a framework for the future evaluation of companies' social initiatives.

| Characteristic   | Company   | Example Initiatives   |
|--|---|---|
| Proportion of vulnerable customers supplied                                | Scottish Power  | Number of supplier estimated fuel poor in line with national estimates                        |
| Proportion of identified vulnerable customers assisted                     | EDF Energy / E.ON UK / Scottish Power   | Highest number of occasions for customer assistance (excluding mainstream tariff initiatives) |
| Identification and targeting of vulnerable customers through local contact | RWE npower<br>RWE npower / Scottish Power<br>RWE npower / EDF Energy / British Gas<br>E.ON UK | Health through Warmth<br>Home visiting teams<br><br>Warm Zones<br><br>Heatstreets             |
| Effective use of data  | EDF Energy  | Socio-demographic mapping   |
| Links with local intermediaries  | British Gas<br>Scottish Power<br>RWE npower<br>E.ON UK  | REECH<br>Intermediary helplines<br>Health through Warmth<br>Heatstreets                       |
| Monitoring using internal and external metrics                             | British Gas<br>E.ON UK<br>Scottish Power  | Customer satisfaction results   |
| Ownership of CSR Issues by senior management                               | All   | Regular reporting of CSR to Board of Directors  |
| CSR Targets in Performance Management Schemes                              | EDF Energy<br>RWE npower  | Staff remuneration affected by CSR performance  |
| Coherence across company activities  | Scottish Power<br><br>EDF Energy<br>Scottish & Southern                                       | Links to community involvement initiatives<br><br>Organisational structure                    |

Table 7.1 Characteristics of best practice with examples.

## 7.4 SERM'S RISK ANALYSIS

- 7.35. As well as reviewing the information provided by the companies and stakeholders, SERM Rating Agency have used their proprietary methodology to assess how well the companies are perceived to be managing the risks arising from CSR issues. SERM's assessment provides a rating for how the companies are managing these risks and can indicate the particular issues that are affecting a company's rating. These ratings look at a company's performance in the realms of safety, environmental impact, social impact and ethical behaviour. Their scope, therefore, is wider than just the social obligations placed on the companies. Nevertheless, the ratings are useful in assessing how suppliers compare with other major commercial sectors on CSR and the methodology enables an assessment of whether social issues are given greater or lesser emphasis than other CSR issues.
- 7.36. This section briefly describes SERM's methodology, sets out the ratings for each company's overall CSR performance and then compares this with the companies' performance on customer welfare issues. SERM's full report is available from the Ofgem web site ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).
- 7.37. The Safety and Environmental Risk Management (SERM) risk rating model is a tool to assist in the measurement of these non-financial risk issues, also known as "extra financial risks," which includes analysis of the companies':
- ✓ A. Non-financial indicators of operational performance on environmental issues, health & safety risks and social & ethical risks
  - ✓ B. An analysis of all published data on the stakeholders' view of the organisation and an analysis of the companies' Corporate reputation, brand and shareholder value and the risk of damage to these assets.
- 7.38. SERM have analysed these elements of the regulated companies' UK business environment to compile a risk profile for each company. Approximately 34,000 public domain information sources inform our stakeholder based view of their extra financial risks, which can be described as the uncertainty surrounding events and their outcomes that may have a significant effect, either enhancing or inhibiting:
- ✓ operational performance (Direct Risks as they are directly manageable);
  - ✓ the achievement of aims and objectives; or
  - ✓ meeting the expectations of stakeholders (including shareholders), or damaging the reputation of the organisation (Indirect Risks).
- 7.39. The resultant risk to capital includes direct costs and loss of assets due to fines and compliance with regulations, as well as an analysis of the potential for damage to 'intangible' assets. The extent to which both tangible and intangible (extra financial) risk factors influence share price is vital information. These risk factors include: corporate reputation and individual brand values; regulatory regime and government reaction to public pressure; media and NGO interest; employee morale; and investor, lender and insurer confidence.
- 7.40. The starting point is the development of a 'gross' or 'inherent' risk borne by these companies, by virtue of the nature of their current sector and geography of operations, and potential for damage to their reputations. For the regulated companies this is measured at 33.8% of the total market capital of the companies, if these risks were left unattended. Of course, there is active management of a lot of operationally important areas of business; examples include the promotion of workforce health and safety, as well as good labour relations as standard norms of running a successful business.

- 7.41. SERM evaluates the quality of the management across a range of issues, including the people in place, policies, processes, performance indicators and programmes for improvement. This is translated into a risk reduction factor (RRF), a proxy for the quality of the management of extra financial risk issues. These risk reducing activities by the companies (the RRF) reduce their 'gross' risk to leave a Company with a 'net' risk level, which is the potential financial exposure of the company to these risks.
- 7.42. The table below is the total combined risk profile for the companies' UK regulated operations. The net figures for risk to value are arrived at by dividing each company's 'gross' risk profile (a 33.8% risk to their market value), by their risk reduction factor (their ability to manage these risks). The resultant figure is that the companies have an average 'net' risk to market value of 13.3%. This indicates that in general the companies are well managed on non-financial issues and have safeguarded approximately 20.5% of their collective market value through management of the relevant risk issues.

| Company                   | Gross (inherent) Risk | Risk Reduction Factor | Net (residual) Risk | SERM Rating (UK Divisions) |
|---------------------------|-----------------------|-----------------------|---------------------|----------------------------|
| British Gas               | 34.4%                 | 2.7                   | 12.5%               | BBB+                       |
| EDF Energy                | 34.8%                 | 2.3                   | 14.8%               | BBB-                       |
| E.ON UK                   | 37.6%                 | 2.7                   | 13.7%               | BBB                        |
| RWE npower                | 30.2%                 | 2.3                   | 13.2%               | BBB                        |
| Scottish Power            | 36.5%                 | 2.6                   | 13.8%               | BBB                        |
| Scottish & Southern       | 29.2%                 | 2.5                   | 11.7%               | A-                         |
| <b>Peer Group Average</b> | <b>33.8%</b>          | <b>2.5</b>            | <b>13.3%</b>        | <b>BBB</b>                 |

Table 7.2 Total Combined Risk (Direct and Indirect, Internal and External)

- 7.43. The sector is managing its risks relatively well. The net risk each company is facing is similar to the average net risk of 13.0% faced by FTSE 350 companies<sup>20</sup>. However, these companies have higher than average inherent risks to manage. The sector's risk reduction factor of 2.5 compares well with the FTSE 350, where this factor is only 1.6.
- 7.44. The risk ratings are for the UK Divisions of companies only and are not full SERM risk ratings for the full parent Company. UK headquartered companies have lower than average total risk levels; correspondingly, overseas owned companies have higher than average risk levels. Of particular note is the low variance in results. The range for the Risk Reduction Factors (RRF) varies from a low of 2.3 to a high of 2.7. Scottish Power's higher net risk arises from them having greater risk to manage in the first place, rather than being an indicator that they are not managing their risks as well as others (they actually perform better than average).
- 7.45. For this review we have focused on a subset of issues that are relevant to vulnerable customers: social, ethical and customer health and safety issues. Table 7.3 overleaf sets out the performance of the companies on these issues, which generate a total risk to value of 4.7%.
- 7.46. Once again, there is a tight range between the companies with the lowest and the highest risks, indicating that all companies are employing similar practices across the sector. Being in a regulated industry sector might explain this. Figure 7.4 illustrates the risks faced by each supplier and the net risk after management actions are taken into account.

<sup>20</sup> The FTSE 350 are the 350 largest companies listed on the London Stock Exchange, as determined by market capitalisation.



| Company                   | Gross (inherent) Risk | Risk Reduction Factor | Net (residual) Risk |
|---------------------------|-----------------------|-----------------------|---------------------|
| British Gas               | 12.4%                 | 2.9                   | 4.2%                |
| EDF Energy                | 11.8%                 | 2.4                   | 5.0%                |
| E.ON UK                   | 13.4%                 | 2.7                   | 4.9%                |
| RWE npower                | 9.6%                  | 2.1                   | 4.5%                |
| Scottish Power            | 12.7%                 | 2.4                   | 5.4%                |
| Scottish & Southern       | 10.3%                 | 2.3                   | 4.4%                |
| <b>Peer Group Average</b> | <b>11.7%</b>          | <b>2.5</b>            | <b>4.7%</b>         |

Table 7.3 The ranking of companies' performances with regards to the main risk categories associated with customer welfare

7.47. The overseas owned organisations have marginally higher than average risk levels on these issues. There may be structural reasons for this occurrence; for example, evidence of good risk management practices might be more likely to be seen outside the UK and therefore fall outside the scope of the analysis.

### Combined External Risk

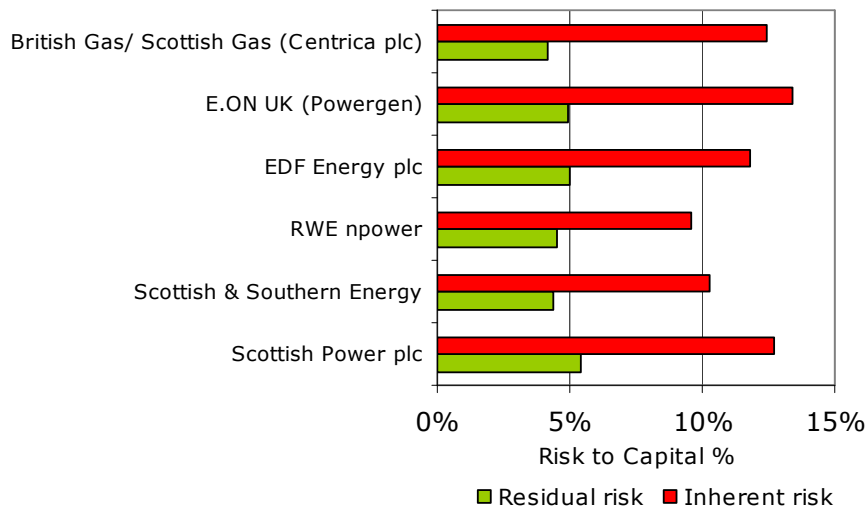


Figure 7.4 Aggregate of risks associated with customer welfare

7.48. Some 2.4% of market value is at risk from social and ethical issues. Overall, energy suppliers manage these risks well in comparison to the UK FTSE 350, who on average have 3.8% market value at risk. Again, there is low variance between the performances of the companies, indicating that there are few differences between company performances.

## Social & Ethical - external

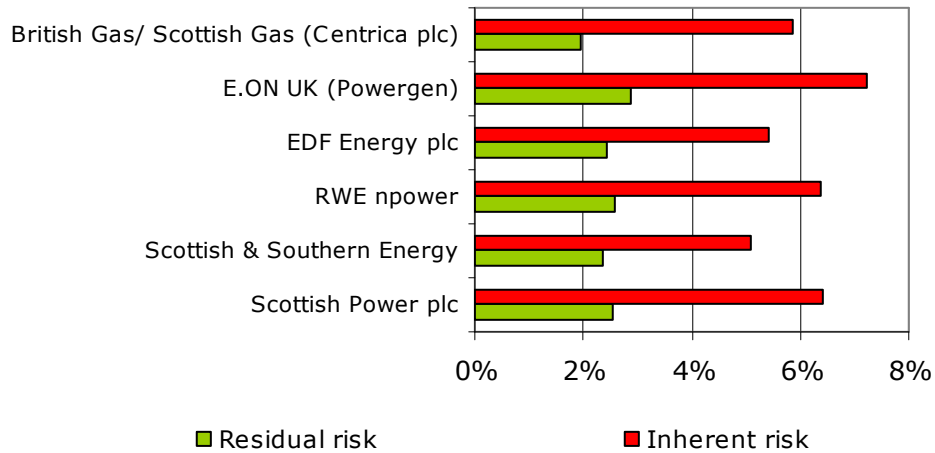


Figure 7.5 Aggregate of risks associated with social and ethical issues

7.49. Table 7.4 compares the risk reduction factors for each company's overall CSR performance and their customer welfare performance. This provides an indication of whether issues affecting vulnerable customers are being managed any better or worse than other CSR issues.

