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Domestic suppliers' Social Obligations: 2012 annual report

Report

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Overview:

This report provides a summary of domestic suppliers' performance in 2012 in relation to debt, disconnection, Prepayment Meters (PPMs) and services for customers in vulnerable positions. The key findings are:

- At the end of 2012, five per cent of domestic gas and electricity accounts were in debt. In a third of these cases customers had not yet agreed an arrangement to repay the debt with their supplier.

- At the end of 2012, four per cent more electricity accounts and six per cent more gas accounts were paid using a PPM than at the end of 2011.

- The number of disconnections undertaken by suppliers fell across Great Britain in 2012. Half as many electricity disconnections and two thirds fewer gas disconnections were carried out in 2012 compared to 2011.

- The number of customers on suppliers' Priority Services Registers increased; however the number of eligible customers receiving free gas appliance safety checks continued to fall.

Context

As part of our work to protect customers in vulnerable positions, we collect information from suppliers in relation to debt, disconnection, prepayment meters (PPMs), Priority Services Registers (PSRs), free gas appliance safety checks, and energy efficiency information and advice. This information is used to review suppliers' performance in relation to specific obligations, including areas of operation where customers in vulnerable positions may be affected. By monitoring these statistics, we can identify areas of suppliers' policies and practices where improvements need to be made.

We gather and publish this information on a quarterly and annual basis and it is available on Ofgem's website at www.ofgem.gov.uk. This annual report gives a comprehensive overview of suppliers' performance and practice in these areas for January – December 2012.

The report covers suppliers' obligations under their supply licence conditions relating to customers in vulnerable positions. It does not cover suppliers' activities relating to the Government's mandatory Warm Homes Discount Scheme.

Associated documents

Review of suppliers' approaches to debt management and prevention - published June 2010
https://www.ofgem.gov.uk/publications-and-updates/review-suppliers%E2%80%99-approaches-debt-management-and-prevention

Domestic suppliers' Social Obligations: 2011 annual report – published October 2012
https://www.ofgem.gov.uk/about-us/how-we-work/working-customers/supplier-performance-social-obligations

Guidance on monitoring suppliers' performance in relation to domestic customers – updated March 2012
https://www.ofgem.gov.uk/about-us/how-we-work/working-customers/supplier-performance-social-obligations

Customer Vulnerability Strategy – published July 2013
https://www.ofgem.gov.uk/publications-and-updates/customer-vulnerability-strategy

Ability to Pay - Exploring the extent to which Ofgem guidelines regarding indebted customers are followed, from the customer and debt adviser perspective
http://www.customerfutures.org.uk/files/2013/07/Ability-to-Pay-RS-Consulting.pdf

Contents

Executive Summary

This report sets out energy suppliers' performance in 2012 in relation to debt, disconnection and the use of Prepayment Meters (PPMs). It also discusses the use of Priority Services Registers (PSRs) and the provision of free gas safety checks. We require suppliers to provide us with information about their performance in these areas to monitor their compliance with licence conditions, to consider the effectiveness of our policies and to identify best practice amongst suppliers and areas for improvement. In 2012 we changed the information we require suppliers to submit to us in this area. This will provide us with a more complete picture of how suppliers are fulfilling their Social Obligations.

Debt and disconnection

At the end of 2012, **approximately five per cent of gas and electricity accounts were in debt**.[1] As energy prices rise and household budgets come under increasing strain, it is important that suppliers do all they can to help customers manage their bills, manage their debts and avoid disconnection. This is especially true of customers who are in vulnerable situations and who may be in need of particular assistance.

Suppliers are **required by their licence to take 'all reasonable steps' to ascertain each individual customer's 'Ability to Pay'** and take this into account when they agree debt repayment arrangements. The Authority has powers to enforce this condition and, when assessing compliance with it, will take into account the 'key principles for Ability to Pay' we set in June 2010. Obligations also exist to protect vulnerable customers from disconnection in the winter months and through the 'Safety Net' members of Energy UK[2] have agreed **not to disconnect customers in vulnerable positions at any time of year.** At an industry level, reporting provided shows improvements in how suppliers are managing debt.

- **Customers are using a variety of payment methods to repay their debt**, which indicates that suppliers are offering customers a range of repayment methods rather than installing a PPM as the default method of recovering debt. In 2012, approximately 56 per cent of new arrangements to repay debt were by direct debit while 20 per cent were by PPM.
- **Suppliers are allowing customers to spread the repayment of their debt over longer time periods** while, on average, repayment rates have either reduced or remain at similar levels to previous years. In 2012, 35 per cent of customers repaying a debt were repaying less than £3 a week towards their account debt.
- **Disconnections for debt are at an all-time low** as suppliers increasingly find alternatives to disconnection. Half as many electricity disconnections and two thirds fewer gas disconnections were carried out in 2012 compared to 2011.

[1] 1.2 million gas accounts and 1.4 million electricity accounts. Where a customer uses both gas and electricity it is possible for them to have debt related to both their gas and electricity accounts. Similarly it is possible for them to have debt against only one of their accounts.

