

Post-implementation review - Free gas safety checks

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Target Audience: Gas and electricity suppliers and potential new entrants, consumer groups in particular those representing pensioners, the disabled, the chronically sick or people on low incomes, and all interested parties.

Overview:

Suppliers have a number of licence obligations in relation to gas safety. The purpose of this review is to look at the changes made to the gas supply licence in August 2007 with regard to gas safety and at the assumptions made by Ofgem in the impact assessment of these changes.

This review looks at the number of free gas safety checks offered by suppliers in the 12 month period following the licence amendments and compares this with previous years. The review also examines how suppliers communicate with all their customers, especially vulnerable customers, to ensure they are meeting the information requirements newly introduced into the licence in August 2007 and to identify examples of best practice.

The review finds that the total number of free gas safety checks carried out since the licence change has decreased in line with expectations given the changes to the licence to improve targeting to customers most at risk including, for the first time, families with young children. The review also finds that suppliers are using a range of techniques to inform their customers of the risks associated with carbon monoxide and gas safety as required by the new obligation.

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Context

Ofgem's Social Action Strategy (SAS) describes how we seek to meet our social responsibilities and help Government to meet its targets for eradicating fuel poverty. This post-implementation review of the gas safety check licence changes is a key part of the Social Action Strategy.

In the SAS we identify four themes for Ofgem's work on social issues over the coming years. The issue of gas safety falls within two of these themes: 'regulatory obligations, monitoring and reporting' and 'best practice and research'.

As part of our commitment to better regulation, we highlighted in our corporate strategy 2008-2013 our new commitment on post-implementation reviews and included a specific deliverable to carry out a post-implementation review of the changes to the gas safety checks regime.

Associated Documents

- Supply Licence Review - Implications for Vulnerable Customers, March 2006 (Ref 42/06)
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=3&refer=Markets/RetMkts/Compl/SLR>
- Supply Licence Review - Initial Policy Proposals, July 2006 (Ref 113/06)
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=4&refer=Markets/RetMkts/Compl/SLR>
- Supply licence review - Further proposals, December 2006 (Ref 217/06)
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=7&refer=Markets/RetMkts/Compl/SLR>
- Eligibility for free gas safety checks - Consultation Letter, April 2007
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=118&refer=Markets/RetMkts/Compl/SLR>
- Supply licence review - Final proposals, June 2007 (Ref 128/07)
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=156&refer=Markets/RetMkts/Compl/SLR>
- Corporate Strategy and Plan 2008-2013 (Ref 34/08)
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=307&refer=About%20us/CorpPlan>
- Social Action Strategy Update July 2008
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=47&refer=Sustainability/SocAction>

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Summary

In August 2007 a number of changes were made to the licence obligations concerning free gas safety checks. These involved focussing eligibility for free gas safety checks on those who were considered to be most at risk of carbon monoxide poisoning. Among pensioners and the chronically sick eligibility was narrowed to focus on those on low incomes but coverage was also extended to include families with young children who are particularly susceptible. In parallel new information obligations were placed on suppliers to raise awareness of the risks of carbon monoxide poisoning across all their customers. These changes were introduced following extensive consultation and received broad support from suppliers, consumer groups and the HSE.

Around 20 people a year die from CO poisoning¹ caused by gas appliances and flues that have not been properly installed, maintained or that are poorly ventilated. Levels that do not kill can cause serious harm to health if breathed in over a long period. In extreme cases paralysis and brain damage can be caused as a result of prolonged exposure to CO. Due to the serious nature of the potential risks associated with CO poisoning, Ofgem is committed to ensuring that new arrangements provide appropriate protection.

The review looks at the impacts of the changes on the numbers of free gas safety checks offered to customers. It also looks at the information provided by suppliers to customers in order to meet the information requirements. From this, we have extracted examples of best practice.

Overall, the proportion of eligible customers receiving free gas safety checks has increased from 1% in 2006 to 3.5% in 2007/08. This increase is in line with the assumptions made in Ofgem's impact assessment (IA) of the proposed changes². However, the total number of free gas safety checks carried out in the 12 months since the licence amendments have decreased by 23% compared with 2006³. This decrease is likely to be a result of the changes made to the eligibility criteria for free gas safety checks as part of the Supply Licence Review.

Almost all of the reduction in total numbers of checks provided is due to British Gas who carried out half the number of checks than they did previously. We are taking this up with British Gas to get them to urgently look at what more they can do to promote this important service.

A number of the suppliers have continued to provide free gas safety checks based on the previous supply licence condition criteria while adding the new category of householders on means-tested benefits living with children under 5. While it is good to see suppliers supporting a wider range of customers than those required under the licence conditions, we would not want customers who are entitled to free gas

¹ <http://www.hse.gov.uk/gas/domestic/co.htm>

² See Appendix 5 of Supply licence review - Final proposals, June 2007 (Ref 128/07)

³ Period 1 January - 31 December 2006

safety checks losing out as a result of funds dedicated to these checks being stretched.