Table 7.4 Comparisons of Overall and Customer Welfare Risk Reduction Factors

| Company                   | Overall RRF | Customer Welfare RRF |
|---------------------------|-------------|----------------------|
| British Gas               | 2.7         | 2.9                  |
| EDF Energy                | 2.3         | 2.4                  |
| E.ON UK                   | 2.7         | 2.7                  |
| RWE npower                | 2.3         | 2.1                  |
| Scottish Power            | 2.6         | 2.4                  |
| Scottish & Southern       | 2.5         | 2.3                  |
| <b>Peer Group Average</b> | <b>2.5</b>  | <b>2.5</b>           |

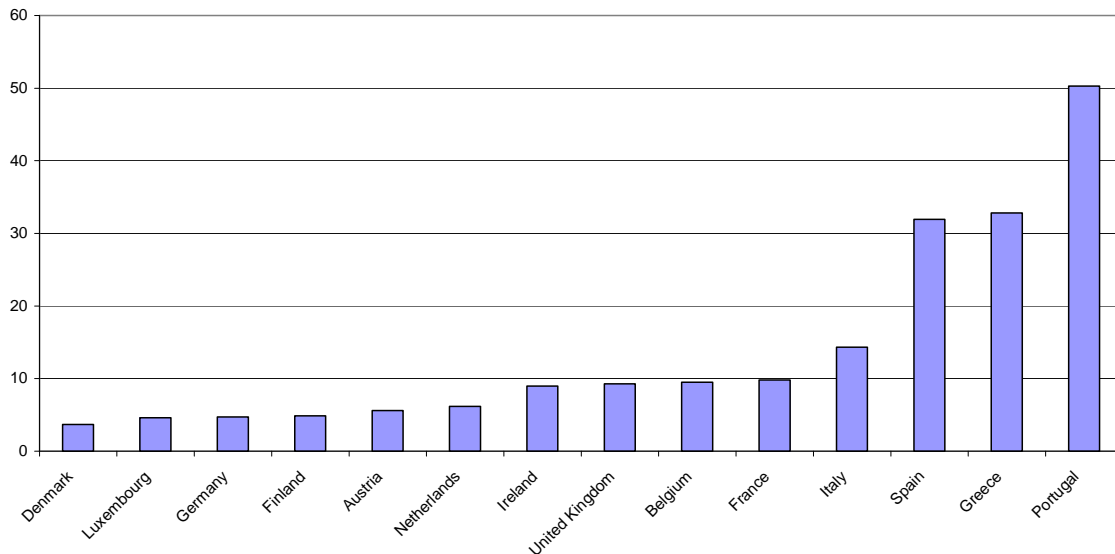
7.50. This comparison suggests that during the three year period analysed, British Gas and EDF Energy have been slightly better at managing their customer welfare risks than environmental or other CSR-related risks. However, the differences are limited for all the companies, indicating that issues related to vulnerable customers are being treated as effectively as other CSR issues.

7.51. In summary, each of the companies is actively managing the CSR risks it is facing and has risk reduction assessments that are better than the FTSE350 average. This assessment is based on publicly available information. Companies may be performing better than this assessment concludes, but not disclosing the actions mitigating these risks to stakeholders.

## 8 OVERSEAS EXPERIENCE

8.1. The difficulties faced by vulnerable customers in the UK are not unique. The European Community Household Panel (ECHP) has been providing comparable information across EU countries on among other things income and housing trends since 1994. Figure 8.1 illustrates the levels of fuel poverty identified for 15 members of the EU using this data<sup>21</sup>.

**Figure 8.1**  
**Fuel Poverty in Europe**  
(Mean % of Households, 1994-97)



8.2. This analysis indicated that fuel poor households accounted for just less than 10% of residences in the UK in the mid 1990s. This contrasts with figures from DEFRA which estimated that in 1996 the proportion of fuel poor households was over 20%. The difference can be attributed to using different methodologies to determine the number of fuel poor households. The DEFRA figure uses the “more than 10% of income spent on energy to maintain a satisfactory warm home” definition, whereas the ECHP-derived study uses a composite measure of fuel poverty, based on subjective metrics such as the ability to adequately heat a home and objective measures such as the presence of rotten window frames<sup>22</sup>.

8.3. The impact of fuel poverty takes different forms in different countries. For example, 25,000 Parisians died during heat waves in the summer of 2004. The cost of keeping air conditioning units running has been suggested as a contributor to some of these deaths.

8.4. Table 8.1 overleaf provides examples of the measures employed to assist vulnerable customers in various countries. In many cases, energy efficiency is the primary objective, rather than addressing fuel poverty as such. Government authorities are most frequently the source of the assistance, although energy suppliers may be closely involved in the administration.

<sup>21</sup> Data from Healy, (2002) “Fuel Poverty and Policy in Ireland and the EU”, Policy Institute, Trinity College Dublin, [http://www.policyinstitute.tcd.ie/working\\_papers/Fuel%20Poverty%20&%20Policy%20Presentation%20-%20Oct%202002.ppt](http://www.policyinstitute.tcd.ie/working_papers/Fuel%20Poverty%20&%20Policy%20Presentation%20-%20Oct%202002.ppt)

<sup>22</sup> See Sustainable Energy Ireland (2003), “A Review of Fuel Poverty and Low Income Housing”, section 2.3 for a discussion of these approaches.

| Country     | Measures Employed   | Assistance from   |
|-------------|---|---|
| Germany     | Information centres and limited income supplements  | Government  |
| Denmark     | Subsidies for energy-saving measures for low-income, fuel poor households.  | Government  |
| Netherlands | Subsidies on energy efficiency measures funded through an environmental tax.  | Government  |
| Belgium     | Specific subsidies for low income households in Walloon for retro-fitting residential buildings.  | Regional government                                     |
| France      | Energy Solidarity Fund (established in 1985)<br>Modernisation of social housing and reduction of heating and hot water charges.   | Companies / government                                  |
| UK          | Warm Front / Home Energy Efficiency Scheme<br>Winter fuel payments.<br>Energy Savings Trust Programmes.<br>HECAction grants.<br>EEC<br>Voluntary initiatives by utilities.  | Government<br><br>Companies                             |
| Ireland     | Income-based policies; e.g. National Fuel Scheme.<br>Low Income Housing Programme, started in 2000.<br>Voluntary agreements by utilities; e.g. to provide lagging jackets and low-energy light bulbs to fuel poor households.   | Government<br><br>Companies                             |
| Sweden      | Support for connection to district heating grids and fuel switching.<br>Low-income households benefit from rent subsidies.  | Government  |
| USA         | Weatherization Assistance Programme – focus on heating and cooling energy conservation<br>“Weatherization Plus” – whole house energy usage and whole community efforts<br>Income support schemes; e.g. California Alternative Rates for Energy (CARE)<br>Some voluntary initiatives; e.g. matched giving schemes      | Federal government<br><br>State government<br>Companies |
| Australia   | Utility Relief Grant Scheme (Victoria) – one-off assistance to customers unable to pay utility bills who experience a temporary financial crisis.<br>State Energy Concessions<br>Eligibility for each scheme limited to certain benefit recipients.<br>Some voluntary arrangements; e.g. hardship support programmes. | State government<br><br>Companies                       |

Table 8.1 Examples of Measures Employed to Assist Vulnerable Customers since 1990

8.5. Comparisons with most other countries are of limited value at this time, as supplies to households are through monopolies or franchises. Costs incurred by suppliers supporting one group of customers can therefore be smeared across all customers. However, even in the monopoly environment, governments have taken the lead in developing programmes to assist vulnerable customers.

8.6. Government-led initiatives provide a significant part of the assistance to vulnerable customers in countries where competition has been introduced. In the US, energy efficiency measures are justified by improvements in security of supply, rather than living conditions. The government focuses on general income poverty, not fuel poverty, and access to the Weatherization Assistance Programme (WAP)<sup>23</sup> or to preferential tariffs is driven by household income levels. Government assistance is complemented by corporate initiatives, such as matched giving, volunteering or partnerships with social agencies such as The Salvation Army.

<sup>23</sup> The WAP is a federal programme that provides low-income families with energy efficiency measures free of charge. Increasingly, weatherization service providers are looking at “whole-house” solutions and drawing in resources from other programmes to address other needs in the household. These composite solutions are being promoted by the government under the banner “Weatherization Plus”.

8.7. Australia offers a similar perspective. Competition has been established state by state with Victoria being the first to fully open its markets in January 2002. Assistance for vulnerable customers is state funded and eligibility depends on whether the customer is in receipt of other benefits. One retailer has established a hardship fund to complement government activities.

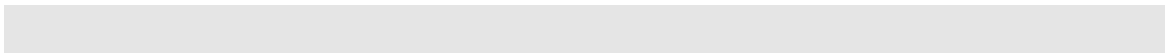
8.8. In summary, government programmes are the primary means of assisting vulnerable customers in many countries. Companies in competitive markets have developed some initiatives, but their most common contribution is to administer their governments' programmes.

## 8.1 UK COMPANY EXPERIENCES

8.9. A common experience was that differences in regulatory environments meant overseas practices could not be simply transferred into the UK. Even so, company responses suggest that localised community initiatives using trusted third parties were the most successful and that significant benefits may be possible through sharing innovations.

| British Gas  | EDF Energy   | E.ON UK  |
|--|--|--|
| No specific overseas experience included in the response | <ul style="list-style-type: none"> <li>✓ EDF ENERGY Group, all subsidiaries and major trade unions have signed a CSR agreement with provides a framework for CSR in the group</li> <li>✓ UK company has supported the Group's Access (to Energy) Programme, via community level renewables projects</li> </ul> | <ul style="list-style-type: none"> <li>✓ Different market arrangements limit applicability; e.g. weatherization</li> <li>✓ Technology collaboration can be fruitful; e.g. sourcing high efficiency boilers</li> <li>✓ mCHP initiative reviewed by European colleagues</li> </ul>   |
| RWE npower   | Scottish & Southern  | Scottish Power   |
| No specific overseas experience included in the response | No specific overseas experience included in the response   | <ul style="list-style-type: none"> <li>✓ Different regulatory environment in the US</li> <li>✓ Work with local non-profit and state agencies to help eligible customers with energy expenses and energy efficiency</li> <li>✓ Matched giving scheme</li> <li>✓ Link energy efficiency projects with low-income school districts</li> </ul> |

Table 8.2 Initiatives that could be valuable in the UK (source: suppliers)



## 9 CONCLUSIONS

### 9.1 THE LEVEL OF SUPPLIERS' ACTIVITY

- 9.1. Whilst some initiatives have been running for several years, supplier involvement in social initiatives has grown significantly over the past five years, with a particular marked increase in the last two years, and, from the information provided, this growth looks set to continue. In addition, the growth in voluntary initiatives would suggest that suppliers have started to look beyond how to deliver compliance requirements. Both singularly and collectively they should be applauded for their significant efforts to date.
- 9.2. Clearly, tariff measures affect significantly more customers than other initiatives. However, the high proportion of customers assisted by tariff measures indicates that, so far, most tariff offers have been blunt mechanisms for delivering improvements to vulnerable customers, as many non-vulnerable customers also benefit. Tariff measures are also likely to assist customers who have received benefits from other initiatives, such as energy efficiency schemes.
- 9.3. Companies have incurred opportunity costs of approximately £110M in aggregate during 2004-05 on social initiatives in addition to approximately £160M required expenditure under EEC.
- 9.4. When tariff initiatives are excluded, five of the six companies assisted the equivalent of over 20% of their vulnerable customers. It is likely that some customers will have benefited from more than one initiative, which means that some of the suppliers claims over the number of customers assisted are, by definition, inflated. However, even if this level of assistance could be maintained, it would take until 2010 for these suppliers to have assisted all the vulnerable customers registered as such on their systems.
- 9.5. This is, however, optimistic, as some vulnerable customers are likely to have benefited from more than one initiative, while others will have declined to accept any assistance. In addition, the task of identifying vulnerable households is becoming more complex as the existing arrangements increasingly cover the social housing sector. In England, around 20% of fuel poor households are in the social housing sector, while 15% are in private rented accommodation and 65% are owner-occupiers. Initiatives that develop good links at a local level are considered to be the most effective at targeting vulnerable customers, but this approach is resource and time intensive.
- 9.6. This assessment is somewhat simplistic on a number of levels as it fails to take into account the quality of any assistance, in terms of its effectiveness at lifting households out of fuel poverty; for example some vulnerable customers have refused (and will continue to refuse) to accept assistance.
- 9.7. When compared with an estimate of the number of households supplied by each company, it was found that only one of the suppliers believed it was supplying around the national average percentage of fuel poor customers. Furthermore, there is a wide variance in the number of customers assisted across all suppliers relative to their total customer bases.

### 9.2 THE RANGE OF INITIATIVES

- 9.8. Different types of initiative will have significantly different impacts on customers. Figure 9.1 overleaf illustrates how different initiatives address the primary drivers of fuel poverty. Each supplier has developed a range of initiatives over and above its regulatory obligations that can assist customers in a number of ways, although Scottish and Southern's range is focused on tariff options.

9.9. For tariffs, energy efficiency measures or financial assistance to be effective, suppliers and agencies need to have identified who the vulnerable customers are and their particular circumstances. The blunt nature of tariffs as tools for assisting vulnerable customers has already been commented upon.

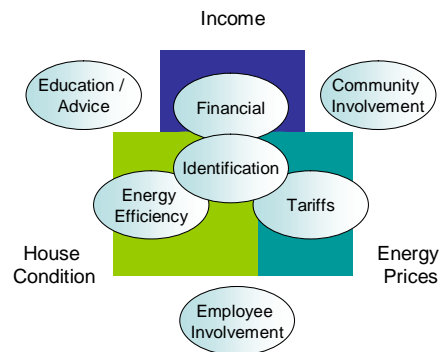


Figure 9-1 Assisting Vulnerable Customers

### 9.3 IDENTIFYING AND TARGETING VULNERABLE CUSTOMERS

- 9.10. The emphasis on improving social housing in recent years now means that the majority of vulnerable customers are likely to be living in private housing, which is a more difficult sector to access and gain economies of scale.
- 9.11. Visiting customers at home can provide a detailed picture of a household's circumstances and enable the delivery of tailored solutions. Inevitably this approach is both resource intensive and time consuming. The careful use of data by a supplier, particularly when combined with information from external sources, has the potential to improve the identification of vulnerable customers.
- 9.12. Both companies and stakeholders asserted that the release of information by another party would make identifying and targeting vulnerable customers easier. Data protection constraints were assumed, however there appears to have been little consideration by either side of how data could be packaged to address this issue. It would appear beneficial for suppliers and other potential data providers to work together on how they can better identify the likely areas where vulnerable customers reside.