[2] British Gas, EDF, E.ON, npower, Scottish Power and SSE.

However, data shows some **differences in the repayment arrangements agreed by different suppliers**, particularly smaller suppliers. Suppliers have processes in place to consider 'Ability to Pay' but we are concerned that differences in these processes may influence the repayment rates they agree with their customers. Further, **some suppliers should do more to avoid disconnecting** customers that are having difficulty paying. Some suppliers have introduced policies not to disconnect any customer, or install gas PPMs with blanking discs (which leave customers temporarily off supply), in the winter months while others continue to disconnect where alternative solutions exist.

We remind suppliers that they have obligations to 'take all reasonable steps' to assess 'Ability to Pay' and to avoid disconnecting certain groups of customers. Given this, they must ensure that they keep abreast of best practice in debt and disconnection and review and adjust their policies accordingly. One way suppliers can do this is by **partnering with third sector expert organisations such as debt advice charities**. As smaller suppliers may not have as much experience of managing debt as larger suppliers, we are going to **hold a workshop for small suppliers in January.** This workshop will be held in partnership with debt charities and it will discuss best practice in assessing 'Ability to Pay' and avoiding disconnection.

To monitor why customers' continue to be disconnected for debt **we will ask all suppliers to provide further details of each of the disconnections they undertake in 2013.** Further, while we support the use of PPMs as an alternative to disconnection, where their use is safe and practicable, we are concerned that 'blanking discs' (used when fitting gas PPMs under warrant) leave customers temporarily without a supply. We **encourage Energy UK to extend the 'Safety Net'** to prohibit the use of 'blanking disks', in situations where suppliers would not usually disconnect a customer.

To ensure that customers struggling to pay their energy bills are aware of their rights, over the coming year **we will work with the advice sector and suppliers to develop a consumer energy debt advice guide**. Further, the **smart meter roll-out will bring innovations that will help customers avoid and manage their debt**. We are keen to ensure that suppliers grasp these opportunities.

<u>The Priority Service Register and free gas appliance safety checks</u>

Suppliers provided 40,000 free gas appliance safety checks in 2012 and at the end of 2012, 2.38 million gas accounts and 1.88 million electricity accounts were on suppliers' PSRs. We are concerned that the **number of free gas appliance safety checks** carried out by suppliers **continued to decline** in 2012 and while the number of **customers on suppliers' PSRs increased we remain concerned that take-up by eligible customers is low**. We are **in the process of reviewing** the services provided to vulnerable customers and how take up and targeting of the PSR and gas appliance safety checks can be improved. We have already carried out some research into the PSR and published this on our website and held a workshop with suppliers and DNOs. We expect to issue a consultation as part of our review in the coming months.

1. Introduction

Chapter Summary

This chapter provides an overview of suppliers' Social Obligations, how and why we monitor them and the content and structure of this report. It explains that changes in our guidance and in suppliers' reporting in 2012 mean that data in this report is not always comparable with previous periods. It refers readers to appendix one of this document for further information.

Overview of Social Obligations and monitoring

1.1. Suppliers are required to provide us with information about their dealings with domestic customers by standard condition 32 of their supply licence. The objective of this standard condition is to allow us to monitor suppliers' compliance with their Social Obligations. In particular it allows us to monitor that suppliers have appropriate debt management procedures in place, ie that they are offering a variety of payment methods, making proactive contact and considering customers' Ability to Pay.

1.2. We refer to this as Social Obligations reporting and it includes information about:

- the use of Prepayment Meters (PPMs)
- debt and disconnection rates and debt repayment arrangements
- help for vulnerable customers, ie the Priority Service Register (PSR) and free gas appliance safety checks
- provision of energy efficiency advice.

1.3. We take suppliers' Social Obligations reporting seriously as monitoring and reviewing it forms a key part of our work to protect the interests of customers, especially those likely to be in vulnerable situations. We use the reporting to monitor trends in suppliers' Social Obligations over time, to monitor the effectiveness of our policies and to identify best supplier practice and areas for improvement.

1.4. We expect suppliers to use their reporting in the day-to-day running of their business to allow them to monitor their own compliance with their Social Obligations and ensure they have appropriate debt management procedures in place.

1.5. Alongside this quantitative reporting we hold regular meetings with suppliers to capture qualitative information about their procedures, processes and initiatives linked to vulnerable customers, particularly in relation to debt and disconnection. We do this with Consumer Futures.

1.6. Suppliers submitted their annual Social Obligations reporting for 2012 at the end of January 2013. The publication of this data was delayed while we carried out a review suppliers' reporting. Further information about this review can be found at Appendix one of this report.

Notes on the data contained in this report

1.7. Data throughout this report is that reported by suppliers as required by our Social Obligations reporting Guidance.[3] Unless otherwise stated data relates to Great Britain.

1.8. Suppliers report information about customers' gas accounts and electricity accounts separately. Some customers will have both a gas and an electricity account while others will only have an electricity account. Some customers will source their energy from one supplier while others will use one supplier for their gas and another for their electricity. Because of this, throughout this report we refer to total numbers of electricity and gas accounts rather than total numbers of customers.

