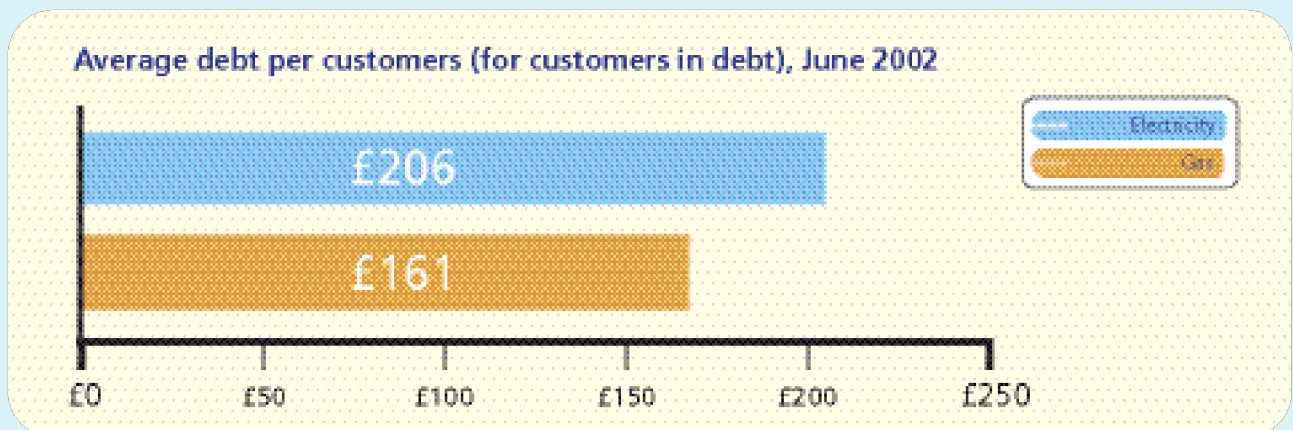


Debt Prevention and management

Statistics show that over one and a half million households are repaying debts to their energy companies. Many of these debts could have been avoided or reduced if the customers involved had been given more comprehensive advice before the debt was allowed to build up.

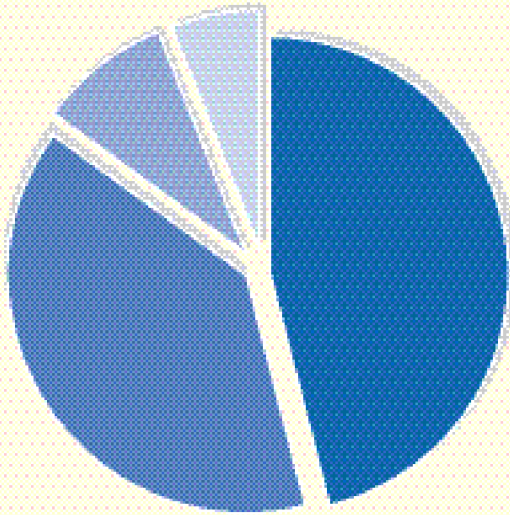
Ofgem and energywatch have undertaken a joint project to help prevent customers running up debts with their energy suppliers. This follows research into debt conducted by Powergen in 2001 as part of Ofgem's Social Action Plan. The project has identified six key areas that the energy companies should address to help those customers.

Facts about customers in debt



- More than two-thirds of households in debt receive benefits
- Customers on qualifying benefits could receive help to improve the energy efficiency of their homes.
- 900,000 electricity and 1.7 million gas customers are currently repaying debts
- Average debt is around £160 in gas and £200 in electricity - which can take a year or more to pay off for customers on low incomes

Average amounts owed by gas customers on a debt payment arrangement, June 2002



46%	£100 - £300
39%	Less than £100
9%	£300 - £600
6%	More than £600

Debt prevention guidelines

The debt prevention project, which was guided by an advisory group made up of consumer, industry, regulatory and government experts, looked at ways to improve the information and help given to customers who are more likely to get into debt.

1. Minimising billing errors

- Although the extent to which billing errors are a major cause of debt is unclear, complaints to energywatch and Citizens Advice Bureaux suggest that it is a considerable problem.
- Problems surrounding the regularity, certainty and accuracy of billing do nothing to help customers, particularly those on low incomes, to budget. It is therefore important that such problems are minimised.

Ofgem and energywatch have identified **six key areas** where energy companies should look to improve their performance to help identify vulnerable customers and prevent them falling into debt.

2. Using incoming calls to identify customers in hardship

- Energy companies' main contact with their customers is usually by telephone.
- Improved dialogue could provide important tools for identifying those consumers who would most benefit from measures such as energy efficiency advice, and customers who could benefit from inclusion on the Priority Service Register (PSR). It could also help to identify customers in extreme financial difficulties.

3. Using consumer records to target energy efficiency

- Companies will usually have extensive records relating to a customer's consumption and payment history.
- This information can be used to target customers in need of energy efficiency advice, and help with measures like cavity wall insulation and energy efficient appliances. It is in the interest of the companies themselves to target customers in this way to help meet their energy saving targets under the Energy Efficiency Commitment.