### 9.4 COMMUNICATION AND DELIVERY

- 9.13. Addressing the issues of vulnerable customers is a complex task, often involving many parties. Both company responses (and stakeholder experiences) suggest that localised community initiatives using trusted third parties were the most successful and that significant benefits may be possible through sharing innovations.
- 9.14. Most suppliers have teamed up with a range of partners such as charities to deliver their initiatives. As well as gaining access through the trust in the partner's brand, these organisations can be useful sources of referrals, albeit within their resource constraints.
- 9.15. In some areas these partnerships do not appear to have developed in a concerted manner. Given the increasing difficulty in identifying vulnerable customers, a more rigorous approach to developing partnerships seems appropriate for all parties. Funding developments at intermediaries may be a more effective solution to assisting vulnerable customers, rather than developing new systems.

9.16. The scepticism and mistrust around suppliers implies that they are not marketing themselves effectively. Stakeholders perceive that there is a gap between rhetoric and reality that undermines the take up of initiatives. None of the suppliers were picked out as any better than the others, which suggests that all suppliers need to consider whether their marketing and public relations are sending out the right messages.

## **9.5 MONITORING AND EVALUATION**

9.17. Suppliers use a wide range of information to monitor the performance of initiatives. The effectiveness of social initiatives will depend on the impact on customers as much as the achievement of company targets, so good monitoring will employ both internal and external measures.

9.18. All the suppliers have arrangements in place that lead to CSR issues being part of the senior management's agenda at least four times a year.

## **9.6 DELIVERY RESPONSIBILITY**

9.19. There is widespread support for the view that government has the prime responsibility for ensuring people have sufficient income. The majority of stakeholders felt that the government was not taking sufficient responsibility for delivery in this area, but different opinions were expressed over how this should be corrected. Assuming data protection issues can be resolved, central government and local authorities could aid identification by releasing data on who was in receipt of particular benefits. Some respondents thought that the government could do more by holding companies to account and co-ordinating efforts.

## **9.7 BEST PRACTICE**

9.20. In this review we have looked at both quantitative and qualitative aspects of companies' performance. The terms of reference for this project included ranking the performance of the suppliers. However, social initiatives address diverse and complex situations that do not lend themselves to techniques of aggregation and averaging. Further, creating a ranking can also lead to companies being more concerned about how they compare with their peers, and how the comparison is constructed, rather than addressing the needs of the vulnerable customers they are supplying. For these reasons, we do not consider it appropriate to create an overall ranking of performance.

9.21. However, it is clear that particular initiatives and approaches are examples of best practice for some of the aspects we have studied. Table 9.1 overleaf summarises our findings and provides a framework for the future evaluation of companies' social initiatives.



| Characteristic   | Company   | Example Initiatives   |
|--|---|---|
| Proportion of vulnerable customers supplied                                | Scottish Power  | Number of supplier estimated fuel poor in line with national estimates                        |
| Proportion of identified vulnerable customers assisted                     | EDF Energy / E.ON UK / Scottish Power   | Highest number of occasions for customer assistance (excluding mainstream tariff initiatives) |
| Identification and targeting of vulnerable customers through local contact | RWE npower<br>RWE npower / Scottish Power<br>RWE npower / EDF Energy / British Gas<br>E.ON UK | Health through Warmth<br>Home visiting teams<br><br>Warm Zones<br><br>Heatstreets             |
| Effective use of data  | EDF Energy  | Socio-demographic modelling   |
| Links with local intermediaries  | British Gas<br>Scottish Power<br>RWE npower<br>E.ON UK  | REECH<br>Intermediary helplines<br>Health through Warmth<br>Heatstreets                       |
| Monitoring using internal and external metrics                             | British Gas<br>E.ON UK<br>Scottish Power  | Customer satisfaction results   |
| Ownership of CSR Issues by senior management                               | All   | Regular reporting of CSR to Board of Directors  |
| CSR Targets in Performance Management Schemes                              | EDF Energy<br>RWE npower  | Staff remuneration affected by CSR performance  |
| Coherence across company activities  | Scottish Power  | Links to community involvement initiatives  |
|  | EDF Energy<br>Scottish & Southern   | Organisational structure  |

Table 9.1 Summary of Best Practice

## 9.8 OVERSEAS EXPERIENCE

9.22. Finally, in examining the issues and associated initiatives abroad it is clearly evident that the difficulties faced by vulnerable customers in the UK are not unique. Whilst government programmes outside of the UK are the primary means of assisting vulnerable customers, Companies in these competitive markets have developed some initiatives, but their most common contribution is to administer their governments' programmes.

## 9.9 RECOMMENDATIONS

9.23. All parties should consider the best practices identified as part of this review and, where appropriate, build these into their plans.

9.24. Suppliers should consider how they could make intermediaries more aware of the initiatives they have developed.

9.25. Local authorities and other government departments should review how they could best inform householders of the initiatives suppliers have developed.

9.26. Ofgem should develop a mechanism to pool information about initiatives and the impact each one is having on vulnerable customers. This could take a similar form to the Best Practice Register in the water industry.

- 9.27. Further research should be completed into the proportion of customers who apply for benefits after a benefit entitlement check to identify the reasons why customers do not pursue applications and how benefit take up can be increased.
- 9.28. Suppliers should validate the claims they are making for benefit entitlement checks and consider how customers can best be supported through the benefit application process.
- 9.29. Suppliers should review how they segment the vulnerable customers they are supplying so that tailored solutions can be provided.
- 9.30. Suppliers should review their marketing material to ensure they engage effectively with vulnerable customers and implement improvements where appropriate.
- 9.31. When compared with an estimate of the number of households supplied by each supplier, only one of the suppliers appears to be supplying around the national average percentage of fuel poor customers. There is clearly a mismatch between suppliers' estimates and the figures produced by other interested parties. Sharing data would assist the refinement of the assumptions used by all parties to assess the scale of the fuel poverty issue.
- 9.32. Research should be conducted into the incentives placed on Suppliers and other bodies assisting vulnerable customers to ensure these incentives are aligned as closely as possible with the government's policy objective of eradicating fuel poverty.
- 9.33. Suppliers, central and local government bodies should work more closely to
- ✓ enable the sharing of data to improve the identification and targeting of vulnerable customers, particularly those in private accommodation.
  - ✓ develop opportunities to gain information from visits to vulnerable customers' homes and mechanisms to share this information.
  - ✓ create initiatives that ensure the customer receives the assistance they are entitled to
  - ✓ avoid duplicating resources
- 9.34. Suppliers, government and other stakeholders need to develop consistent messages about the suppliers' role in improving energy efficiency and assisting vulnerable customers.
- 9.35. Ofgem should keep developments in this area under review and develop with suppliers a range of criteria for evaluating companies' social initiatives using the characteristics in Table 7.1 as a starting point.
- 9.36. Suppliers should consider whether they are disclosing sufficient information on how they are mitigating the CSR risks they face.

# Energy Services Partnership

## **Review of Suppliers' Corporate Social Initiatives - Appendices**

Prepared for Ofgem

|            |                           |      |
|------------|---------------------------|------|
| Appendix 1 | Supplier questionnaire    | A 1  |
| Appendix 2 | Supplier initiatives      | A 6  |
| Appendix 3 | Stakeholder questionnaire | A 26 |
| Appendix 4 | Stakeholder consultees    | A 30 |
| Appendix 5 | Web site review           | A 31 |

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**Range and Nature of Initiatives**

A 1 What specific initiatives do you have in place either now or planned for the future, including social tariffs, trust funds, benefit checks, help lines?

| Code | Name | Description | Start Date | End Date |
|------|------|-------------|------------|----------|
| 1    |      |             |            |          |
| 2    |      |             |            |          |
| 3    |      |             |            |          |
| 4    |      |             |            |          |
| 5    |      |             |            |          |
| 6    |      |             |            |          |
| 7    |      |             |            |          |
| 8    |      |             |            |          |
| 9    |      |             |            |          |

A 2 What are the objectives for each initiative?

| Code | Details |
|------|---------|
| 1    |         |
| 2    |         |
| 3    |         |
| 4    |         |
| 5    |         |
| 6    |         |
| 7    |         |
| 8    |         |
| 9    |         |

A 3 Which criteria did you use to decide which initiatives to develop?

| Code | Details |
|------|---------|
| 1    |         |
| 2    |         |
| 3    |         |
| 4    |         |
| 5    |         |
| 6    |         |
| 7    |         |
| 8    |         |
| 9    |         |

A 4 What is the size of each initiative?

| Code         | Target number of vulnerable customers for each initiative | Number of vulnerable customers helped |                            |
|--------------|---|---------------------------------------|----------------------------|
|              |   | In 2004-5                             | Since the initiative began |
| 1            |   |                                       |                            |
| 2            |   |                                       |                            |
| 3            |   |                                       |                            |
| 4            |   |                                       |                            |
| 5            |   |                                       |                            |
| 6            |   |                                       |                            |
| 7            |   |                                       |                            |
| 8            |   |                                       |                            |
| 9            |   |                                       |                            |
| <b>Total</b> |   |                                       |                            |

A 5 Did you identify the types of vulnerable customer likely to benefit from each initiative, and if so how?

| Code | Details |
|------|---------|
| 1    |         |
| 2    |         |
| 3    |         |
| 4    |         |
| 5    |         |
| 6    |         |
| 7    |         |
| 8    |         |
| 9    |         |

A 6 What is the total expected costs and benefits of each initiative?

| Code         | Total expected costs | Total expected benefits |
|--------------|----------------------|-------------------------|
| 1            |                      |                         |
| 2            |                      |                         |
| 3            |                      |                         |
| 4            |                      |                         |
| 5            |                      |                         |
| 6            |                      |                         |
| 7            |                      |                         |
| 8            |                      |                         |
| 9            |                      |                         |
| <b>Total</b> |                      |                         |

A 7 For each of your initiatives please rank their level of success on the basis of 1 – 10 (where 1 is the most successful and 10 the least successful).

| Code | Success level | Criteria used to measure success |
|------|---------------|----------------------------------|
| 1    |               |                                  |
| 2    |               |                                  |
| 3    |               |                                  |
| 4    |               |                                  |
| 5    |               |                                  |
| 6    |               |                                  |

|   |  |  |
|---|--|--|
| 7 |  |  |
| 8 |  |  |
| 9 |  |  |

A 8 Please provide details as to why you believe certain initiatives have been more successful than others.

| Code | Details |
|------|---------|
| 1    |         |
| 2    |         |
| 3    |         |
| 4    |         |
| 5    |         |
| 6    |         |
| 7    |         |
| 8    |         |
| 9    |         |

A 9 Can you put a value on the extent to which your CSR activities exceed your regulatory obligations, and if so, what is it?

A 10 How are you promoting information on your social initiatives within your company?

#### **Customer Benefits**

B 1 What is the potential impact of each initiative for each recipient customer?

| Code | Details |
|------|---------|
| 1    |         |
| 2    |         |
| 3    |         |
| 4    |         |
| 5    |         |
| 6    |         |
| 7    |         |
| 8    |         |
| 9    |         |

B 2 How do you measure the potential impact of each initiative?

| Code | Details |
|------|---------|
| 1    |         |
| 2    |         |
| 3    |         |
| 4    |         |
| 5    |         |
| 6    |         |
| 7    |         |
| 8    |         |
| 9    |         |

B 3 How do you monitor / intend to monitor the actual impact of each initiative? If the impact is not monitored, why not?

| Code | Details |
|------|---------|
| 1    |         |
| 2    |         |
| 3    |         |

|   |  |
|---|--|
| 4 |  |
| 5 |  |
| 6 |  |
| 7 |  |
| 8 |  |
| 9 |  |

B 4 How many benefits entitlement checks have been carried out in the last year by you or your partners?

B 5 By how much does the average customer benefits increase as a result of your benefits entitlement check?

**Links with the Wider Community**

C 1 What criteria did you use to identify the partners you work with?

C 2 Which partners do you use?

C 3 How do you share roles and responsibilities with your partners?

C 4 How successful do you think each of your partnerships has been, ranking the level of success on the basis of 1 – 10 (where 10 is the most successful and 1 the least successful)?

C 5 How do you measure the success of each partnership?

C 6 Please provide details as to why certain partnerships have been more successful than others.

C 7 Please provide details of your key contacts in each of your partner organisations?

**Effective Targeting of Customers**

D 1 What is your estimate of the number of vulnerable customers you are supplying?

D 2 For each initiative, what criteria do you use to identify vulnerable customers?

| Code | Details |
|------|---------|
| 1    |         |
| 2    |         |
| 3    |         |
| 4    |         |
| 5    |         |
| 6    |         |
| 7    |         |
| 8    |         |
| 9    |         |

D 3 For each initiative, which sources of information currently give you the best assistance in identifying vulnerable customers?

| Code | Details |
|------|---------|
| 1    |         |
| 2    |         |
| 3    |         |
| 4    |         |
| 5    |         |
| 6    |         |

|   |  |
|---|--|
| 7 |  |
| 8 |  |
| 9 |  |

D 4 Do you believe access to other sources of information would help in the identification of vulnerable customers? If yes, which information from where?

**Corporate Social Responsibility (CSR)**

E 1 If you have a CSR committee reporting to the Board, what are its terms of reference, how often does it meet and how often does it report to the Board?

E 2 What is your business motivation for undertaking CSR activities?

E 3 How do you measure the success of your CSR Programme?

E 4 Do you benchmark your CSR performance? If yes, whom do you benchmark yourselves against and which criteria do you use?

E 5 What priority is given to fuel poverty programmes within your CSR activities?