1.9. Part-way through 2012 we reviewed and made some changes to the Social Obligations data that we collect from suppliers, for example we are now collecting more detailed information about customer debt and we have started to collect information about smart metering.[4]

1.10. Guidance setting out our revised reporting requirements was published in March 2012. Suppliers were required to report to the new requirements from quarter 2 (July-September) 2012. Therefore, data provided by suppliers for:

- **Quarters 1 and 2 (January-June) 2012** is based on our Guidance - Monitoring suppliers' performance in relation to domestic customers, published November 2007[5]

- **Quarters 3 and 4 (July-December) 2012** is based on our Guidance on monitoring suppliers' performance in relation to domestic customers, published 30 March 2012, reference 50/12.[6]

1.11. As our Guidance changed part way through 2012 some data provided by suppliers for 2012 is not comparable with previous periods. In addition, we only hold reporting for six months of the year for some of the new reporting requirements introduced in July 2012. Because of this we are not yet able to use this data to identify trends.

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[3] 'Guidance on monitoring suppliers' performance in relation to domestic customers'. https://www.ofgem.gov.uk/about-us/how-we-work/working-customers/supplier-performance-social-obligations
[4] Further information about this review can be found in annex one of this document.
[5] https://www.ofgem.gov.uk/publications-and-updates/Guidance-monitoring-suppliers-performance
[6] https://www.ofgem.gov.uk/publications-and-updates/Guidance-monitoring-suppliers%E2%80%99-performance-relation-domestic-customers-updated-march-2012

1.12. Following the introduction of our revised guidance we conducted a review of the accuracy of suppliers' reporting. During the course of our review a number of suppliers identified errors in the reporting they had provided to us and arranged for these to be corrected. This means that some of the data used in this report differs from that previously published. In other cases, suppliers introduced new systems which may have affected the consistency of their reporting.

1.13. We have decided not to include analysis of the energy efficiency information provided by suppliers in this report as we have concerns that suppliers may have differing interpretations of our new guidance in this area. Readers interested in the figures provided by suppliers can find them in the Social Obligations data tables published on our website as an associated document to this report. We hope to have resolved these issues with suppliers' energy efficiency data before their 2013 submissions.

1.14. Appendix one of this report provides some further information about changes in our guidance and in suppliers' reporting. Where we believe changes may have affected data this has been highlighted in the body of this report.

Structure of this document

1.15. This report focuses on the reporting provided by suppliers for 2012. The structure of this report is as follows:

- **Chapter 2** provides details of domestic energy debt across England, Scotland and Wales in 2012. This includes the number of customers in debt, levels of debt, how many customers are repaying a debt compared to those still in arrears, and how debt is being repaid.
- **Chapter 3** focuses on PPMs installed in 2012, providing analysis on the number of PPM customers, the reason for the installation of PPMs and the number of PPM customers repaying an energy debt.
- **Chapter 4** outlines the number of gas and electricity disconnections during 2012 including a comparison of the disconnections undertaken by each of the suppliers. It also contains an overview of disconnection trends in England, Scotland and Wales.
- **Chapter 5** outlines key trends identified in relation to suppliers' licence obligations to use their PSRs to identify and assist vulnerable customers. It identifies the total number of customers listed on suppliers' PSRs, and shows a breakdown of the number of customers on PSRs in England, Scotland and Wales. It also looks at suppliers' provision of free gas safety checks.
- **Appendix one** provides details of our review of suppliers' Social Obligations data. This includes our new reporting Guidance and our review of data accuracy.

1.16. We have published data tables of suppliers' Social Obligations reporting on our website as an associated document to this report.

2. Domestic energy debt

Chapter Summary

This chapter provides details of domestic energy debt across England, Scotland and Wales in 2012. This includes the number of customers in debt and levels of debt, how many customers are repaying a debt and how debt is being repaid.

2.1. Under condition 27 of the electricity and gas supply licences, suppliers are obliged to offer domestic customers struggling to pay their electricity and/or gas bill the following payment options:

- Payment through a PPM where this is safe and reasonably practicable.
- Payment by regular instalments paid through means other than a PPM (for example, direct debit or budget card).
- Payment by direct deductions from social security benefits received by the customers (known as Fuel Direct).

2.2. When agreeing repayment arrangements (ie how much the customer will repay and when) suppliers are required to take into account each individual customer's Ability to Pay. The key principles we expect suppliers to follow when doing this are set out in the box below. Further information can be found in our document 'Review of suppliers' approaches to debt management and prevention.[7]

Key Principles for Ability to Pay

The Principles reflect key considerations which the Authority will look for, and take into account, along with any other relevant factors, when assessing compliance with supply licence condition 27.

- Having appropriate credit management policies and guidelines.
- Making proactive contact with customers.
- Understanding individual customer's Ability to Pay.
- Setting repayment rates based on Ability to Pay.
- Ensuring the customer understands the arrangement.
- Monitoring of arrangements after they have been set up.