As part of this review, we looked at the information provided by the energy suppliers in order to meet the new gas safety information licence requirement. We contacted all of the energy suppliers and found that the majority of suppliers are meeting this new requirement. E.ON however has failed to meet the full requirements of this new licence condition. E.ON recognises this and is, as a priority, reissuing the information leaflet to all consumers by the end of December 2008. While we acknowledge the steps E.ON has taken to address the matter we view this failure to fully comply as serious and will be pursuing this further at senior level.

The suppliers recognise the importance of gas safety and ensuring that their customers are aware of the risks associated with carbon monoxide. We have identified a number of principles of best practice from the information provided to consumers which we encourage suppliers to share.

1. Introduction

Chapter Summary

This chapter provides an overview of the energy supply licence review and the changes made to the eligibility for free gas safety checks and gas safety information.

Background

1.1. In August 2007, Ofgem completed work on the energy supply licence review. The review aimed to streamline the 170 page electricity and gas supply licence in order:

- to make it easier for new companies to enter and compete in the energy markets;
- to provide flexibility in the regulation of the market to allow for competition; and
- to provide proportionate protection for the particular circumstances of the gas and/or electricity industry (in particular for vulnerable customers).

1.2. As part of this work, a review was conducted of gas licence condition SLC 37(2) which required gas suppliers to carry out free gas safety checks for a set group of eligible customers and to provide information to customers on their priority service register (PSR) on gas safety. The review looked at whether the licence conditions were fit for purpose and consistent with the principles of better regulation. In addition, it also looked at the scope of the checks and at the provision of gas safety information.

Free gas safety checks

1.3. The gas safety licence conditions previously required suppliers to offer free gas safety checks (SLC 37(2)(a)) to customers who were eligible for inclusion on the suppliers' PSR⁴ provided that they do not live in rented accommodation and live alone or only live with other people who are of pensionable age, disabled or chronically sick or with people who are under 18 years old. Gas safety checks were required to be carried out on request and at intervals of not less than 12 months.

1.4. In the July⁵ and December⁶ 2006 consultations we proposed an amendment to the free gas safety check requirement to a subset of those previously eligible customers who are in receipt of a means tested benefit. All respondents to the consultations accepted that those who can afford to pay for checks should do so.

4 Priority service register (PSR)

5 Supply Licence Review - Initial Policy Proposals, July 2006 (Ref 113/06)

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=4&refer=Markets/RetMkts/Compl/SLR>

6 Supply licence review - Further proposals, December 2006 (Ref 217/06)

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=7&refer=Markets/RetMkts/Compl/SLR>

Some consumer groups also wanted to see the eligibility for free checks extended to include all owner occupiers on benefits, or at least those with small children.

Scope of the free gas safety check

1.5. As part of the gas supply licence review, we considered whether the requirements placed on suppliers for what must be included within the scope of the gas safety check were fit for purpose. The carbon monoxide interest groups pressed for a requirement for suppliers to carry out a specific test for carbon monoxide emissions using appropriate equipment.

1.6. Discussion with the Health and Safety Executive (HSE) and our own technical advice confirmed that the requirements posed on landlords under the Gas Safety (Installation and Use) Regulations 1998 would be likely to identify faults that may result in excess or unsafe levels of carbon monoxide emissions. Given this, the gas safety check licence conditions were amended to mirror the tests stipulated in these regulations for the annual landlord check, which for each gas appliance must include an examination of:

- the effectiveness of any flue;
- the supply of combustion air;
- its operating pressure or heat input, or where necessary, both; and
- its operation so as to ensure its safe functioning.

Gas safety information

1.7. The gas safety licence conditions previously required suppliers to offer advice on the use of gas, gas appliances and other gas fittings⁷ on request and where reasonably practicable and appropriate, to customers who are eligible for the PSR.

1.8. In the July and December consultations we proposed to broaden the information requirement as the previous requirement was not specific and did not include reference to the dangers of carbon monoxide poisoning. In addition we considered that information should be provided to all customers on the importance of carbon monoxide alarms and on the benefits gas safety checks (whether at appropriate cost or free for qualifying customers) which can significantly reduce such risk.

Final decisions

1.9. As a result of these extensive consultations and taking into account evidence and comments from respondents, the eligibility for free gas safety checks⁸ was amended to include previously qualifying customers on means tested benefits, and owner occupiers in receipt of means tested benefits living with a child under the age of 5 years old.

⁷ SLC 37(2)(b)(v)

⁸ Previously SLC 37(2)(a) amended to SLC 29.1-29.3.

1.10. This change focuses the eligibility for free gas safety checks on those who are likely to be at increased risk from gas appliances, and in particular at increased risk of carbon monoxide poisoning. The rationale for this decision was to better target help at customers who need financial assistance as many of the people previously eligible may be able to afford to pay for these checks. This change also recognises that very small children are at a higher risk from carbon monoxide poisoning in terms of their health and the amount of time they are likely to spend in the home.