**Good Practice**

F 1A For companies with overseas parents:

Are there initiatives/projects that your parent company undertakes that could be mirrored in your UK operations?

F 1B For UK listed companies:

What initiatives (if any) have you seen implemented elsewhere that you could bring into the UK?

F 2 Have you identified any particular arrangements that assist the increased take up of initiatives by vulnerable customers?

**Other Issues**

G 1 What analysis have you undertaken in relation to the number of fuel poor as a result of the increase in wholesale prices?

G 2 What is your opinion on the benefits of social tariffs?

G 3 Are there differences in the costs of assisting priority EEC and non-priority EEC households, or do the costs of EEC measures mirror the numbers of customers assisted? If the former, what accounts for the differences?

**Company- Specific Questions**

[As appropriate.]



Appendix 2

Supplier Initiatives - British Gas

| Name                      | Description  | Start Date | End Date | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost                | Impact for Recipients   | ESP | Scheme Category  |
|---------------------------|--|------------|----------|---------------------------------------|--|---|---------------------------|---|-----|--|
| Price Promise             | For customers in receipt of Pension Credit, a package of measures comprising capped energy prices until October 2007; a benefits health check; energy efficiency measures plus promotion of our Priority Services Register (Home Energy Care)  | Nov-04     | Oct-07   | Target audience is 2m (UK population) | 7,500  | 7,500   | Commercially confidential | Reassurance that energy prices will not increase, up to 2007. Around £500 of insulation measures, potential 30% reduction in annual energy bill from insulation measures, on average £100 per person of charity help plus £1,600 pa of additional benefits identified | M   | Tariff / Energy Efficiency                                     |
| British Gas Energy Trust  | A national trust fund which is available to current domestic customers of British Gas/Scottish Gas that provides help, through the giving of grants to <ul style="list-style-type: none"> <li>- Reduce or clear arrears of gas or electricity debts</li> <li>- Help with other essential bills or costs</li> </ul> | Nov-04     |          |                                       | Estimate 6-10k                                     | 300   | £10m commitment           | The Trust will assist consumers through the giving of grants to reduce or clear arrears of gas or electricity debt, plus provide help with other essential household bills or costs   | V   | Financial  |
| Help the Aged Partnership | A long term partnership established to address 3 issues for older people – fuel poverty; isolation and security in the home  | 1999       |          | 40% of the UK population              | 45,000 (direct)<br>1.3 OTS (from media coverage)   | 1.7m  | Commercially confidential | The current focus of the HtA partnership is to provide education and practical measures to improve the quality of older people’s homes and lives.   | M   | Education / Advice / Energy Efficiency                         |
| REECH                     | REECH (Realising Energy Efficient Communities and Homes) – an awareness and education partnership initiative between British Gas and ethnic minority communities to promote and increase the take-up of energy advice, energy efficiency grants and wider customer services  | 2003       |          |                                       | 20,000   | 55,000 households   | Commercially confidential | Around £500 of insulation measures, potential 30% reduction in annual energy bill from insulation measures, plus £1,600 pa of additional benefits identified  | M   | Education / Advice / Energy Efficiency / Community Involvement |

ESP Code  
 O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives - British Gas

| Name                   | Description   | Start Date | End Date | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost                                       | Impact for Recipients   | ESP | Scheme Category  |
|------------------------|---|------------|----------|---------------------------------------|--|---|--|---|-----|--|
| Consumer Education     | General education programme in collaboration with key stakeholders through the joint publication of advice guides and booklets  | Pre-2000   |          | unknown                               |  |   | Approx. £50k in 2005                             | Not necessarily measurable - It is hoped that the publication of information booklets such as those relating to money related matters, will in part assist consumers in better understanding how to manage their household finances | M   | Education / Advice   |
| Think Energy           | British Gas initiative to provide national curricula resources to help with the teaching of Science in relation to energy efficiency across British Primary and Secondary schools   | 2000       |          | N/a                                   |  |   | Commercially confidential                        | Providing a greater understanding of energy efficiency in the home and on a global scale.   | V   | Education / Advice   |
| Here to Help           | A collaboration between British Gas, seven major charities and social housing providers targeted at areas of deprivation to tackle the symptoms of household poverty through the delivery of energy efficiency measures, benefits health checks and charity partner products and services | 2002       |          | N/a                                   | 62,000   | 115,000   | £283m over the life of the programme             | Around £500 of insulation measures, potential 30% reduction in annual energy bill from insulation measures, on average £100 per person of charity help plus £1,600 pa of additional benefits identified                             | M   | Energy Efficiency / Financial / Community Involvement / Identification |
| Benefits Health Checks | The provision of benefits assessments and advice as part of our 'here to Help' programme  | 2001       |          | 1 million households                  | 18,500   | 35,000  | Included as part of Here to Help and Warm a Life | Anything up to £4,000 + pa. On average £1,600 pa of additional benefits are identified  | V   | Financial  |
| Warm a Life            | Insulation and benefits health check programme for households on eligible benefits in private rented or owner occupier properties   | 2001       | Mar-05   | N/a                                   | 25,000   | 53,300  | £20.6m   | Around £500 of insulation measures, potential 30% reduction in annual energy bill from insulation measures, on average £100 per person of charity help plus £1,600 pa of additional benefits identified                             | M   | Energy Efficiency / Financial  |

ESP Code

O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



The Energy Services Partnership

Appendix 2

Supplier Initiatives - British Gas

| Name                                       | Description  | Start Date                    | End Date                   | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost                | Impact for Recipients  | ESP | Scheme Category               |
|--|--|-------------------------------|----------------------------|---------------------------------------|--|---|---------------------------|--|-----|-------------------------------|
| Tariff Rate Alignment                      | All gas prepayment customers pay the same tariff as standard cash / cheque credit customers  | Pre-2000                      | Ongoing                    | 1438000                               | 1,438,000  | 1,438,000   | Commercially confidential | Customers will not be financially disadvantaged by choosing a prepayment meter over a credit meter.  | V   | Tariff                        |
| Stockton and Redcar & Cleveland Warm Zones | Warm Zones aim to substantially reduce fuel poverty within a specific locality by targeting energy efficiency measures through grants. The Scheme incorporates a benefits health check, financial advice and support programmes. | Apr-02                        | Mar-05                     | Na                                    | 4,981  | 23,267  | £7m                       | Customers are offered a range of energy efficiency measures with the aim of improving the quality of housing and reducing the consumer's fuel bills. | M   | Energy Efficiency / Financial |
| PPM Price Freeze                           | Implementation of price increased deferred for all 2.5m prepayment customers   | 10 <sup>th</sup> January 2004 | 1 <sup>st</sup> March 2004 | 2.5 million                           |  | Applied to entire prepayment customer base                  | Commercially confidential | Protection from effects of increased costs during period of high consumption   | V   | Tariff                        |

ESP Code  
 O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives - EdF Energy

| Name                       | Description   | Start Date | End Date | Target number of vulnerable customers   | Number of vulnerable customers helped in 2004/2005   | Total number of vulnerable customers helped since beginning                                    | Total cost    | Impact for Recipients   | ESP | Scheme Category    |
|----------------------------|---|------------|----------|---|--|--|---------------|---|-----|--------------------|
| Price Freeze               | Price freeze until at least Spring 2006 for vulnerable customers who take up the offer. Includes an offer of benefits health check.   | Jan-05     | Mar-05   | 50,000  | 62,000   | 62,000   | Confidential  | Energy cost saving circa £25. Benefits increase circa £1040 where applicable.   | V   | Tariff / Financial |
| PPM Tariff rates alignment | PPM customers (including those vulnerable customers who prefer this budgeting approach) no longer pay more than credit customers for their electricity. (A few exceptions where Prepayment infrastructure does not enable this at present)  | Mar-04     | Ongoing  | 168,000   | 168,000  | 168,000  | Confidential  | Customers will benefit from reduced prices.   | V   | Tariff             |
| EDF Energy Trust Fund      | An independently managed Trust Fund to help customers who are struggling to pay their energy bills. The Trust works with the Citizens Advice Agencies to assess customer needs, provide tailored debt advice and where appropriate make grants to enable individual customers to make a fresh start. Also provides grants to organisations working in the social sector including Citizens Advice Bureaux and debt advice agencies. | 2003       | Ongoing  | Target spend of £2M from first grant. Additional £1.75M granted in March 2005 | 556 individual grants awarded totalling £257K<br>organisational grants awarded totalling £571K | 556 individual grants awarded totalling £257K<br>organisational grants awarded totalling £571K | £3.75 million | People fall behind with paying their bills for many reasons, often through ill health and relationship breakdown and this can cause real distress and anxiety. From the many letters the Trust receives from recipients we know that the grants have enabled our customers to make a fresh start. | V   | Financial          |

ESP Code  
O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives - EdF Energy

| Name                            | Description  | Start Date   | End Date | Target number of vulnerable customers   | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost      | Impact for Recipients   | ESP | Scheme Category                           |
|---------------------------------|--|--|----------|---|--|---|-----------------|---|-----|---|
| Helping Hands / Energetic Hands | Company gives staff 2 days of work time each year to encourage their involvement in the community within which they operate. Energetic Hands was a pilot programme working in partnership with a Care & Repair team in Plymouth.   | Helping Hands 2002<br>Energetic Hands June 2004 only | Ongoing  | Subject to scheme type - The company KPI target for 2004 was 21% of the c.12,000 workforce to engage in these initiatives | N/Q  | N/Q   | £35k            | This depends on the nature of each project. Energetic Hands was a pilot programme to raise awareness of energy efficiency and general customer vulnerability and to offer practical solutions to customers. Customer calls were arranged to give tailored advice in the home, linked to offers for insulation improvements and to distribute free low energy lamps. | V   | Community Involvement/ Education / Advice |
| Debt Packs                      | Tailored advice pack to offer vulnerable customers a more sustainable debt prevention solution. These cover payment systems, energy efficiency advice, PSR services, Trust Fund and household budgeting. These are sent to customers, deemed to be fuel poor as determined by our fuel poverty modelling, early in our revenue management follow-up process. | Jan-05   | Ongoing  | 80,000  | 16,000   | 16,000  | £100k per annum | Access to EEC measures & subsequent cost savings, alternate payment systems etc   | V   | Education / Advice                        |
| PSR - Home Comforts Newsletter  | Bi-annual newsletter for customers who have opted in to the PSR. Topics relate to health, security, energy efficiency etc.   | Jan-04   | Ongoing  | 172,000   | 2x172,000  | 3x172000  | £150k per annum | Tailored information to meet their needs. Access to EEC measures, payment systems   | V   | Education / Advice                        |

ESP Code

O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives - EdF Energy

| Name                                | Description   | Start Date | End Date   | Target number of vulnerable customers  | Number of vulnerable customers helped in 2004/2005  | Total number of vulnerable customers helped since beginning                                 | Total cost | Impact for Recipients   | ESP | Scheme Category               |
|-------------------------------------|---|------------|------------|--|---|---|------------|---|-----|-------------------------------|
| Newham Warm Zone                    | As part of the pioneering Warm Zone initiative, we provided a full time member of staff to work alongside the scheme manager in the London Borough of Newham pilot and committed around £1M of EEC funding.         | 01/04/2002 | 31/03/2008 | Target numbers up to c96,000 homes of which 25% homes thought to be fuel poor            | c 3,600 homes identified received energy efficiency c3,000 are believed to be vulnerable                            | c12,000 homes identified to receive energy efficiency c10,000 are believed to be vulnerable | £300k      | The number of households with an FPI (Fuel Poverty Indicator) above 10% (the official level for "fuel poverty") was reduced by one fifth from 31% to 25%, and the average FPI was also reduced. This means that customers have saved energy and money while improving their living conditions | M   | Energy Efficiency / Financial |
| London Warm Zone                    | Planned expansion of London Warm Zone. Following the successful pilot in Newham, we have begun to develop the London Warm Zone in 6 additional boroughs and have committed £9.5M of additional EEC funding.         | 01/04/2004 | 31/03/2008 | Phase 1 is to provide 25,000 assessments and it is estimated that 20% will be vulnerable | c 10,000 assessments to date c 2,200 have been identified as vulnerable 1,250 referred on for Benefits health check | N/A   | £570k      | Potentially the benefits income for some customers can increase by circa £1500 and via insulation and heating system improvements their heating can be cut by 25 to 30%   | M   | Energy Efficiency / Financial |
| EEC PSR /Vulnerable customer offers | Direct mail campaign (1M homes by April 2005 using fuel poverty indicators on database). Targeted support to PSR customers through provision of insulation measures & low energy lamps for disadvantaged customers. | Oct-04     | 2005       | c38,000 referrals of which 66% were considered vulnerable                                | 4500  | 23290   | £620k      | Energy savings and reduction in fuel expenditure. (Cumulative benefit for all beneficiaries is excess of £400m over the life of the measures). Annual heating costs reduced potentially by 25 to 30% say up to £80/£100 a year. Better comfort and for some improved health                   | M   | Energy Efficiency             |