2.3. We expect suppliers to adhere to these principles by understanding each individual customer's situation and ensuring that repayment arrangements are manageable for individuals, even where this involves them repaying the debt over a longer period of time. We expect suppliers to monitor arrangements after they have been set up to ensure that they remain fit for purpose.

[7] https://www.ofgem.gov.uk/publications-and-updates/review-suppliers%E2%80%99-approaches-debt-management-and-prevention

Number of customers in debt to their energy supplier

2.4. At the end of 2012, approximately five per cent of domestic gas and electricity accounts (2 million gas accounts and 1.4 million electricity accounts) were in debt.[8] In a third of these cases (392,000 gas accounts and 458,000 electricity accounts) customers had not yet agreed a debt repayment arrangement with their supplier.

2.5. Throughout this section we refer to accounts in debt using the same language used in our 'Guidance on monitoring suppliers' performance in relation to domestic customers', ie where an account is in debt but the customer has not yet agreed an arrangement to repay that debt, we refer to it as an account that is in arrears. For further information please refer to the glossary.

2.6. Table 1 below shows the number of accounts with customers repaying a debt and the number accounts in arrears where customers have not yet agreed debt repayment arrangements, by country, at the end of 2012.

Table 1: The number of domestic gas and electricity accounts in debt at the end of 2012

	Accounts with a customer repaying a debt *(% of accounts in country)*		**Accounts in arrears where the debt is not being repaid** *(% of accounts in country)*		**Total accounts in debt[9]** *(% of total accounts in country)*	
	Elec	**Gas**	**Elec**	**Gas**	**Elec**	**Gas**
GB	900,911 *(3.4)*	802,469 *(3.6)*	457,853 *(1.7)*	392,384 *(1.8)*	1,358,764 *(5.1)*	1,194,853 *(5.4)*
England	738,736 *(3.2)*	677,700 *(3.5)*	396,328 *(1.7)*	338,720 *(1.8)*	1,135,064 *(5.0)*	1,016,420 *(5.3)*
Scotland	115,691 *(4.5)*	86,413 *(4.4)*	37,510 *(1.5)*	32,812 *(1.7)*	153,201 *(5.9)*	119,225 *(6.1)*
Wales	46,484 *(3.3)*	38,356 *(3.4)*	24,015 *(1.7)*	20,852 *(1.9)*	70,499 *(5.0)*	59,208 *(5.3)*

2.7. It shows that, at the end of 2012:

- more electricity than gas accounts were in debt, this reflects that there are more electricity than gas accounts in GB
- a higher proportion of gas accounts (5.4 per cent) than electricity accounts were in debt (5.1 per cent)

[8] If a customer uses both gas and electricity it is possible for both their gas account and their electricity account to be in Debt. 'Debt' here refers both to customers who are in arrears but who are not yet on a formal debt repayment arrangement, and customers that are repaying a debt through a debt repayment arrangement. Customers in arrears is a new reporting metric. Data for previous periods is not available.
[9] The sum of the percentages repaying a debt plus those in arrears may not always equal the total percentage of customers in debt due to rounding.

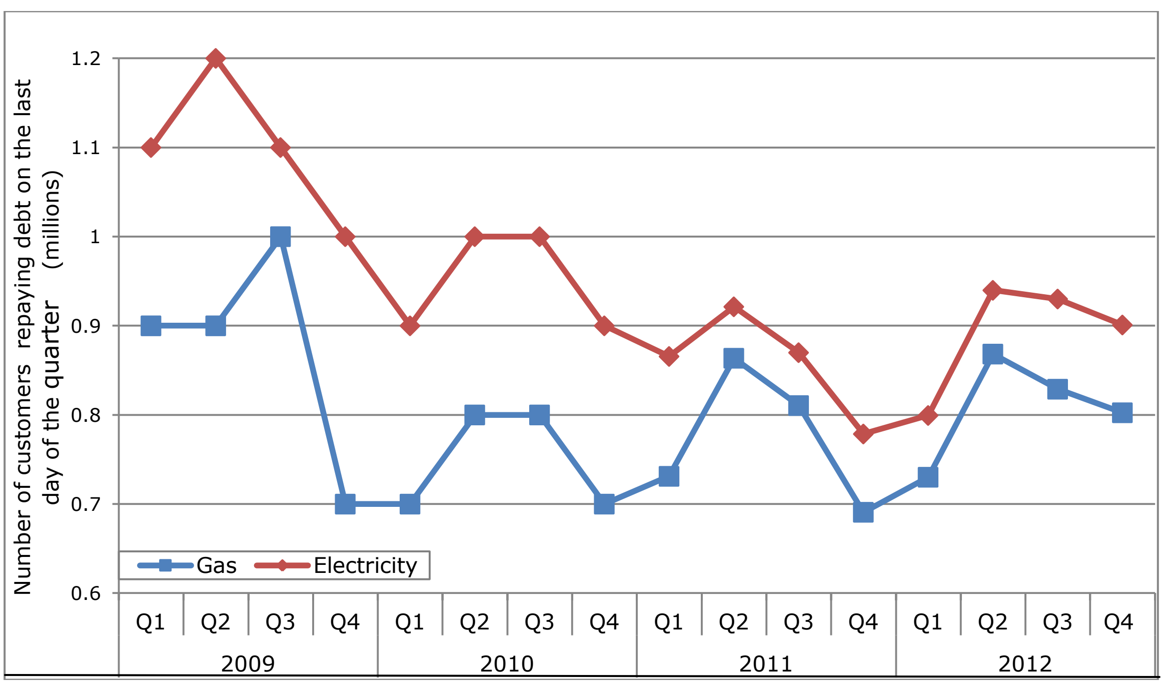
- the majority of accounts in debt had a customer that had agreed an arrangement to repay a debt.
- energy accounts in Scotland were most likely to be in debt (6.1 per cent of gas accounts and 5.9 per cent of electricity accounts) and more likely to have agreed an arrangement to repay that debt.