1.11. Ofgem recognised that this decision would significantly reduce the total number of customers who are eligible for checks from 5 million to 1 million customers. However, this decision focused the eligibility to ensure that free checks are better targeted at those who would otherwise be unable to pay for them and those at greatest risk from extended periods of exposure to carbon monoxide.

1.12. The information requirement was broadened to require suppliers to provide information to all customers (not just those eligible for the PSR) at least once a year and when requested. This must now include information covering:

- the dangers of carbon monoxide poisoning;
- the benefits of fitting an audible carbon monoxide alarm;
- advice on the use of gas appliances and fittings;
- the benefits of gas safety checks; and
- where to seek assistance if appliances are condemned as the result of a gas safety check.

Impact assessment

1.13. As part of the consultation process, and to ensure that all possible impacts of Ofgem's decision making in this area were fully considered, we carried out IAs for each of the proposals before reaching the final decision⁹. The objective of the impact assessment was to assess the effects of the proposed changes in relation to the promotion of gas safety and the provision of gas safety checks. The assessment was based on discussion and consultation with stakeholders, and took into account HSE research on carbon monoxide undertaken as part of its gas safety review.

⁹ See Appendix 5 of the Supply licence review - Final proposals, June 2007 (Ref 128/07)
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=156&refer=Markets/RetMkts/Compl/SLR>.

2. Free gas safety checks - impact assessment review

Chapter Summary

This chapter reviews the assumptions made in the impact assessment of the proposed changes to the free gas safety check licence amendment and whether these assumptions were accurate.

2.1. As part of the decision making process, we conducted an IA in order to look at the effects of the proposed changes to the supply licence obligations in relation to the promotion of gas safety and the provision of gas safety checks. This chapter looks at the assumptions made within the IA and, one year on from the licence changes taking effect, whether these assumptions were accurate.

The impact assessment

2.2. As part of the IA, we explored how free gas safety checks should be targeted and the impacts of our proposed changes to the eligibility criteria. We also looked at what information should be provided by suppliers to ensure public awareness of gas safety issues. We considered, amongst other things, the costs and benefits of the options explored and assessed whether the proposed licence requirements would be proportionate and appropriate.

2.3. The IA concluded that it continues to be necessary to have a requirement in the licence to provide gas safety information and to provide free gas safety checks as these may not be delivered by effective competition given the costs involved. It also found that the final decision taken by Ofgem to tighten the eligibility for free gas safety checks would ensure that the burden on suppliers is proportionate in terms of cost and targeted where there is the highest risk. The final decision ensures that incentives on suppliers to promote gas safety checks in the most effective manner and to provide voluntary assistance to customers who have appliances condemned are maintained and not reduced.

IA assumptions

2.4. A number of assumptions were made in the IA regarding the potential impacts of each of the proposals considered by Ofgem during the course of the gas supply licence review. The IA for the final decision proposal¹⁰ has been reproduced in Appendix 1 to this document and will be considered further here.

¹⁰ The final decision option is referred to as option 4 in the Supply licence review - Final proposals, June 2007 (Ref 128/07)

2.5. The assumptions were:

- The eligible group would decrease to 1.1million
- The response rate would increase to between 3-5% of the eligible group, resulting in 33,000-55,000 checks; and
- The total cost to suppliers would be £1.7-£2.8million (estimated based on a cost per check of £52.50).

2.6. Despite the eligible group falling from around 5m to 1.1m, it was considered that the broader information requirement would increase the response rate from eligible customers as consumer awareness of the dangers associated with carbon monoxide increased.

Total number of free gas safety checks

2.7. In the consultations leading up to the final licence changes, we stated that we would be concerned if the total number of free gas safety checks provided by licencees fell much below the 2005 level of 45,000 checks per annum. Given the increased customer awareness of the dangers of gas (and carbon monoxide in particular) as a result of the broader information requirement we considered there was the potential for the number of free checks to increase.

2.8. The total number of free gas safety checks carried out by the energy suppliers in the 12 month period between 1 August 2007 and 31 July 2008 was 38,896¹¹; this represents a 23% decrease compared with 2006¹² figures of 50,285 and an 11% decrease compared with 2005¹³ of 43,727 (see table 1 and figure 1 below).

2.9. As a proportion of the eligible group, the response rate for free gas safety checks carried out since the licence amendments have increased to 3.5%¹⁴ compared with 1% in 2005 and 2006. As part of the IA, we estimated that the response rate as a proportion of the eligible group would increase from 1% to between 3-5%. The actual response rate corresponds with that estimated despite the actual number of checks decreasing.

2.10. In terms of actual numbers of free gas safety checks conducted, British Gas' figures have significantly decreased by over 50% compared with 2005 and 2006 when it carried out nearly 20,000 checks. This reduction alone accounts for nearly all of the overall reduction in free checks offered across all six main suppliers compared with 2006. This is also reflected in the number of checks conducted per million customers (see figure 2 below), with British Gas now offering the second

11 This figure includes all free gas safety checks provided. We are aware that some of the suppliers are targeting a wider group of consumers than those specifically referenced in the amended licence conditions. The suppliers are unable to provide accurate information on the numbers of consumers receiving free checks but who are ineligible under the new licence conditions and so they are included within this figure.