ESP Code

O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



The Energy Services Partnership

Appendix 2

Supplier Initiatives - EdF Energy

| Name                         | Description  | Start Date | End Date   | Target number of vulnerable customers                                  | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost | Impact for Recipients   | ESP | Scheme Category                            |
|------------------------------|--|------------|------------|--|--|---|------------|---|-----|--|
| ECSC Energycare Network      | Establishment of a network of community based social and healthcare workers, training in energy efficiency advice and creation of a dedicated telephone helpline to enable referral to available grants via Warm front and EEC programmes for vulnerable customers.  | 01/05/2001 | 30/05/2006 | N/A  | 7000   | 23000   | £419 K     | Improved energy efficiency and access to EDF Energy PSR services. Similar financial and health benefits as above  | V   | Identification                             |
| ECS Pilot                    | A trial testing the effectiveness of Meter Readers identifying customers for PSR registration. Referrals made to EDF Energy or their host supplier where not supplied by EDF Energy.   | Jan-05     | Ongoing    | NQ   | NQ   | NQ  | £10 K      | Awareness of and access to special services e.g. large print bills, passwords, free gas safety checks   | V   | Identification                             |
| Crime Management Initiatives | Partnership level status to support the reduction of crime through the "Keep Crime Down" national campaign. A range of initiatives have been trialled working with police and other agencies to raise awareness of the risk of doorstep crime, particularly amongst the elderly and offering practical precautionary measures. | 2002       | Ongoing    | 3.7M customers via account inserts. 1.2M customers via Nectar updates. | 750 vulnerable households on direct schemes.       | . 750 vulnerable households on direct schemes.              | £70k       | Communication of the issues and practical ways to reduce the risk of crime are contained within Nectar mailings and PSR Newsletters (Home Comforts). Access to special services via PSR, peace of mind benefits. Increased safety through password scheme, more energy efficient household though EEC messages that were promoted | V   | Education / Advice / Community Involvement |

ESP Code  
 O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives - EdF Energy

| Name                | Description   | Start Date | End Date   | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost | Impact for Recipients  | ESP | Scheme Category               |
|---------------------|---|------------|------------|---------------------------------------|--|---|------------|--|-----|-------------------------------|
| WRVS                | Contract with WRVS (Networks) for the provision of hot meals to elderly or vulnerable customers in the event of an extended power failure, particularly in Winter and when power will not be restored for a lengthy duration (e.g. major storm damage). | Pre-2000   | ongoing    | NQ                                    | NQ   | NQ  | £30K       | Not specified  | V   | Community Involvement         |
| CSEP                | Working with the Cornwall Sustainable Energy Partnership to provide support to vulnerable customers via PSR, EEC and debt management initiatives.   | 03/03/2005 | 03/03/2008 | N/A                                   | N/a  | N/a   | N/Q        | Improved energy efficiency and access to EDF Energy PSR services. Similar financial and health benefits as above | M   | Energy Efficiency / Financial |
| Heat Pumps - Newham | As a pilot technology program supporting the DTI heat pump pathfinder scheme, installed an air source heat pumps in a tower block in Newham to test feasibility of using this alternative heating to provide affordable warmth.                         | 01/01/2005 | 01/06/2006 | 2                                     | 0  | 0   | £8 K       | Impacts for recipients being monitored   | V   | Energy Efficiency             |

ESP Code  
 O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)





## Appendix 2

## Supplier Initiatives – E.ON UK

| Name  | Description  | Start Date | End Date | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost   | Impact for Recipients  | ESP | Scheme Category                            |
|---|--|------------|----------|---------------------------------------|--|---|--------------|--|-----|--|
| Staywarm                                      | Fixed-price subscription social energy tariff for over-60s   | 2000       | ongoing  | all vulnerable over-60s               | 420,000  | >500,000  | Confidential | Savings, peace of mind, support for fuel poor, Warm Front referrals. Approximately two thirds of customers with high annual consumptions are on benefits or low income.  | V   | Tariff                                     |
| Age Concern Energy Services (ACES)            | Variable tariff for over-60s, with cold weather payments   | 1999       | ongoing  | all over-60s                          | 135,000  | >150,000  | Confidential | Savings, peace of mind, feel good.   | V   | Tariff                                     |
| HeatStreets                                   | Geographically-focused fuel poverty alleviation scheme, run in conjunction with local authorities    | 2002       | ongoing  | n/a                                   | 4,600  | 4,800   | Confidential | Targeted energy efficiency measures to "fuel poverty-proof" homes within identified zone. Household energy costs lowered, debt risk reduced, comfort/health increased, income potentially increased through benefit entitlement check. | M   | Energy Efficiency                          |
| Free Cavity Wall Insulation Offer (CWI offer) | Free cavity wall insulation for all customers over-60 or on income- and disability-related benefits  | 2004       | ongoing  | 111,000                               | 3,000  | n/a   | Confidential | Lower energy costs, potential to reduce debt risk, increased comfort/health.   | O   | Energy Efficiency                          |
| We test, you rest (WTYR)                      | Electric blanket testing and advice for over-60s   | 1998       | ongoing  | 6,500                                 | 4,000  | n/a   | £130k pa     | Electric blankets common cause of fires in home. Around 70% tested in campaign fail safety standards, which are replaced free of charge. Customers are offered energy efficiency at the testing events.                                | V   | Education / Advice / Community Involvement |
| Energy advice service                         | Multi-faceted energy efficiency advice service for all households (including non-Powergen customers) | 2001       | ongoing  | n/a                                   | n/a  | n/a   | Confidential | Advice given to change customer energy-use behaviour, access to offers and grants, gain clarity on energy bill.  | M   | Education / Advice                         |
| Energy Monitor                                | Research into customer motivation to respond to energy efficiency issues                             | 2003       | ongoing  | n/a                                   | n/a  | n/a   | £280k        | Company benefit in gaining an understanding of customer attitudes.   | V   | Energy Efficiency / Identification         |

ESP Code

O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



The Energy Services Partnership

Appendix 2

Supplier Initiatives – E.ON UK

| Name   | Description   | Start Date         | End Date           | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost   | Impact for Recipients  | ESP | Scheme Category                    |
|--|---|--------------------|--------------------|---------------------------------------|--|---|--------------|--|-----|------------------------------------|
| BEC  | Benefit entitlement checks  | 2004               | ongoing            | n/a                                   | 700  | n/a   | Confidential | Average unclaimed benefit identified by E.ON through service is almost £1900 per year.   | V   | Financial                          |
| Trust Fund                                       | Extended trial with Severn Trent Trust Fund   | 2000               | ongoing            | n/a                                   | 110  | n/a   | Confidential | Fresh start; debt partly written off.  | V   | Financial                          |
| PPM surcharge                                    | Reduction in electricity pre-payment meter surcharge  | 2004               | ongoing            | n/a                                   | 500,000  | n/a   | Confidential | Cost savings.  | V   | Tariff                             |
| Vulnerable Team                                  | Support team for vulnerable customers who are unable to pay bills and fall outside credit management guidelines   | 2002               | ongoing            | n/a                                   | Not available                                      | n/a   | Confidential | Dedicated support team helps customers identify appropriate action for paying bills/clearing debts.  | M   | Financial                          |
| Powergen Warm Front                              | Management of the DEFRA 'Warm Front' scheme on a not-for-profit basis   | 2000               | 2005               | n/a                                   | 66,000   | 280,000   | n/a          | Around 300,000 customers have received help to heat their home, reduce energy bills, with potential health benefits.                         | V   | Energy Efficiency                  |
| Affordable Warmth Workshops                      | Financial support, via NEA to help LAs promote and implement affordable warmth workshops and strategies   | 2005               | ongoing            | n/a                                   | n/a 2005 project                                   | n/a   | Confidential | Improved targeting of energy efficiency measures within the boundaries of the LA.  | V   | Energy Efficiency                  |
| Powergen Pocket Affordable Warmth Survey (PPAWS) | Rapid assessment to identify fuel poverty on doorstep, using software on hand-held PC device - developed jointly with National Home energy Rating (NHER). | 2004               | ongoing            | n/a                                   | n/a  | n/a   | Confidential | Data collection and analysis tool produces SAP and NHER ratings, Affordable Warmth Index (AWI) and running costs                             | V   | Identification / Energy Efficiency |
| Charity partnership                              | Trial linked to HeatStreets and energy efficiency advice for the provision of housing information for vulnerable customers                                | Planned 01/05/2005 | dependant on Pilot | n/a                                   | n/a 2005 project                                   | n/a   | Confidential | Identification of wider debt problems, benefit entitlement issues, neighbour nuisance, advocacy needs, rental and potential eviction issues. | V   | Education / Advice                 |

ESP Code  
 O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives – RWE Npower

| Name                           | Description   | Start Date        | End Date      | Target number of vulnerable customers           | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost | Impact for Recipients   | ESP | Scheme Category                            |
|--------------------------------|---|-------------------|---------------|---|--|---|------------|---|-----|--|
| Payment Plans                  | A revised range of payment plans to respond to individual customer need, and provide the level of support required to ensure the customer payments match fuel use and if appropriate debt repayment. Includes a plan to rehabilitate customers with poor record of payment wishing to join a budget scheme. | Under development | Ongoing       | All domestic customers est. 250,000 vulnerable  | Not applicable                                     | Not applicable  |            | Payment plans more flexible to customer needs and monitored according to risk of debt   | V   | Financial                                  |
| Pricing – 2005 price freeze    | Following the Autumn 2004 price rise, we declared a 'do nothing' price freeze till 2006, for existing customers.  | Autumn 2004       | 2006 earliest | All domestic customers, est. 250,000 vulnerable | 250000   | Not applicable  |            | Certainty of prices during 2005.  | V   | Tariff                                     |
| Home Energy Audit              | An analysis of the energy efficiency status of properties and identification of potential measures, costs and savings to be gained.   | Pre 2000          | Ongoing       | Estimated at 23,000 pa                          | Circa 22,600                                       | Est. 54,000*  |            | Customers may find themselves eligible for government benefits, which they did not realise about. These could be worth up to £1,000 pa.   | M   | Energy Efficiency                          |
| Energy Service representatives | A team of qualified staff who visit customers in their homes and provide them with energy efficiency advice and help resolve billing and metering queries, as appropriate. The team also promote energy services through talks and exhibitions, and contacts with community organisations.                  | Pre 2000          | Ongoing       | estimate 1,650 pa                               | Circa 7,700, (2,700 door to door; 5,000 at events) | Est. 15,000*  |            | Customers are provided with advice on how to make their homes more energy efficient, so reducing their bills, and with information on their eligibility for grants for such measures. Customers are also re-assured by being visited in their home. | V   | Education / Advice / Financial             |
| Winter Warmth Campaign         | An annual campaign aimed at elderly and vulnerable households, to provide advice and help to keep warm during cold weather.   | 1999              | Ongoing       | 27,000 pa                                       | 26,655   | Est. 180,000 (some will have been contacted more than once) |            | Customers are provided with advice on how to make their homes more energy efficient and therefore reduce their bills. They are also provided with information on their eligibility for grants for such measures.                                    | V   | Education / Advice / Community Involvement |

ESP Code  
 O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives – RWE Npower

| Name               | Description   | Start Date | End Date | Target number of vulnerable customers   | Number of vulnerable customers helped in 2004/2005                                    | Total number of vulnerable customers helped since beginning | Total cost | Impact for Recipients  | ESP | Scheme Category                                    |
|--------------------|---|------------|----------|---|---|---|------------|--|-----|--|
| Savings for Life   | A marketing and branding initiative to promote greater awareness of domestic energy efficiency, particularly the benefits of financial savings, energy savings and environmental protection. It includes a home energy report, cavity and/or loft insulation, low energy lamps and the offer of finance to spread the cost. | Apr-03     | Ongoing  | Estimated at 15,000 priority group over 3 year programme                                | 10,000 estimated as 1/3rd of the total programme of which ½ is priority group – 5,000 | 30,000 and assume 50% priority group – 15,000               |            | Customers are provided with advice on how to make their homes more energy efficient and therefore reduce their bills. They are also provided with information on their eligibility for grants for such measures.   | V   | Energy Efficiency / Education / Advice             |
| YES                | Developed in response to the trial relaxation of the 28-day rule. It offers a fixed term, zero premia, 3 year energy supply contracts. Targeted at customers not in receipt of certain benefits. The costs of Energy Efficiency measures which are included as part of the package are included in the EEC costs.           | Mar-05     | Apr-06   | Max. 200,000 domestic customers, but estimate very few in vulnerable customer category. | New initiative  | Not applicable  |            | Customers are offered a 3 year no premia fixed price and can also insulate their home for £109, the benefits are a minimum of 8% reduction in fuel consumption.  | M   | Tariff / Energy Efficiency                         |
| Benefits check     | A team of qualified staff who offer a detailed assessment of customers' eligibility for Government Benefits and advises on claiming further benefits.   | Nov-04     | Ongoing  | 2,000 directly into call centre from 1 EEC scheme                                       | Unknown as many were provided indirectly through EEC partnerships                     |   |            | Customers are provided with measures, which are suitable for their particular property/circumstance.   | V   | Financial  |
| 1st Step programme | A package of measures designed to help customers who can't pay and are in debt, back into sustainable energy management and regular payment for energy use. Delivered through one to one communications and an individually tailored plan is agreed with the customer and monitored on an ongoing basis.                    | Mar-05     | N/A      | 45,000 pa when up and running   | Est. 200 since start  | N/A   |            | Customers who are in debt and vulnerable will receive a range of services including efficiency advice and benefits healthcheck. Some may have their historic debt written off which could be up to £300 + healthcheck at £1,000 + efficiency measures at a minimum of 8% (or increased comfort). | M   | Energy Efficiency / Financial / Education / Advice |