2.8. In previous reports we have only looked at customers that are in debt that have agreed a repayment plan with their supplier. In quarter 3 (July-September), to capture a fuller picture of customers in debt, we started collect information about electricity and gas accounts in arrears where customers have not yet agreed debt repayment arrangements. As this information was not provided prior to quarter 3 (July-September) 2012 we are not able to provide any trend-based analysis of the number of accounts in arrears or of the total number in debt over time in this report. We will be monitoring levels of arrears throughout 2013 and we expect to provide more of a discussion on this subject in next year's annual report.

Number of accounts with a customer repaying a debt

2.9. Figure 1 below shows, over time, the total number of electricity and gas accounts in Great Britain with a customer repaying a debt.

Figure 1: The number of gas and electricity accounts with a customer repaying a debt from 2009-2012 (millions)



2.10. It shows that there remains a seasonal pattern to energy debt. The number of accounts with a customer repaying a debt falls towards the end of the year, when customers that pay quarterly are billed for the warmer months. It then rises in the spring when customers that pay quarterly fall into arrears following higher energy usage during the summer months. As more customers switch their payment method away from quarterly billing to monthly payments, which have a flatter payment profile, we would expect to see a reduction in this seasonal pattern.

2.11. It also shows that while there has been a longer term downward trend in the number of accounts with a customer is repaying a debt; more accounts had a customer repaying a debt at the end of 2012 than at the end of 2011.

2.12. Tables 2 and 3 below compare the number of accounts with a customer repaying a debt across Great Britain, in England, Scotland and Wales between 2010, 2011 and 2012.

Table 2 – Number of electricity accounts with a customer repaying a debt on 31 December in 2010, 2011 and 2012

	2010	2011	2012	Percentage change between	
				2010-2012	2011-2012
GB	853,556	778,633	900,911	+6%	+16%
England	691,528	623,659	738,736	+7%	+18%
Scotland	124,261	117,652	115,691	-7%	-2%
Wales	37,767	37,322	46,484	+23%	+25%

Table 3 – Number of gas accounts with a customer repaying a debt on 31 December in 2010, 2011 and 2012

	2010	2011	2012	Percentage change between	
				2010-2012	2011-2012
GB	711,492	690,822	802,469	+13%	+16%
England	602,743	573,525	677,700	+12%	+18%
Scotland	78,111	83,782	86,413	+11%	+3%
Wales	30,638	33,515	38,356	+25%	+14%

2.13. Suppliers reported that customers were repaying debts associated with 900,911 electricity accounts and 802,469 gas accounts across Great Britain at the end of 2012. This is a 16 per cent rise compared to the end of 2011. It is likley that increasing gas and electricity prices caused more customer accounts to fall into debt in 2012 compared to previous years, we believe that much of this reported increase is actually a result of changes to suppliers' reporting.[10]

[10] Further information about changes to suppliers systems can be found at appendix 1.

2.14. The increase in the number of gas and electricity accounts with a customer repaying a debt in England largely reflects the Great Britain average. However, the trends in Scotland and Wales look different:

- In Scotland, fewer electricity accounts had a customer repaying a debt at the end of 2012 compared to at the end of 2011. Although there was an increase in the number of gas accounts with a customer repaying a debt at the end of 2012 it was not as significant as the average rise seen across Great Britain.

- In Wales, the reported rise in electricity accounts with a customer repaying a debt at the end of 2012 compared to the end of 2011 was significantly higher than the average increase across Great Britain.