12 Period 1 January - 31 December 2006

13 Period 1 January - 31 December 2005

14 The eligible group in 2005 and 2006 was 5 million; this fell to 1.1 million as a result of the licence changes.

lowest number of checks after SSE. Given the nature of British Gas' customer base which is likely to include a higher proportion of elderly customers who have remained with their original suppliers this low level of checks is a particular concern. We will be taking this up directly with British Gas to get them to look urgently at how it could promote the take-up of this service more effectively to bring numbers back closer to those it provided over the previous two years.

2.11. ScottishPower has seen significant reductions in the numbers of free checks being offered, with a decrease of 25% compared with 2006. Despite this decrease, ScottishPower is now offering the highest total number of checks, replacing British Gas who had provided the highest numbers of checks over the previous two years. ScottishPower also carried out the highest number of free gas safety checks per million customers (see figure 2 below), carrying out 57% of the total number of checks.

2.12. E.ON has the largest increase in the total number of checks it provided since the licence change, increasing by 27% compared with 2006. E.ON is also now providing the second highest number of checks per million customers. We welcome this increase and encourage E.ON to maintain and build upon this work.

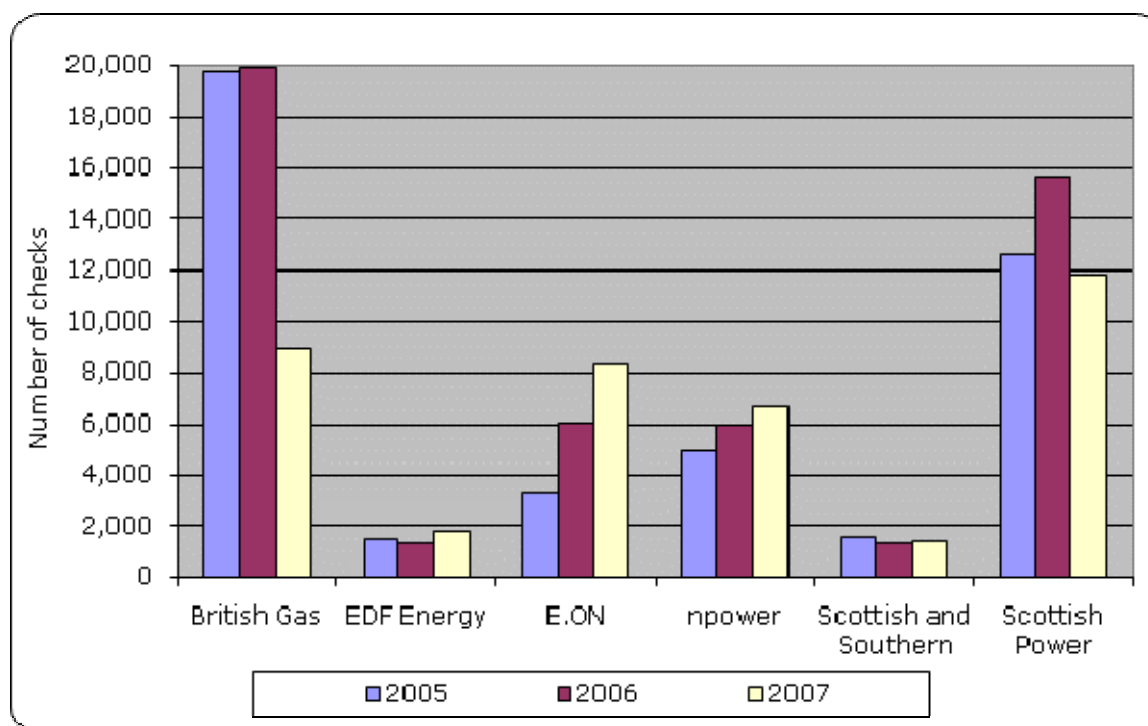
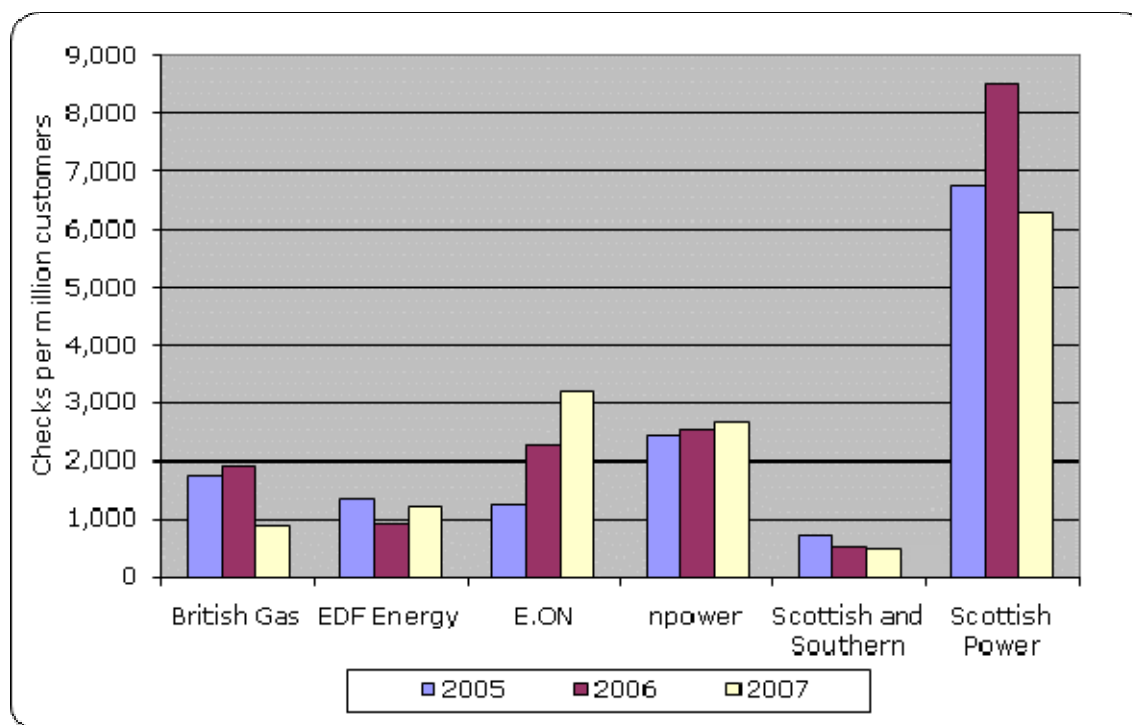
Table 1: Total number of free gas safety checks