ESP Code

O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



The Energy Services Partnership

Appendix 2

Supplier Initiatives – RWE Npower

| Name                     | Description   | Start Date        | End Date              | Target number of vulnerable customers             | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost | Impact for Recipients  | ESP | Scheme Category               |
|--------------------------|---|-------------------|-----------------------|---|--|---|------------|--|-----|-------------------------------|
| Customer Assistance Fund | To assist 1st Step customers in extreme hardship to manage ongoing payment of their energy by writing off some/all of their historic debt.  | May-05            | N/A                   | Could be as high as 45,000 pa when up and running | New initiative                                     | Not applicable  |            | See 1st Step (above)   | V   | Financial                     |
| Social Tariff            | 'Best available' tariff under development for vulnerable customers in fuel poverty. Will be linked to 1st Step programme.   | Under development | N?A                   | Up to 45,000 pa                                   | New initiative                                     | Not applicable  |            | Customers most in need will enjoy the best price available for heating their homes. Customers could see a reduction in their fuel bill of 20% circa £60 per annum.   | V   | Tariff                        |
| Factor Four              | Brings together debt and energy efficiency with credit union financial services. Works in partnership with Birmingham Credit Union Development Agency, Barclays Bank and Severn Trent Trust Fund.   | Jan-04            | 2006 (2.5 year trial) | 1,760 in total                                    | 212  | 212   |            | Customers are given money and debt advice, energy efficiency and water conservation advice, grant information, a bill paying service and access to low cost credit union loans.  | M   | Energy Efficiency / Financial |
| Money Advise Support     | Financial support to The Money Advice Trust and Money Advice Association<br>Member of staff is the Creditor Co-chair of the Midlands Money Advice Liaison Group (MALG) – a Forum working for greater communication, understanding and professionalism between the credit and advice industry. | Dec-04            | Dec-07                | Unknown   | Unknown  | Unknown   |            | Providing solutions to money problems. Money Advice Trust funding for the development of money advice services. Includes making National Debtline number available to customers and referring customer to nearest money advice agent when necessary. Money Advice Association (MAA) funding for the creation of the Institute of Money Advisors, to increase the professionalism of the money advice sector by improving standards and skills of money advisors. | V   | Financial                     |

ESP Code  
O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives – RWE Npower

| Name                  | Description  | Start Date | End Date | Target number of vulnerable customers   | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost | Impact for Recipients   | ESP | Scheme Category               |
|-----------------------|--|------------|----------|---|--|---|------------|---|-----|-------------------------------|
| Codes of Practice     | Identification of appropriate points in the customer journey to proactively issue codes in response to perceived need.   | Planned    |          | All customers who request them  |  |   |            | Customers receive information that will assist and encourage them to discuss solutions to achieve early resolution of issues  | M   | Education / Advice            |
| Warm Zones            | Warm Zones were originally a pilot programme promoted by local government and aimed at assessing the extent to which fuel poverty could substantially reduced within a specific locality by targeting energy efficiency measures through grants. The Scheme incorporates a benefits health check, financial advice and support programmes. Npower were the sponsors of three out of the original five Warm Zones, and have continued to adopt the methodology for new locations. | Apr-01     | Ongoing  | A Warmzone is selected as a result of its predisposition for containing a high level of vulnerable customers. Estimated as 16,000 fuel poor households by Dec 03 (included in EEC1) | Estimated at 6,000 (included in EEC1)              | Forecast 19,611 (households) (included in EEC1)             |            | Customers are offered a variety of energy efficiency measures through a variety of routes and in many cases such measures are provided free of charge. This helps to improve the standard of living for many people by increasing the warmth of their properties as well as reducing their fuel bills. Customers can expect to see their consumption drop by anything from 8% and/or may take the efficiency as improved comfort. | M   | Energy Efficiency / Financial |
| Health Through Warmth | Partnership with NHS, NEA (National Energy Action), Local Authorities and voluntary agencies to improve the health and living conditions of the more vulnerable people in local communities. Key workers are trained by npower to be able to identify people most in need who are ill and living in cold, damp homes. This facilitates the installation of energy efficiency measures and heating where most needed.   | Dec-00     | Ongoing  | 4,000 pa  | Circa 4,400  | 11326 referrals   |            | Those living in fuel poverty and referred by trained key workers are offered energy efficiency measures and heating solutions which in most cases are free and where not npower will often make a contribution from its crisis fund.  | V   | Identification                |

ESP Code  
 O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives – RWE Npower

| Name                          | Description  | Start Date | End Date | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost | Impact for Recipients  | ESP | Scheme Category    |
|-------------------------------|--|------------|----------|---------------------------------------|--|---|------------|--|-----|--------------------|
| Disability Awareness Training | Training has been delivered to customer relations staff, including guidance on how to deal with customer disabilities and the language to use  | 2004       | Ongoing  | Staff training N/A                    | Staff  | Staff   |            | Improved understanding of disability issues to help customer contact staff deliver an appropriate service to meet the needs of disabled customers                    | O   | Identification     |
| Macmillan Cancer Relief       | Charitable donations made by staff are matched £ for £ by the company. This partnership also includes npower staff training Macmillan nurses to be able to identify someone in need and refer them for energy/bill payment advice  | Jan-04     | Dec-05   | Unknown at present - TBA.             |  |   |            | Those living with cancer and in need are referred for energy efficiency measures and heating and grants are often provided.  | V   | Identification     |
| Induction Training            | Induction Training has been re-evaluated with enhancements to PSR, SAP, also incorporating understanding the criteria of customers who would benefit from PSR and coverage of the electronic on line form. PSR information has also been developed and is accessible within the agent's Infodex system. A specific module has been designed resulting in a 4hr training session. | Jan-04     |          | Staff                                 | Staff  | Staff   |            | Improved understanding of social issues around vulnerable customers enables staff to better identify issues and solutions and refer customers to services available. | M   | Education / Advice |

ESP Code  
 O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives – Scottish Power

| Name                         | Description  | Start Date | End Date | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning     | Total cost   | Impact for Recipients  | ESP | Scheme Category                                    |
|------------------------------|--|------------|----------|---------------------------------------|--|---|--|--|-----|--|
| Billing accuracy initiatives | Services such as pro-active billing and text messaging that allow customers to control the accuracy of their bills   | 2003       | Ongoing  | All customers                         |  | Vulnerable customers will form a proportion of 1357348 assisted | Not available  | Allows customers more control over their bills; avoids disputes; forestalls 'accidental' debt arising from incorrect billing   | V   | Financial  |
| Community Liaison Officers   | Dedicated staff provide face-to-face customer contact. CLOs represent ScottishPower within the community on both an advisory and representative basis. Also assist internal customers, providing training to a variety of areas to the business, including identifying and dealing with vulnerable customers. Help customers and promote a positive image of ScottishPower as a community-minded organisation. | 1996       | Ongoing  |                                       |  |   | Cost of 14 dedicated full-time staff, including the cost of energy efficiency training to City and Guilds standard | Varied – resolving accounts; producing accurate bills; negotiating payment arrangements and reductions on accounts for the customer, helping the customer to manage their debt more effectively and ensuring that any debt situation is not exacerbated; providing energy efficiency advice; provide peace of mind and excellent customer service. | V   | Identification / Education / Advice / Financial    |
| Energy efficiency surveys    | Energy efficiency survey for customer which identifies potential improvements that the customer could make and offers advice on how to pursue them.  | 2002       | Ongoing  | Approx 40,000 2005/2006               | 33,500   |   | Figure not available   | Free, easy access to energy efficiency advice. Personalised report on recommended energy efficiency improvements   | M   | Energy Efficiency / Education / Advice             |
| Warmth for the Millennium    | Partnership project with Energy Action Scotland providing central heating and energy efficiency measures to fuel poor households   | 2000       | 2004     | 2,000                                 | -  | 2,000   | Project funded by £500,000 from SP   | Sustainable removal from fuel poverty for 2,000 households   | M   | Energy Efficiency / Financial / Education / Advice |
| Nestmakers                   | Joint venture with Energy Action Grants Association (EAGA) aimed at fuel poor customers. Provides energy efficiency advice, competitive fuel prices and access to grants. Other occasional benefits such as free low-energy bulbs.   | 2001       | Present  | No limit                              | 105k customers of whom 16k rec'd EE surveys        | -   | £9.9m  | Provide access to a direct debit tariff that they might not otherwise benefit from. But they also open up access to energy efficiency advice and grants to carry out relevant work leading to the benefits available through EEC.  | V   | Tariff / Financial / Education / Advice            |

ESP Code

O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)





Appendix 2

Supplier Initiatives – Scottish Power

| Name                                  | Description  | Start Date | End Date           | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost                           | Impact for Recipients   | ESP | Scheme Category                           |
|---------------------------------------|--|------------|--------------------|---------------------------------------|--|---|--------------------------------------|---|-----|---|
| Helpco                                | Joint venture with the Greater London Energy Efficiency Network, a not-for-profit social enterprise with links to local authorities and the Energy Savings Trust. Helpco is the customer's contact rather than SP. | 2001       | Present            | -                                     | -  | ~400 ongoing members  | Not available                        | Provide access to a direct debit tariff that they might not otherwise benefit from. But they also open up access to energy efficiency advice and grants to carry out relevant work leading to the benefits available through EEC. | V   | Tariff / Financial / Education / Advice   |
| Community Energy Partnerships         | EE activity targeted at localized fuel poverty in the Dundee, Newcastle and Lanarkshire areas. Funding for this initiative is in addition to any EEC spending that is made in these areas.                         | 2003       | 2006               | Figures not available                 |  |   | £230,000 from 2003-06                | The benefits are similar to those from the Energy Efficiency Commitment   | V   | Energy Efficiency / Community Involvement |
| SP Green Energy Trust social projects | Renewable energy projects with strong social benefit. The trustees include Friends of the Earth and the Policy Studies Institute.  | 2002       | 2004               | Figures not available                 |  |   | £65,000 granted on average each year | Communities can access the benefits of renewable energy, such as enduring reduced bills.  | M   | Community Involvement                     |
| PPM price freeze                      | Price freeze for 570,000 prepayment customers in winter 2004-05  | 2004       | 2005               | 570,000 prepayment customers          | 570,000 prepayment customers                       | N/a   | ~£9m                                 | Protection from the effects of potential price rises at the time of the year when their demand for fuel would be at its highest.  | V   | Tariff                                    |
| ISO accreditation                     | Disconnection procedures independently audited   | 2004       | Audited annually   | N/a                                   |  |   | Not applicable                       | Customers benefit because we take every step to ensure that disconnection is the very last resort and where necessary is handled correctly.   | V   | Identification                            |
| PPM self-disconnection survey         | SP funded research by Energy Action Scotland to examine the reasons why customers might be dissatisfied with PPMs and to identify solutions to prevent self-disconnection.   | 2004       | Published Oct 2004 | N/a                                   |  |   | £11,000                              | Customers benefit from this because it provides their view of self-disconnection and inform future good practice in providing a prepayment service.   | V   | Financial                                 |

ESP Code

O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives – Scottish Power

| Name                    | Description  | Start Date | End Date | Target number of vulnerable customers                                | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost  | Impact for Recipients   | ESP | Scheme Category                                 |
|-------------------------|--|------------|----------|--|--|---|---|---|-----|---|
| Intermediaries helpline | We operate a dedicated line for CABx and Money Advice Scotland to reach us with customers' issues. We are piloting a new CABx debt and benefit healthcheck freephone line (including mobiles).   | 2003       | Ongoing  | Geographical limitation, although considering national coverage      | 1,588 cases handled                                |   | Under review pending decision for national roll out | Improved access to specialists  | V   | Financial / Identification / Education / Advice |
| Economic development    | Our deeper commitment to the community we work in extends to ensuring that they are economically healthy. Therefore we invest in economic development initiatives. For example we sponsor Edinburgh Farmer's Market to support rural businesses and communities. | Pre 2000   | Ongoing  | Designed to help the wider community, especially vulnerable members. |  |   | £277,000 in 2003-04                                 | Difficult to assess as the benefits tend to be indirect and potential long term | V   | Community Involvement                           |
| Education               | We provide community programmes that deliver skills and experience to young people to develop their potential.   | 1996       | Ongoing  |  |  |   | £1.58 million in 2003-04                            | Around 2,000 youngsters in the period.  | V   | Education / Advice / Community Involvement      |