Levels of energy debt

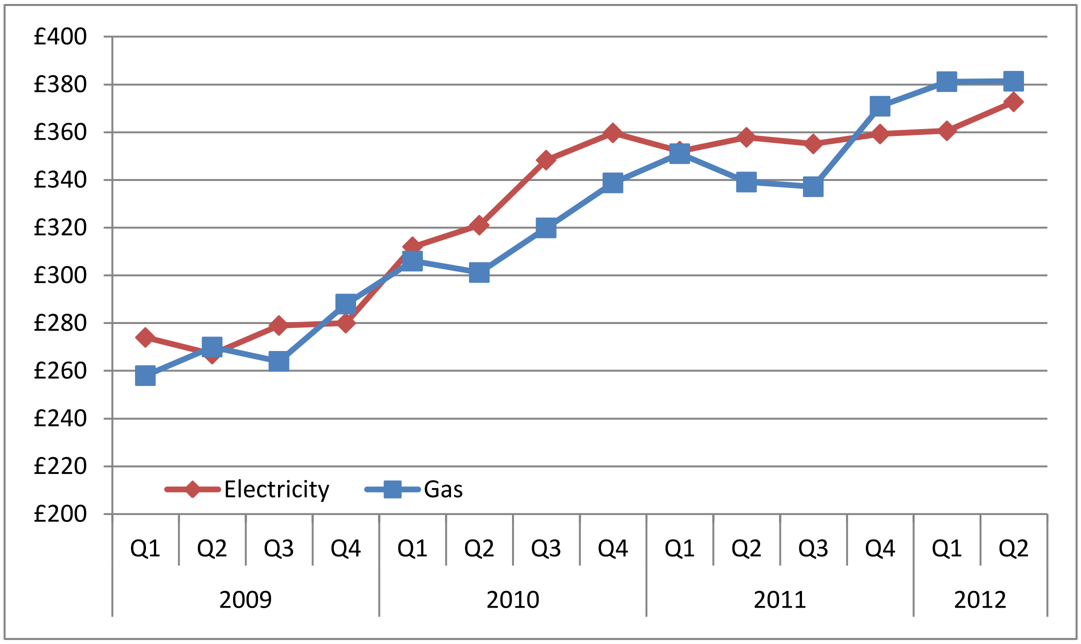
2.15. Up until, and including quarter 2 (April-June) 2012, there were some differences in how suppliers reported debt levels.

- Some suppliers calculated average debt using the level of debt associated with a gas or electricity account that customers had agreed to repay at the start of their repayment arrangement

- Others reported the amount that remained owing on the gas or electricity account.

2.16. The average debt associated with gas and electricity accounts in debt reported by suppliers between quarter 1 (Jan-March) 2009 and quarter 2 (April-Jun) 2012 is shown in figure two below.

Figure 2 – The average level of debt associated with gas or electricity accounts in debt reported by suppliers between Q1 2009 and Q2 2012.



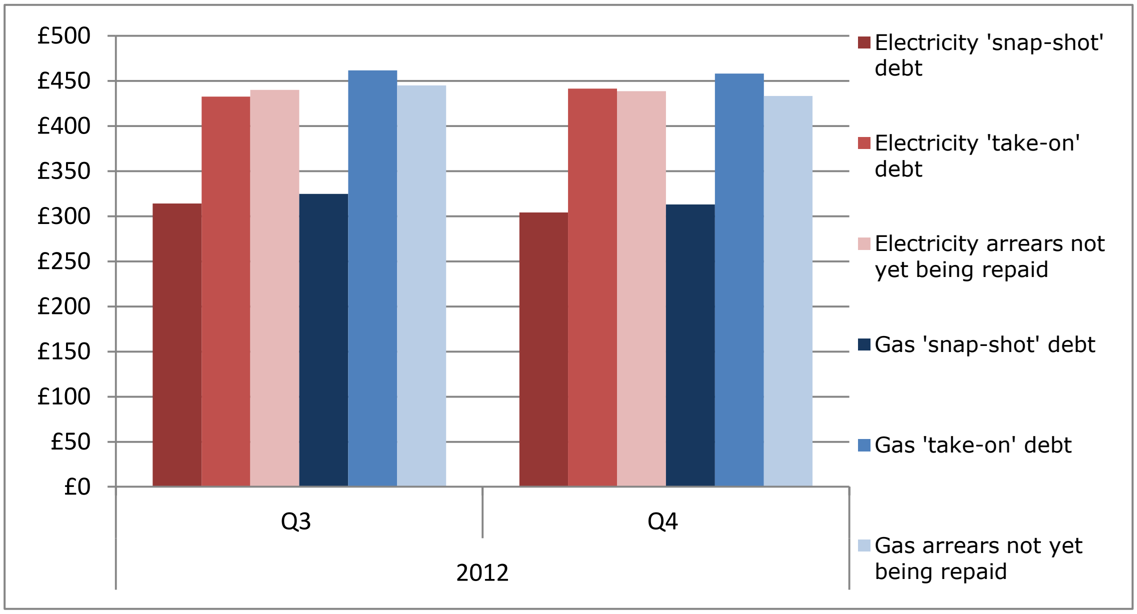
2.17. It illustrates that data provided by suppliers up until quarter 2 (April-June) showed that the average level of debt associated with gas and electricity accounts in debt was increasing.

2.18. As described in appendix one, we changed how we collect information about average debt from quarter 3 (July-September) 2012. Suppliers are now required to provide details of:

- the average level of debt associated with gas and electricity accounts that customers agreed to repay at the start of their repayment arrangement (referred to as 'take-on' debt)
- the average amount of debt that remains owing on gas and electricity accounts at the end of the quarter (referred to as 'snapshot' debt)
- and the average level of debt associated with gas and electricity accounts that is not currently being repaid 'arrears not yet being repaid'.