5. Demonstrating flexibility in debt recovery

- Companies should be more pro-active in offering help to customers in debt.
- This includes a more efficient resolution of problems and more flexible attitude to resolving debt

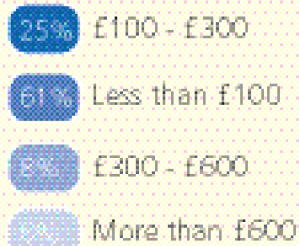
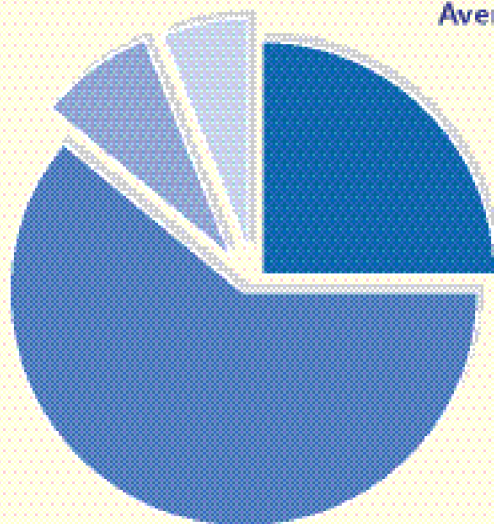
4. Working with other groups to offer long term solutions for customers in difficulty

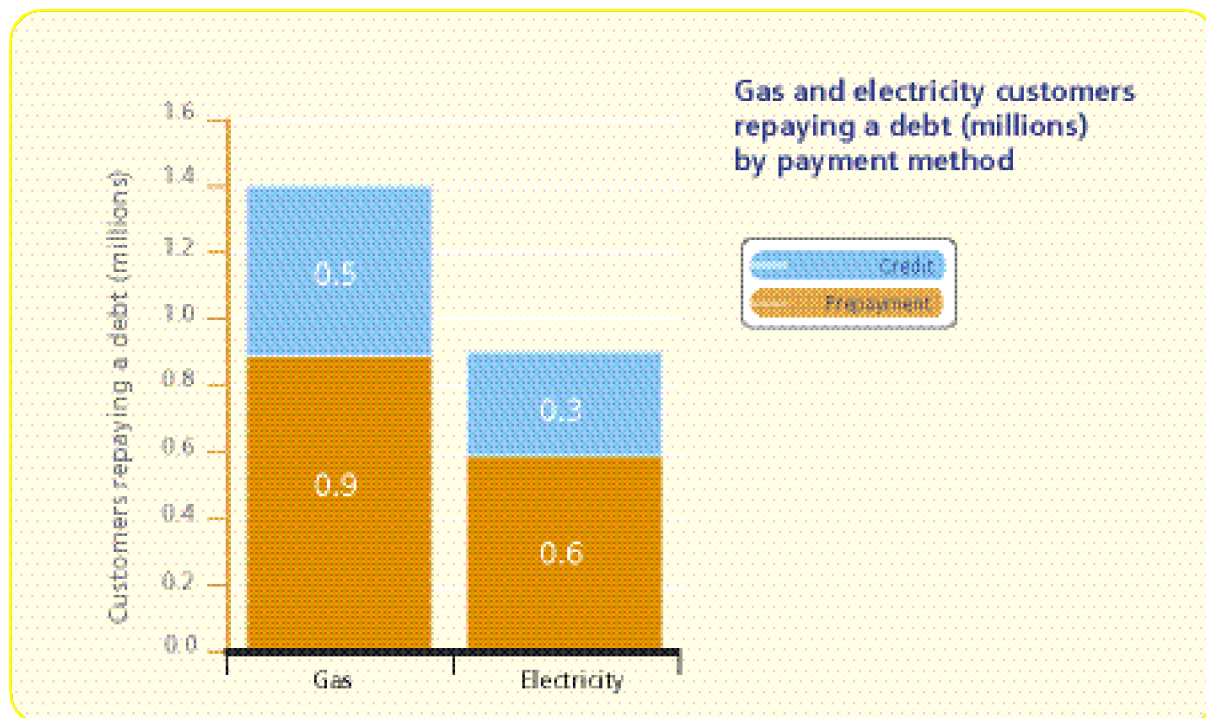
- Companies will have a small number of customers for whom a wider more flexible approach is necessary in order to help them achieve sustainable solutions to their debt problems.
- Research carried out under Ofgem's Social Action Plan stresses the need for companies with customers with multiple debts to seek help from independent agencies such as Citizens Advice Bureaux.

6. Helping consumers who are unable to manage their affairs

- Some customers, such as those with a disability or chronic illness have difficulty in managing their affairs. If not handled with care, these consumers can get into repeated payment difficulties.
- Companies should have arrangements to help such customers.

Average amounts owed by **electricity customers** on a debt payment arrangement, June 2002





A way forward

Ofgem and energywatch will consider responses to the consultation paper and publish a report highlighting the key recommendations early in 2003. Energy companies will be expected to devise and implement effective debt prevention

and management plans of their own which meet the recommendations. Their progress will be monitored on an ongoing basis and evaluated at the end of 2005.

Energy efficiency advice 'mystery shopper survey'

A report published by Ofgem in June 2002 found that energy companies should do more to encourage their customers to benefit from energy efficiency.

The research involved "mystery shoppers" calling energy companies to test whether call handlers could recognise the customers' need for energy efficiency advice, and the quality of advice given. The report found that all the companies could do more to help customers. Better energy efficiency advice has an important role to play in helping customers in debt.

Ofgem is discussing the results of the mystery shopping survey with all the companies and will be considering the need for further action to ensure that they meet their licence obligations to provide energy efficiency advice to customers.

It is estimated that better energy efficiency in homes could save customers up to £100 a year on their energy bills.

For information on debt prevention please contact Anton Draper at Ofgem on 020 7901 7466 or Robert Hammond at energywatch on 020 7799 8369