ESP Code

O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Appendix 2

Supplier Initiatives – Scottish & Southern

| Name                 | Description   | Start Date | End Date | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost                | Impact for Recipients   | ESP | Scheme Category                        |
|----------------------|---|------------|----------|---------------------------------------|--|---|---------------------------|---|-----|--|
| Energycare Plus      | Industry leading new tariff targeted at vulnerable customers with 20% discount on current price, a benefit entitlement check and energy efficiency measures | May-05     |          | 30,000                                | 5,900 pre-targeted                                 | 0   | Commercially confidential | An average dual fuel customer in the North of Scotland would reduce their annual energy bill by £200 (assuming free fridge & loft insulation as part of package). | V   | Tariff / Energy Efficiency / Financial |
| Price increase delay | Delayed price increases for ppm / easywarm and budget warmth customers  | Feb-05     |          | 550,000                               | 550,000  | 550,000   | £2,000k                   | £12 per annum equivalent per customer   | V   | Tariff                                 |
| Price freezes        | Plan to freeze prices for fuel direct customers   | Planned    |          | 4300                                  |  |   | £48k per year             | £11 per customer per annum  | V   | Tariff                                 |
| Homeless help        | Subsidised starter appliance packs, energy efficiency help for newly housed homeless (discounted retail price offer)  | Jan-05     |          | 1500                                  | 150  | 150   | £50k                      | £1000 per customer in year one and thereafter £200/annum.   | M   | Tariff / Energy Efficiency             |
| Debt assistance      | Customers' debt reduced via write-off on a case by case basis.  | Ongoing    | Ongoing  | No target set                         | 1,000  | Case by case basis  | £200k                     | All or part of debt written-off   | V   | Financial                              |
| PPM Scheme           | Use of Mobile phones directly connected to customer's meter to aid use of meter.  | Planned    |          | No target set                         |  |   | Unknown                   | Ability to target terms for them individually, quicker service, more flexible   | V   | Financial                              |
| Easywarm             | Fixed monthly payment for energy regardless of use  | Nov-04     | Pilot    | 6000                                  | 10,500   | 10,500  | £Neutral                  | Competitive fixed price energy costs regardless of usage  | V   | Tariff                                 |
| Equipower/ Equigas   | Customers pay same price regardless of payment method or consumption level  | 2000       |          | No target set                         | 400  | 3,100   | £30k per annum            | Fair pricing, more beneficial for prepayment customers  | V   | Tariff                                 |
| Budget warmth        | One room guaranteed to be heated Oct to Mar, paid via rent to local authority   | Pre 2000   |          | No target set                         | 0  | 2,500   | £Neutral                  | Cheap guaranteed warmth throughout the winter   | V   | Tariff                                 |

ESP Code

O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



The Energy Services Partnership

Appendix 2

Supplier Initiatives – Scottish & Southern

| Name                     | Description   | Start Date  | End Date | Target number of vulnerable customers | Number of vulnerable customers helped in 2004/2005 | Total number of vulnerable customers helped since beginning | Total cost    | Impact for Recipients  | ESP | Scheme Category       |
|--------------------------|---|-------------|----------|---------------------------------------|--|---|---------------|--|-----|-----------------------|
| Meter Reader Training    | Meter readers trained to ensure they understand the criteria for identifying a customer who is potentially vulnerable. Information gathered relayed back to specialist careline team to update systems.   | Winter 2004 |          |                                       |  |   |               | Improved understanding of vulnerability issues and ability to deal with issues appropriately   | V   | Identification        |
| Electric Blanket Testing | Blankets tested and customers encouraged to maintain and ensure blankets so safe to use.  | 2003        |          | 750 p.a.                              | 500  | 1000  | Not available | Blankets tested and customers know they are safe to use  | V   | Community Involvement |
| Warm Start to Life       | Partnership with Energy Action Scotland provides energy awareness training to health professionals (i.e. midwives, social workers and health workers). Information given to new mothers on how to make homes healthier and warmer.  | 2003        |          | 2000                                  | 2000   | 4000  | £14,000       | New mothers benefit from advice on ways in which they can make their home more energy efficient  | V   | Community Involvement |
| Warmth without Worry     | Annual initiative aimed at older and vulnerable customers   | 2000        |          | All PSR customers                     | 48,520   | 200,000   | Not available | Ability to ensure household temperatures are not too hot or cold. Details provided of other agencies to contact for additional information       | V   | Education / advice    |
| Take Control Guidebook   | Guide aimed at teenagers starting out with their first home. Compiled by NEA and includes a section on (1) fuel (paying, meters, meter reading, switching suppliers), (2) energy efficiency (controlling heating, insulation, appliances, lighting, etc.) (3) your money (renting home guide, benefits, grants and budgeting advice). | 2004        |          | 5000                                  | 2410   | 2500  | £24,000       | Young people starting out have a booklet they can refer to for guidance on bills, energy efficiency, switching supplier and general money advice | V   | Education / advice    |

ESP Code

O = Obligation; M = Mixed; V = Voluntary (see report para. 4.4)



Some questions require you to rate the initiatives or companies. Please use the following scale to respond

|                    |          |                            |          |          |          |          |          |                          |          |           |
|--------------------|----------|----------------------------|----------|----------|----------|----------|----------|--------------------------|----------|-----------|
| <b>0</b>           | <b>1</b> | <b>2</b>                   | <b>3</b> | <b>4</b> | <b>5</b> | <b>6</b> | <b>7</b> | <b>8</b>                 | <b>9</b> | <b>10</b> |
| <i>ineffective</i> |          | <i>partially effective</i> |          |          |          |          |          | <i>totally effective</i> |          |           |

**Range and Nature of Initiatives**

A 1 Please list specific supplier initiatives that you are aware of that are designed to assist vulnerable customers, including social tariffs, trust funds, benefit checks and help lines. Are you at present partnering the supplier in delivering the initiative?

| Initiative | Name | Description | Supplier | Partner (y/n) |
|------------|------|-------------|----------|---------------|
|            |      |             |          |               |
|            |      |             |          |               |
|            |      |             |          |               |
|            |      |             |          |               |
|            |      |             |          |               |
|            |      |             |          |               |
|            |      |             |          |               |
|            |      |             |          |               |

A 2 What do you understand the objectives for each initiative to be?

| Initiative | Details |
|------------|---------|
|            |         |
|            |         |
|            |         |
|            |         |
|            |         |
|            |         |
|            |         |
|            |         |
|            |         |

A 3 Please assess how likely it is that the initiatives you are aware of will have a significant impact on vulnerable customers, giving reasons.

| Initiative | Rating (0 – 10) | Reasons (e.g. company commitment, providing greater benefits to consumers) |
|------------|-----------------|--|
|            |                 |  |
|            |                 |  |
|            |                 |  |
|            |                 |  |
|            |                 |  |
|            |                 |  |
|            |                 |  |
|            |                 |  |

A 4 In your opinion how well does each initiative meet its objectives and why?

| Initiative | Rating (0 – 10) | Reasons (e.g. company commitment, providing greater benefits to consumers) |
|------------|-----------------|--|
|            |                 |  |
|            |                 |  |
|            |                 |  |
|            |                 |  |
|            |                 |  |

|  |  |  |
|--|--|--|
|  |  |  |
|  |  |  |
|  |  |  |

**Customer Benefits**

B 1 What sort of benefits do you want to see, both generally and from the specific initiatives you are aware of?

|                            | <b>Details</b> |
|----------------------------|----------------|
| <b>General</b>             |                |
| <b>Initiative specific</b> |                |
|                            |                |
|                            |                |
|                            |                |
|                            |                |
|                            |                |
|                            |                |
|                            |                |
|                            |                |
|                            |                |

B 2 What is your estimate of the number of vulnerable customers that are being assisted through companies' initiatives?

| <b>Initiative</b> | <b>Details</b> |
|-------------------|----------------|
|                   |                |
|                   |                |
|                   |                |
|                   |                |
|                   |                |
|                   |                |
|                   |                |
|                   |                |
|                   |                |
| <b>Total</b>      |                |

B 3 What areas would you like to see companies concentrating their efforts on in future initiatives? Are there any gaps not covered by present initiatives?

**Effective Targeting of Customers**

C 1 How effective are the initiatives you are aware of in identifying and assisting vulnerable customers and why?

| <b>Initiative</b> | <b>Identification Rating (0 – 10)</b> | <b>Assistance Rating (0 – 10)</b> | <b>Reasons (e.g. company commitment, providing greater benefits to consumers)</b> |
|-------------------|---------------------------------------|-----------------------------------|---|
|                   |                                       |                                   |   |
|                   |                                       |                                   |   |
|                   |                                       |                                   |   |
|                   |                                       |                                   |   |
|                   |                                       |                                   |   |
|                   |                                       |                                   |   |
|                   |                                       |                                   |   |
|                   |                                       |                                   |   |
|                   |                                       |                                   |   |

C 2 Do you believe access to other sources of information would help in targeting assistance to vulnerable customers? If yes, what types of information, from where, and associated with which initiatives?

**Corporate Social Responsibility (CSR)**

D 1 What do you consider are the main reasons for companies being involved in CSR?

D 2 Please rank the approach to CSR of the six suppliers and give reasons for your assessment.

| Supplier                     | Rating<br>(0 – 10) | Reasons (e.g. company commitment, providing greater benefits to consumers) |
|------------------------------|--------------------|--|
| British Gas                  |                    |  |
| EDF Energy                   |                    |  |
| EON/Powergen                 |                    |  |
| RWE Npower                   |                    |  |
| Scottish Power               |                    |  |
| Scottish and Southern Energy |                    |  |

D 3 How do energy suppliers' CSR activities compare with organizations in other sectors that you have contact with?

D 4 How would you distinguish between government and company roles in social responsibility?

**Good Practice**

E 1 What initiatives (if any) have you seen implemented in other sectors or industries that could be applied by energy suppliers?

E 2 Have you identified any particular arrangements that assist the increased take up of initiatives by vulnerable customers?

**Questions for partner organizations**

**For the purposes of this section, a partner organization is one that has teamed up with a supplier to aid the delivery of a particular initiative; for example, by providing a mechanism for referring customers to a supplier, so that they receive energy efficiency measures.**

**If you are, or are going to be, a partner organization with a supplier, please answer the questions in this section. If not, please move on to question D1.**

F 1 What criteria did you use to decide the initiatives to support?

| Initiative | Details |
|------------|---------|
|            |         |
|            |         |
|            |         |
|            |         |
|            |         |

F 2 How do you monitor / intend to monitor the actual impact of each initiative? If the impact is not monitored, why not?

| Initiative | Details |
|------------|---------|
|            |         |

|  |  |
|--|--|
|  |  |
|  |  |
|  |  |
|  |  |

F 3 How do you share roles and responsibilities with your partners?

| <b>Initiative</b> | <b>Details</b> |
|-------------------|----------------|
|                   |                |
|                   |                |
|                   |                |
|                   |                |
|                   |                |

F 4 How effective do you think each of your partnering arrangements has been, ranking the level of success on the basis of 0 – 10 (where 0 is the least effective and 10 the most effective)? How do you measure the effectiveness of each arrangement?

| <b>Initiative</b> | <b>Rating (0 – 10)</b> | <b>Effectiveness criteria</b> |
|-------------------|------------------------|-------------------------------|
|                   |                        |                               |
|                   |                        |                               |
|                   |                        |                               |
|                   |                        |                               |
|                   |                        |                               |

F 5 If you are involved in initiatives with more than one supplier, please comment on any differences in performance and why you believe certain partners are more effective than others.

F 6 Please provide details of your key contacts in each of your partner organizations?



Age Concern England  
British Council of Disabled People  
British Deaf Association  
CAG Consultants  
Centre for Competition Policy, University of East Anglia  
Centre for Sustainable Energy  
Centre for the Study of Regulated Industries, Bath University  
Citizens Advice  
Citizens Advice Scotland  
COMTECHSA Charitable Trust  
Disabled Living Foundation  
EAGA Partnership  
Energy Action Scotland  
Energy Saving Trust  
Energy Solutions (NW London)  
energywatch  
Environmental Change Institute  
FEEAC  
Help the Aged  
Horstmann Controls Ltd  
Leeds City Council  
Local Government Association  
Money Advice Association  
Money Advice Trust  
National Consumer Council  
National Debtline  
National Energy Action  
National Federation of the Blind and Disabled  
National Right to Fuel Campaign  
New Economics Foundation

Personal Finance Research Centre  
Post Office Ltd  
Public Utilities Access Forum  
Right to Warmth  
Royal National Institute of the Blind  
Scottish Consumer Council  
The Energy Conservation & Solar Centre  
Unison  
University of Warwick

**Npower**  
<http://www.npower.com>

| Ease of Access   | Guidance on the Website  | Information in the CSR Document  |
|--|--|--|
| <p>Information on fuel poverty is two clicks away from the main website. It is easy for a customer to find the details and contact information needed to claim benefits.</p> | <p><b>Health Through Warmth (HTW)</b><br/> <a href="http://www.npower.com/Health_Through_Warmth/">http://www.npower.com/Health_Through_Warmth/</a></p> <ul style="list-style-type: none"> <li>➤ A well-structured section discussing the HTW programme</li> <li>➤ Set up in partnership with the NHS and National Energy Action (NEA) in 2000.</li> <li>➤ HTW facilitates installation of energy efficiency measures and heating where most needed</li> <li>➤ Estimate that 3 million low income households are living in fuel poverty</li> <li>➤ Trained 8500 health workers to spot vulnerable homes</li> <li>➤ Accessed £10 million in grants and funds. This includes £950,000 in a crisis fund to help those not eligible for funding.</li> </ul> | <p><b>Overview</b></p> <ul style="list-style-type: none"> <li>➤ 6.2 million customers</li> <li>➤ CR Committee set up in 2001 chaired by Yvonne Constance</li> <li>➤ Responsibility for developing policy, setting objectives and targets and reviewing performance against those targets</li> <li>➤ In November undertook audit of opinion formers to identify issues important to stakeholders</li> <li>➤ Senior managers participate in key organisations, including the Government Fuel Poverty Advisory Group</li> <li>➤ In 2003 supported National Energy Action's (NEA) Warm Homes Week. This is an annual winter campaign to raise awareness of Fuel Poverty, especially among politicians.</li> </ul> <p><b>2003 Achievements (p13-14)</b></p> <ul style="list-style-type: none"> <li>➤ HTW extended to further 7 areas, 2414 key workers trained, and 3100 referrals made, leveraging £1.3 million of government grants. Npower also spent £243,084 of Crisis Fund on homes ineligible for government grants</li> <li>➤ £5.7 million committed to HTW over a four-year period which now operates in 17 areas of the UK.</li> <li>➤ Research being carried out with the University of Birmingham to assess the change in health status and impact on the community of HTW and make recommendations.</li> </ul> <p><b>Warm Zones</b></p> <ul style="list-style-type: none"> <li>➤ Npower is the main sponsor of 3 out of the government's 5 warm zones: Sandwell, Northumberland and Hull.</li> <li>➤ Works by targeting households in an area and providing improvements through grants</li> <li>➤ Incorporates Benefit's Health Check, financial advice and support programmes</li> <li>➤ 350,000 households in 3 zones. 175,000 homes visited and assisted by Warm Zones by end of December 2003. 16,000 fuel poor households identified and total investment in measures exceeds £12 million.</li> </ul> <p><b>Savings for Life</b></p> <ul style="list-style-type: none"> <li>➤ Offers customers a potential saving of £200 per year by more efficient energy usage</li> <li>➤ Offers discounted prices on cavity wall and loft insulation, home energy survey to spot potential trouble spots and tips on efficient energy usage</li> </ul> <p><b>Energy Efficiency commitment (EEC)</b></p> <ul style="list-style-type: none"> <li>➤ EEC commitment requires that 50% of energy savings take place in households in Priority Group</li> <li>➤ 34,727 customers in priority services register at the end of 2003</li> </ul> |