| | 2005 ¹⁵ | 2006 ¹⁶ | 2007 ¹⁷ |
|------------------------------|--------------------|--------------------|--------------------|
| British Gas | 19,795 | 19,947 | 8,912 |
| EDF Energy | 1,491 | 1,330 | 1,812 |
| E.ON | 3,282 | 6,027 | 8,282 |
| npower | 4,941 | 5,949 | 6,661 |
| Scottish and Southern | 1,563 | 1,328 | 1,384 |
| Scottish Power | 12,655 | 15,704 | 11,845 |
| Total | 43,727 | 50,285 | 38,896 |

15 Period 1 January - 31 December 2005

16 Period 1 January - 31 December 2006

17 Period 1 August 2007 - 31 December 2008

Figure 1: Total number of free gas safety checks**Figure 2: Total number of free gas safety checks per million customers**

2.13. We stated in the December 2006 consultation that we would expect suppliers to be sensitive to the needs of customers who may previously have been entitled to free checks but are no longer entitled or other vulnerable customers on low incomes, for example by offering checks at cost in such cases.

2.14. A number of the suppliers have continued to provide free gas safety checks based on the previous supply licence condition criteria while adding the new category of householders on means-tested benefits with children under 5. While it is good to see suppliers supporting a wider range of customers than those required under the licence conditions, we would not want customers who are entitled to free gas safety checks losing out as a result of dedicated funds being stretched. We consider that, if a supplier chooses to continue to offer free gas safety checks to consumers who were previously but are no longer eligible, these checks should be provided in addition to those offered under the licence conditions. We would expect that the actual numbers of checks being offered would therefore increase. We will continue to monitor this area in order to ensure that vulnerable customers are not losing out as a result of suppliers' choices to maintain previously eligible customers to the detriment of those in the new more targeted group.

2.15. As part of Ofgem's Energy Summit on Fuel Poverty, we have been exploring with Government and suppliers the potential for further data sharing to improve the targeting of suppliers' social programmes to fuel poor customers and those vulnerable to fuel poverty. We hope that this approach will also help suppliers to identify those customers eligible for free gas safety checks in order to ensure the checks are targeted at the consumers who are unable to pay for them.

Free Gas safety checks - costs

2.16. The IA estimated that the total cost to suppliers of carrying out free gas safety checks would be £1.7-£2.8m¹⁸.

2.17. Using the same costs per check as those used in the IA, the total cost of free gas safety checks in 2007 was £2,270,625 which is within the range we estimated in the IA.

¹⁸ This estimate is based on a cost per check of £52.50.

3. Information provision

Chapter Summary

This chapter outlines several examples of best practice identified while reviewing the information provided by suppliers in order to meet the new gas safety information requirements.

3.1. The amended 'Provision of gas safety information' requirement of the gas supply licence aimed to broaden the type of information that suppliers must provide and the group of consumers that must receive this information. The amended licence obligations require each supplier to provide information annually to all of its customers (not just those eligible for the PSR as was previously required) on:

- the dangers of carbon monoxide poisoning;
- the benefits of fitting an audible carbon monoxide alarm;
- advice on the use of gas appliances and fittings;
- the benefits of gas safety checks; and
- where to seek assistance if appliances are condemned as the result of a gas safety check.