2.19. These changes provide a more complete picture of energy debt. The information provided by suppliers under these new arrangements for quarter 3 (July-September) 2012 and quarter 4 (October-December) 2012 is shown in figure 3 below.

Figure 3 – Average levels of debt associated with gas and electricity accounts reported by suppliers for Q3 (July-September) and Q4 (October-December) 2012.



2.20. This shows that where an account was in arrears at the end of 2012 (and a customer had not yet agreed an arrangement to repay the debt) electricity accounts had an average of £439 arrears and gas accounts had an average of £433 arrears. Whereas, where an account was in debt at the end of 2012 and a customer had agreed an arrangement to repay that debt, electricity accounts had an average of £304 that remained owing and gas accounts had an average of £313 that remained owing.

2.21. A further breakdown of gas and electricity account debt that remained owing at the end of 2012 can be found in table 4 below.

Table 4 – Breakdown of the amounts that remained owing on gas and electricity accounts in debt at the end of 2012 where a customer was repaying the debt.

Accounts repaying debt	Amount remained owing			
	less than £100	£100 - £300	£300 - £600	more than £600
Electricity	44%	26%	15%	16%
Gas	41%	27%	15%	17%

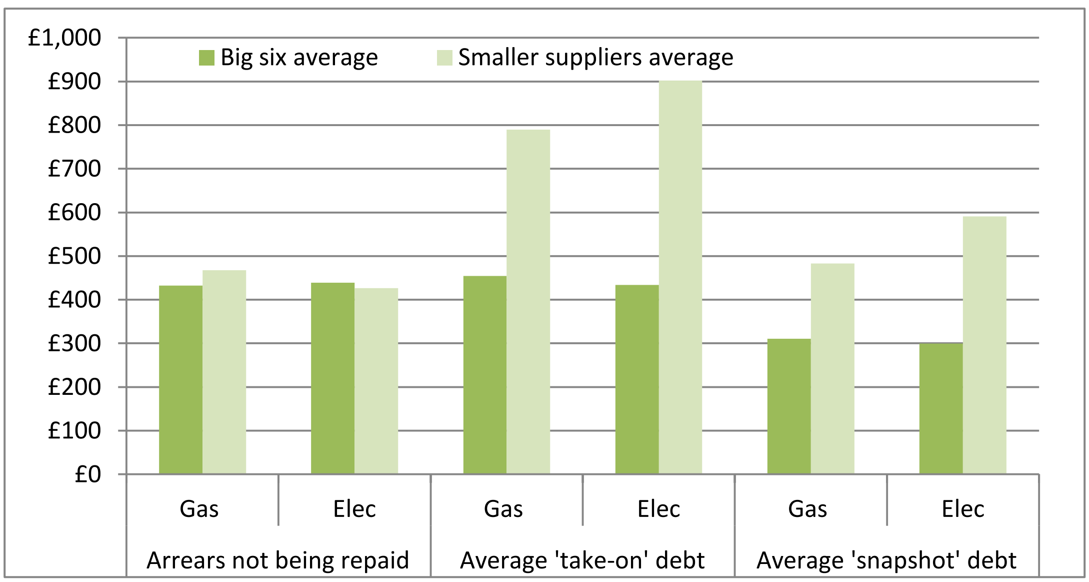
2.22. The changes to how information is collected about average debt (discussed above) mean that it is not possible to make comparisons between data provided before and after quarter 3 (July-Sept) 2012.

Differences in average debt between suppliers

2.23. In last year's annual report we highlighted that gas and electricity accounts with smaller suppliers were less likely to have a customer repaying a debt than accounts with the 'big' six'.[11] We also noted that, on average, customers of smaller suppliers were repaying a higher level of debt on gas and electricity accounts than customers of the 'big six' suppliers. We were concerned that this indicated that small suppliers were taking longer than the 'big six' to agree arrangements for customers to repay debts associated with their gas and/or electricity accounts. This is not in the interest of the customer or the supplier.

2.24. New data we are collecting about customers in arrears but not repaying their debt allows us to monitor the extent to which accounts are building up debt before customers agree a repayment arrangement. Figure 4 below shows the average level of debt owed on gas and electricity accounts with the 'big six' and those with smaller suppliers at the end of 2012.

Figure 4 – Average debt associated with gas and electricity accounts with the 'big six' and with small suppliers at the end of 2012.[12]



2.25. The fact that customers of small suppliers had similar levels of arrears to customers of the 'big six' at the end of 2012 indicates that the gap we previously identified in average debt held by customers of smaller suppliers and customers of the 'big six' is closing. We hope to see this trend reflected in levels of take-on debt in 2013.

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[11] The 'big six' suppliers are British Gas, EDF, E.ON, npower, Scottish Power and SSE.

[12] Explanations of the terms 'snapshot', 'take-on' and 'arrears not being repaid' can be found at paragraph 2.18 of this chapter.