**Powergen**  
<http://www.powergen.co.uk>

| Ease of Access  | Guidance on the Website  | Information in the CSR Document  |
|---|--|--|
| <p>The front page on 4 March 2005 had information on Powergen's involvement in the community and their Staywarm initiative for the over 60s. Information on fuel poverty is three clicks away from the main page, residential-&gt;technology and initiatives. The information provided serves to highlight the scheme, but provides no guidance on how to claim benefits.</p> | <p><b>Heat Streets</b><br/> <a href="http://www.powergen.co.uk/Pub/Dom/A/Ui/Residential/TechnologyAndInitiative.aspx?id=7">http://www.powergen.co.uk/Pub/Dom/A/Ui/Residential/TechnologyAndInitiative.aspx?id=7</a></p> <ul style="list-style-type: none"> <li>➤ Introduced under the Technology and Initiatives category in the Residential section</li> <li>➤ Implements large scale energy efficiency housing improvements over estates, towns and cities</li> <li>➤ Plan to invest £106 million into the programme by 2010 with the aim of saving 518,000 households up to £124 million on their energy bills</li> </ul> | <p><b>Overview</b></p> <ul style="list-style-type: none"> <li>➤ The CSR report is located at <a href="http://www.eon-uk.com">http://www.eon-uk.com</a></li> <li>➤ Powergen is the second largest energy supplier in the UK</li> <li>➤ It supports the Fuel Poverty Advisory Group (FPAG)</li> <li>➤ Partnered with Age Concern for the last five years, carrying out free testing and replacement of electric blankets for older people</li> <li>➤ 17,314 people have been helped by this initiative</li> <li>➤ £450,000 credited to older people through special energy deals</li> <li>➤ Target is to take 250,000 households out of fuel poverty by 2010</li> </ul> <p><b>Staywarm</b></p> <ul style="list-style-type: none"> <li>➤ Exclusively designed for the over 60s</li> <li>➤ Fixed price for 12 months, regardless of gas and electricity consumption</li> </ul> <p><b>Age Concern Energy Services</b></p> <ul style="list-style-type: none"> <li>➤ Tariff where people over 60 receive a cold weather payment equivalent to two hours extra gas fire heating for every day the temperature falls below freezing between December and February</li> <li>➤ Receive dedicated customer service, efficiency advice, free carbon monoxide detectors and a hypothermia thermometer, three free low-energy light bulbs and special offers on energy-saving measures"</li> </ul> <p><b>Warm Front</b></p> <p>The Warm Front Team is a Government funded initiative managed in the East Midlands, East Anglia, Yorkshire and the Humber by Powergen. The scheme helps people in receipt of income or disability related benefits or credits to improve the insulation and heating in their home.</p> <p>Powergen Warm Front provides free grants for a package of heating and insulation measures worth up to £1,500, to homeowners and private tenants to help them keep warm and save money on energy bills.</p> <p>People aged 60 or over receiving qualifying benefits or credits who do not have adequate heating are eligible for Warm Front Plus grants of up to £2,500, which could enable them to have central heating installed. All of the work is organised and paid for by Powergen Warm Front.</p> <p><b>We Test You Rest' Campaign</b></p> <ul style="list-style-type: none"> <li>➤ Testing and replacement of electric blankets in partnership with Age Concern</li> <li>➤ Testing can cost up to £35</li> <li>➤ Powergen paid for 40 testing days for Autumn 2003 campaign</li> <li>➤ Around 70% of 3,643 blankets tested were found faulty and replaced</li> </ul> |

| Ease of Access | Guidance on the Website | Information in the CSR Document  |
|----------------|-------------------------|--|
|                |                         | <ul style="list-style-type: none"> <li>➤ Also provided energy efficiency advice</li> </ul> <p><b>Priority Services Register (PSR)</b><br/>Have a PSR containing details of customers of pensionable age, the chronically sick and the disabled, enabling them to access extra services if needed</p> |

**EDF Energy**

<http://www.edfenergy.co.uk>

| Ease of Access   | Guidance on the Website   | Information in the CSR Document  |
|--|---|--|
| <p>Information on fuel poverty is five clicks away from the main page.</p> <p>The site mentions that EDF have energy efficiency activities, but there is no obvious link to this information</p> | <p><b>EDF Energy Trust</b><br/>A charitable trust set up in 2000 with an initial donation of two million pounds. It is an independent body that helps people pay their bills and advises them on managing their finances.</p> | <p><b>Overview</b></p> <ul style="list-style-type: none"> <li>➤ 5 million customers</li> </ul> <p style="text-align: center;"><b>EDF Energy Trust</b></p> <ul style="list-style-type: none"> <li>➤ Between 1999 and 2001, the Citizen's Advice Bureau in England, Scotland and Wales advised on 282,268 problems relating to fuel supplies, of which 190,645 concerned debts and problems with paying for fuel</li> <li>➤ The EDF Energy trust was set up in response, with an independent board of trustees. Day to day operations are handled by Charis, a specialist company based in Peterborough</li> <li>➤ By February 2004, 37 grants totalling £12,268 had been made, 31 for under £500 and six for between £500 and £1000</li> <li>➤ £340,000 committed to support money advice agencies</li> </ul> |

**Centrica**

<http://www.centrica.co.uk>

| Ease of Access  | Guidance on the Website   | Information in the CSR Document   |
|---|---|---|
| <p>A section on initiatives is three clicks away from the main page at <a href="http://www.centrica.co.uk/index.asp?pageid=360">http://www.centrica.co.uk/index.asp?pageid=360</a>.</p> <p>Their linked site <a href="http://www.house.co.uk/HELP">www.house.co.uk/HELP</a> has information on claiming benefits and is easy to use and navigate.</p> | <p><b>Here to HELP (HTH)</b></p> <ul style="list-style-type: none"> <li>➤ Launched in November 2002 and is the largest independent initiative of its kind</li> <li>➤ Run in partnership with seven national charities</li> <li>➤ £150 million pound programme aiming to provide warmth to 500,000 homes with benefits of up to £2000 per home</li> <li>➤ More information at <a href="http://www.house.co.uk/HELP">www.house.co.uk/HELP</a></li> <li>➤ 'Here to help' programme has been awarded a BIG TICK in the Business in Community awards for excellence 2003.</li> <li>➤ In 2003 helped more than 40,000 households reduce their fuel bills</li> </ul> | <p><b>Focus on Fuel Poverty (pg 17)</b></p> <ul style="list-style-type: none"> <li>➤ HTH programme operates in partnership with seven UK charities – Help the Aged, Save the Children, Scope, RNIB, Gingerbread, National Debtline and Family Welfare Association</li> <li>➤ Now operating in 515 communities and has helped over 260,000 households</li> </ul> |

**Scottish and Southern**

<http://www.scottish-southern.co.uk>

| Ease of Access   | Guidance on the Website  | Information in the CSR Document  |
|--|--|--|
| <p>The website has a statement on corporate responsibility. The majority of the information targets investors. The individual companies that provide customer facing services are:</p> <p><b>Southern Electric</b><br/><b>Swalec</b><br/><b>Scottish Hydro Electric</b></p> <p>They all have the same website design (at different locations). Information on fuel poverty assistance is three clicks away from the main site under "customer services⇒help for the elderly and disabled". The section also has advice on how to save energy and staying warm.</p> | <p><b>Careline</b><br/>Careline is a phone service to provide information on saving energy and bills</p> <p><b>Financial Help</b><br/>The website mentions that grants may be available for loft and wall insulation from Swalec</p> | <p>S&amp;S has a Corporate Responsibility Statement on its website but no obvious link to a document with information on Fuel Poverty.</p> |

**Scottish Power**

[www.scottishpower.co.uk](http://www.scottishpower.co.uk) [www.scottishpower.com](http://www.scottishpower.com)

| Ease of Access   | Guidance on the Website | Information in the CSR Document  |
|--|-------------------------|--|
| <p>The UK website appears to have no information on fuel poverty or ways for customers to apply for benefits to which they may be entitled</p> <p>The global company website has a paragraph on Fuel Poverty on page 32 of the Scottish Power environmental and social impact report 2002/03</p> | <p>None available</p>   | <p><b>Overview</b></p> <ul style="list-style-type: none"> <li>➤ Page 32 of the ScottishPower Environmental and Social Impact Report contains a paragraph on Fuel Poverty in the US and UK</li> <li>➤ In the US 12% of residential customers live below federal poverty levels</li> <li>➤ In 2003 PacifiCorp received \$12 million in funds to assist over 60,000 customers and contributed over \$1 million to fund projects in the US</li> <li>➤ In 2002/03 reached the equivalent of 30,500 households with cavity wall insulation and distributed more than 400,000 energy efficient light bulbs. There is no information on how this was funded</li> </ul> <p style="text-align: center;"><b>Warmth for Less</b></p> <p>Warmth for Less is a partnership with Energy Action Grants Agency (EAGA) to help homeowners and rental tenants to replace old or inefficient space and water heating equipment with modern combined systems and arrange manageable payment schedules to avoid debt</p> |

**Selected Stakeholders**

**DEFRA**

<http://www.defra.co.uk>

| Guidance on the Website   | Notes   |
|---|---|
| Information on fuel poverty on the DEFRA website is easy to navigate to using the site A-Z index. | <p style="text-align: center;"><b>Warm Front</b></p> Call centre staff at the EAGA Partnership or at Powergen Warm front deal with enquiries and offer services such as benefits health checks, surveys if eligible and recommendations |

**Energywatch**

<http://www.energywatch.co.uk>

| Guidance on the Website  | Notes  |
|--|--|
| The site has PDF documents on the free services on offer from gas and electricity suppliers and contact information. It deals mainly with getting on the Priority Services Register. | Information on the Governments plan for action on Fuel Poverty is at:<br><a href="http://www.defra.gov.uk/environment/energy/fuelpov/index.htm">http://www.defra.gov.uk/environment/energy/fuelpov/index.htm</a> <p><b>Warm Front</b><br/>                     Warm Front is the Government's main grant-funded programme for tackling fuel poverty. The scheme was launched in June 2000 and before its name changed to Warm Front, it was called the Home Energy Efficiency Scheme</p> |

## Appendix 5

## Website Review (as at March 2005)

### DTI

<http://www.dti.gov.uk>

The easiest way to find the appropriate section is to search for fuel poverty. The link below contains information on policy, strategy, price movements, the methodology for calculating fuel poverty figures and the DTI's responsibilities.

[http://www.dti.gov.uk/energy/consumers/fuel\\_poverty/](http://www.dti.gov.uk/energy/consumers/fuel_poverty/)

### OFGEM

<http://www.ofgem.gov.uk>

Information on fuel poverty and protecting vulnerable customers is one click away from the main page, under Protecting Customers. The information is, however, up to four years old. For example the document at [http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/1025\\_factsheet0902\\_01may.pdf](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/1025_factsheet0902_01may.pdf) appears to have been last updated in 2001.

### EAGA

<http://www.eaga.co.uk>

| Guidance on the Website   | Programmes  |
|---|---|
| <p>EAGA is an employee owned company that uses its trading surpluses to expand its ability to tackle the housing problems of low-income families. Since 1990 they have assisted 5 million disadvantaged households throughout the UK. They specialise in energy efficiency.</p> | <ul style="list-style-type: none"> <li>➤ <b>Warm Deal and Central Heating Programme:</b> managed on behalf of the Scottish Executive</li> <li>➤ <b>Warm Front:</b> managed on behalf of the Department of the Environment, Food and Rural Affairs</li> <li>➤ <b>Home Energy Efficiency Scheme (HEES):</b> managed on behalf of the Welsh Assembly</li> <li>➤ <b>Warm Homes:</b> managed on behalf of the Northern Ireland Housing Executive</li> <li>➤ <b>Here to HELP:</b> A £150million partnership programme managed on behalf of British Gas and a number of social housing providers in England, Scotland and Wales</li> <li>➤ <b>Benefits Health Check:</b> Offered as an option on many of the programmes to encourage income maximisation amongst the target client group</li> <li>➤ <b>Fulfilment:</b> Supply and distribute thousands of low energy light bulbs (compact fluorescent light bulbs) to customers each week as part of energy efficiency programmes. Centralising this aspect of the operations has made large savings through improved economies of scale.</li> </ul> |





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