3.2. The rationale for this change was that the previous information requirement was not specific and did not include reference to the dangers of carbon monoxide poisoning. As these dangers apply to all gas customers, we considered that it would be appropriate to make all customers aware of the risks. In addition, we considered that information should be provided to all customers on carbon monoxide alarms and on the benefits of gas safety checks (whether at appropriate cost or free for qualifying customers) which can significantly reduce these risks.

3.3. This chapter looks at the information that is provided to consumers annually in order to meet the above requirements and provides examples of best practice found within the information provided by suppliers and the different means of communication used to inform customers about the importance of gas safety and the dangers of CO.

Assessment of suppliers' information

3.4. In order to review the suppliers' compliance with SLC 29.4-29.6, we contacted each of the suppliers to request copies of the information sent annually and on request to their customers. This information was assessed against the data provision requirements as set out in the gas supply licence.

3.5. This review found that the majority of suppliers are providing the appropriate information to their customers in order to meet the requirements of the amended gas supply licence conditions. This information is provided by post and email in a

range of formats - Braille, large print - and additional information is also available through the suppliers' websites.

3.6. However, we also found that the information provided annually by E.ON did not cover all areas required in the gas supply licence. This licence condition has been in place for over 12 months; we would expect each of the suppliers to have conducted at least one mail-out to each of its consumers in this time and for this mail-out to have included information covering each of the items specified within the licence condition. In raising this point, E.ON recognised that the information provided did not meet the requirements of SLC 29.4-29.6. E.ON has provided Ofgem with amended information leaflets that will be sent to all customers by the end of December 2008. E.ON recognises the importance of gas safety advice and they have immediately made this a priority. While we acknowledge the steps E.ON has taken to address the matter we view this failure to comply with licence obligations as a serious matter and we will be taking this up directly with E.ON at a senior level.

3.7. Ofgem will continue to monitor E.ON in order to ensure that it conducts at least one mail-out by the end of December 2008 and that this mail-out covers each of the areas stipulated in the licence conditions.

3.8. From the information that has been provided, we have identified a number of 'principles' of good practice in the area of gas safety information and have summarised some examples below.

Examples of good practice

1. Provision of information using a range of mediums and languages

3.9. Each of the suppliers provides gas safety advice to their customers through a range of mediums from hard copy letters and leaflets to the internet and email for online customers.

3.10. Each of the suppliers has at least one website providing further gas safety and carbon monoxide information. While some of the websites are easier to navigate than others, the majority of the suppliers' websites have search engines that direct the consumer to specific information quickly and easily.

3.11. A number of the suppliers are providing this information in a range of different languages recognising the increasing diversity of consumer nationalities. EDF provides a number of leaflets both on request and through its website translated into 10 different languages including Urdu, Somali and Welsh. British Gas offers to provide a translator for those customers that speak a language other than English. ScottishPower provides a Welsh language version of its Standards of Service leaflet (which provides information on gas safety) through its website.

2. Provision of information on symptoms related to CO poisoning

3.12. The amended legislation requires suppliers to provide information on the dangers of carbon monoxide poisoning. The information provided by the suppliers goes beyond this requirement and provide information on the main symptoms of CO poisoning. A number of the suppliers also provide advice of where to go if they have any symptoms.

3.13. Both Npower and SSE provide information on their websites explaining where to go if you detect carbon monoxide including the telephone number for gas emergency services. SSE also provides a link to the CO Consumer Awareness Alliance (COCAA), a group made up of organisations that have an interest in ensuring the public is aware of the dangers of Carbon Monoxide poisoning and how to keep safe. Further information on COCAA is available on their website: <http://www.becarbonmonoxideaware.com/>.

3. Provision of cut price audible CO detectors

3.14. The amended legislation requires suppliers to provide information on the benefits of fitting an audible carbon monoxide alarm. In addition to the requirements, the suppliers each provide information on where to source a CO detector.

3.15. In quarter 4 2007, EDF ran an offer for reduced price CO detectors available to all of its customers. Marketed through a bill insert, EDF offered reduced price CO detectors with an additional discount for multiple purchases. Accompanying this leaflet, EDF provided further information on the dangers of gas leaks and symptoms of CO poisoning. Npower and ScottishPower also offer subsidised audible CO detectors to all of its customers through their websites with Npower offering a 'call back' form so that there are no telephone costs.

3.16. British Gas provides a telephone number to arrange for a British Gas engineer to visit the consumer's home to install a CO detector or to arrange for a CO detector to be provided.

4. Applying a Holistic approach

EDF 'Safe, Warm and Well'

3.17. During winter 2007, EDF Energy ran the 'Safe, Warm and Well' campaign. This took a holistic approach to issues facing consumers, particularly elderly and vulnerable customers, during the winter period. EDF adopted a range of communications techniques to provide information beyond the requirements set out within the gas supply licence conditions. This included an advertorial run in the regional and national press and fronted by Gloria Hunniford promoting neighbourliness and providing advice on keeping safe and warm. A dedicated campaign website was produced to provide additional information on keeping warm

and safe during the winter¹⁹. A significant part of this campaign highlighted gas safety within the home and focused attention towards the dangers of carbon monoxide. As part of this, EDF offered reduced price electronic Carbon Monoxide detectors.

E.ON Caring energy fund

3.18. From April 2007 to March 2008, E.ON committed over £233k to its 'CaringEnergy Fund' which offers customers help replacing faulty appliances. CaringEnergy offers vulnerable customers information on products, measures and services offered with the aim of reducing energy bills, improving energy efficiency, increasing household income and affordably heating homes.

3.19. The fund was set up to assist E.ON low income customers facing financial difficulty who may not be eligible for financial help from government schemes. The E.ON CaringEnergy Fund offered assistance to cover the cost of repairing or installing heating measures which in some cases could include repair of unsafe gas heating systems, as well as payments in full or part to cover the cost of household appliances.

3.20. During the consultation on the licence changes, Age Concern highlighted that fear of having the system condemned was a reason for poor uptake of free gas safety checks. This is the main reason why we introduced the requirement for suppliers to signpost sources of available help. Initiatives like E.ON's CaringEnergy Fund take this one step further by providing direct assistance to affected customers.

3.21. The other five suppliers either provide contact details for their own customer service teams, CORGI or the national gas emergency services for advice if a gas appliance is condemned. We encourage these suppliers to consider providing additional clear advice to their customers where a gas appliance is condemned and information on potential sources of funding.

¹⁹ <http://www.safewarmwell.com/>

4. Conclusion

4.1. This review shares information on the total number of free gas safety checks conducted by the big six suppliers both comparatively for 2006 and 2007 and in the 12 months proceeding the licence changes. It also shares elements of good practice and highlights the work suppliers have been involved with since the gas safety supply licence conditions were amended in August 2007. Where we have issues with the performance of individual suppliers (ie British Gas and E.ON) we will be following these up with the suppliers concerned.

4.2. While the actual numbers of free gas safety checks have decreased since the introduction of the amended licence conditions, the overall proportion of eligible customers receiving free gas safety checks has increased from 1% in 2006 to 3.5% in 2007. This increase is in line with the assumptions made in Ofgem's impact assessment (IA) of the proposed changes. We are aware that a number of the suppliers have continued to use the eligibility criteria from the previous licence conditions. From the data provided, it is not clear what proportion of the free checks carried out since August 2007 have been provided to the newly eligible group. We would encourage each of the suppliers to gather information on the eligibility of each of the consumers receiving free checks in order to allow for a complete picture of the impacts of the licence changes.

4.3. Looking ahead, we have been exploring with Government and suppliers the potential for further data sharing to improve the targeting of suppliers' social programmes to fuel poor customers and those vulnerable to fuel poverty. We hope that this approach will also help suppliers to identify those customers eligible for free gas safety checks within the new eligibility criteria in order to ensure that the checks are well targeted.

4.4. It is clear that the majority of suppliers are meeting the requirements of the new licence conditions and many are going beyond this to offer additional information and advice to consumers on gas safety and the dangers of carbon monoxide.

4.5. We have seen increased efforts by suppliers to address wider issues alongside the gas safety message. It is encouraging to see a holistic approach being taken by a number of suppliers towards vulnerable customers bringing together energy saving advice, gas safety and other issues faced by vulnerable consumers. We hope that all suppliers will look at the examples of best practice highlighted in this review in considering how to develop their approaches going forward.

Appendices

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Appendix 1 - Impact assessment

| | |
|--|---|
| Environment | None of the options have a significant impact on the environment |
| Security of supply | None of the options have an impact on security of supply |
| Health and safety | <p>Eligibility includes those who have the highest risk of immediately dangerous gas fire in a living room (elderly) but also captures others as well.</p> <p>In addition this customer group captures certain customers (pensioners, disabled and chronically sick) who are more likely to suffer the consequences of dangerous appliances due to the amount of time they are likely to spend at home.</p> <p>It also covers children under 5 who are also at increased risk because of their age and the amount of time they are likely to spend at home.</p> <p>Align with landlord check – series of examinations likely to detect the signs of CO</p> <p>Broader information requirement potential to raise general public awareness on safety issues.</p> |
| Distributional effects | Targeting those with higher risk who may not be able to afford to pay. |
| Size of eligible group | 1.1 million |
| Small businesses | <p>There will a broader information requirement to all customers, but the additional cost of including such information with bills and/or other information requirements will be marginal.</p> <p>Likely to have a negligible impact on new entrants. Their customer profiles generally do not include many customers of pensionable age, disabled or chronically sick. While their profiles may be more likely to include low income families with small children there are only 100,000 eligible households in GB so the number any one small supplier will face is likely to be small.</p> |
| Risks and unintended consequences | <p>Risk that some customers who currently qualify will not have a check carried out (elderly/disabled and chronically sick but not living on means tested benefits). Nevertheless these customers may be prepared to pay for the check.</p> <p>Slightly less risk that the number of checks could fall. However, there is a minimally increased likelihood that we will see a small rise in the number of checks (based on increase in pool of eligible people – see below). If there is a significant increase then there is a</p> |

| | |
|---------------------------|--|
| | risk that suppliers will not market free checks in the most effective manner and may also affect initiatives to help customers whose appliances are condemned. |
| Costs and benefits | <p>The eligible group would fall from around 5m to 1.1m. However, a broader information requirement is expected to increase the response rate from eligible customers (currently 1%). From recent discussions with one supplier on a separate voluntary initiative we estimate that the probable range of response rates would be between 3 to 5%. If 3% of those eligible had a free check there would be 33,000 checks a year, costing £667k less than at present. If 5% of those eligible had a free check there would be 55,000 checks per year, costing £487k more than at present.</p> <p>As there is already a degree of overlap with the Gas Safety (Installation & Use) Regulations 1998, suppliers will already have trained staff and relevant equipment. Therefore, clarifying the requirements under these regulations will not add significant costs. The additional cost of including the safety information with bills and/or other information requirements will be marginal.</p> |

Appendix 2 – The Authority's Powers and Duties

1.1. Ofgem is the Office of Gas and Electricity Markets which supports the Gas and Electricity Markets Authority ("the Authority"), the regulator of the gas and electricity industries in Great Britain. This Appendix summarises the primary powers and duties of the Authority. It is not comprehensive and is not a substitute to reference to the relevant legal instruments (including, but not limited to, those referred to below).

1.2. The Authority's powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002 and the Energy Act 2004, as well as arising from directly effective European Community legislation. References to the Gas Act and the Electricity Act in this Appendix are to Part 1 of each of those Acts.²⁰

1.3. Duties and functions relating to gas are set out in the Gas Act and those relating to electricity are set out in the Electricity Act. This Appendix must be read accordingly²¹.

1.4. The Authority's principal objective when carrying out certain of its functions under each of the Gas Act and the Electricity Act is to protect the interests of consumers, present and future, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes, and the generation, transmission, distribution or supply of electricity or the provision or use of electricity interconnectors.

1.5. The Authority must when carrying out those functions have regard to:

- The need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
- The need to secure that all reasonable demands for electricity are met;
- The need to secure that licence holders are able to finance the activities which are the subject of obligations on them²²; and
- The interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas.²³

1.6. Subject to the above, the Authority is required to carry out the functions referred to in the manner which it considers is best calculated to:

²⁰ entitled "Gas Supply" and "Electricity Supply" respectively.

²¹ However, in exercising a function under the Electricity Act the Authority may have regard to the interests of consumers in relation to gas conveyed through pipes and vice versa in the case of it exercising a function under the Gas Act.

²² under the Gas Act and the Utilities Act, in the case of Gas Act functions, or the Electricity Act, the Utilities Act and certain parts of the Energy Act in the case of Electricity Act functions.

²³ The Authority may have regard to other descriptions of consumers.

-
- Promote efficiency and economy on the part of those licensed²⁴ under the relevant Act and the efficient use of gas conveyed through pipes and electricity conveyed by distribution systems or transmission systems;
 - Protect the public from dangers arising from the conveyance of gas through pipes or the use of gas conveyed through pipes and from the generation, transmission, distribution or supply of electricity;
 - Contribute to the achievement of sustainable development; and
 - Secure a diverse and viable long-term energy supply.

1.7. In carrying out the functions referred to, the Authority must also have regard, to:

- The effect on the environment of activities connected with the conveyance of gas through pipes or with the generation, transmission, distribution or supply of electricity;
- The principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed and any other principles that appear to it to represent the best regulatory practice; and
- Certain statutory guidance on social and environmental matters issued by the Secretary of State.

1.8. The Authority has powers under the Competition Act to investigate suspected anti-competitive activity and take action for breaches of the prohibitions in the legislation in respect of the gas and electricity sectors in Great Britain and is a designated National Competition Authority under the EC Modernisation Regulation²⁵ and therefore part of the European Competition Network. The Authority also has concurrent powers with the Office of Fair Trading in respect of market investigation references to the Competition Commission.

²⁴ or persons authorised by exemptions to carry on any activity.

²⁵ Council Regulation (EC) 1/2003

Appendix 4 - Glossary

C

CO

Carbon Monoxide

H

HSE

Health and Safety Executive

I

IA

Impact Assessment

P

PSR

Priority Service Register

S

SAS

Social Action Strategy

SLC

Standard Licence Condition

Appendix 5 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

- Does the report adequately reflect your views? If not, why not?
- Does the report offer a clear explanation as to why not all the views offered had been taken forward?
- Did the report offer a clear explanation and justification for the decision? If not, how could this information have been better presented?
- Do you have any comments about the overall tone and content of the report?
- Was the report easy to read and understand, could it have been better written?
- Please add any further comments?

1.2. Please send your comments to:

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