How debt is being repaid

2.26. Suppliers are required by their licence to take 'all reasonable steps' to ascertain each individual customer's Ability to Pay and take this into account when they agree debt repayment arrangements. Therefore repayment rates should be calculated according to what the customer can afford to pay and not the size of the debt associated with their account(s) or their payment method. We reminded suppliers of this and our Ability to Pay Principles in our 2011 annual report.[13]

2.27. To help us monitor the debt repayment arrangements being agreed by suppliers, from quarter 3 (July-September) 2012, we increased the information we collected about repayment methods and repayment rates. We also started to collect information about failed arrangements.

Repayment methods

2.28. In the last six months of 2012 just over half of customers who entered debt repayment arrangements (56 per cent) agreed to repay their debt by direct debit. PPM (19 per cent) and budget payment schemes (15 per cent) were also popular methods of repayment. This indicates that suppliers are offering customers a range of repayment methods rather than installing a PPM as the default method of recovering debt. More information about the use of PPMs can be found in Chapter 3.

Fuel Direct

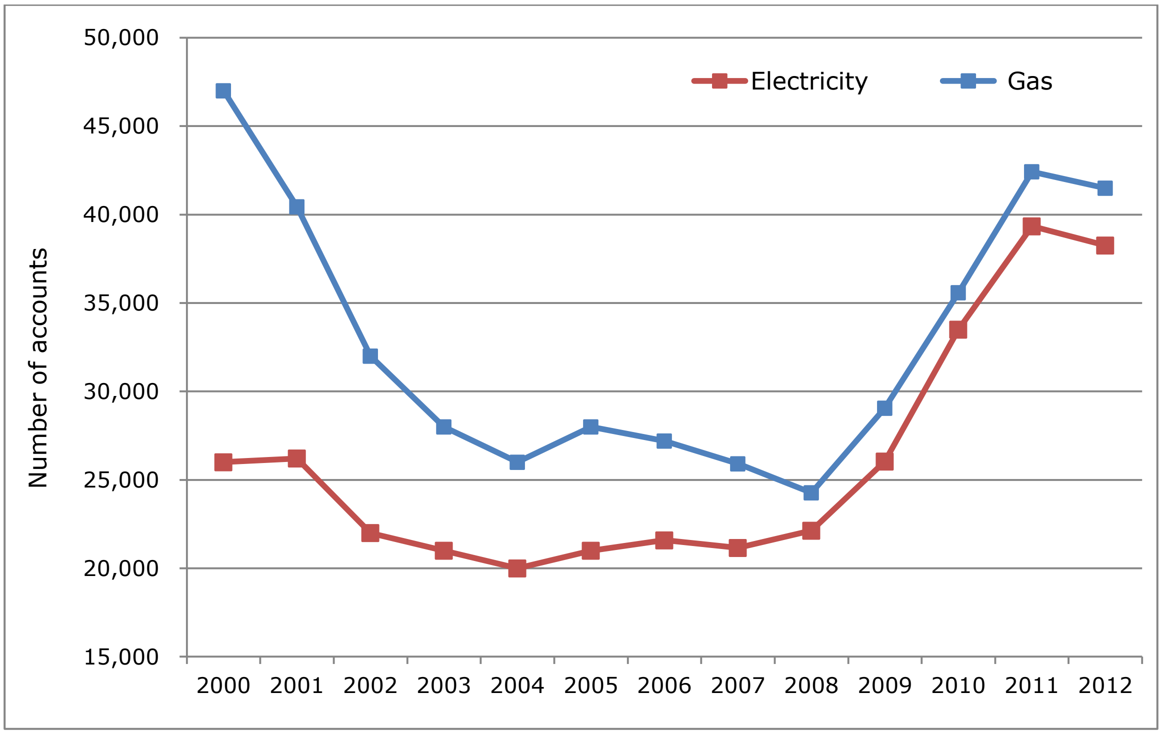
2.29. Fuel Direct (also known as Third Party Deductions) is a scheme administered by the Department of Work and Pensions (DWP) to facilitate direct, fixed amount payments for energy debt and ongoing consumption from specific social security benefits. The scheme is generally considered by suppliers and DWP to be a 'last resort' for customers who are in payment difficulty, receive social security benefit and have no other suitable method of repaying debts associated with their gas and/or electricity accounts.

2.30. Fuel direct has a number of benefits for customers. It provides automatic access to a low repayment level and it offers an alternative method of repayment where other methods have not been successful and a PPM is not suitable. Therefore it can be a valuable means of facilitating regular payment and assisting vulnerable customers on low incomes who are struggling to budget effectively.

[13] Further information about our Ability to Pay Principles can be found at the start of this chapter and in our document 'Review of suppliers' approaches to debt management and prevention.' https://www.ofgem.gov.uk/publications-and-updates/review-suppliers%E2%80%99-approaches-debt-management-and-prevention

2.31. Figure 5 below shows the total number of electricity and gas accounts paid by Fuel Direct since 2000.

Figure 5 – Number of electricity and gas accounts paid by fuel direct



2.32. At the end of 2012, approximately 38,000 electricity accounts and 41,000 gas accounts were being paid by fuel direct. This is slightly fewer (two per cent and three per cent respectively) than were being paid by fuel direct at the end of 2011.

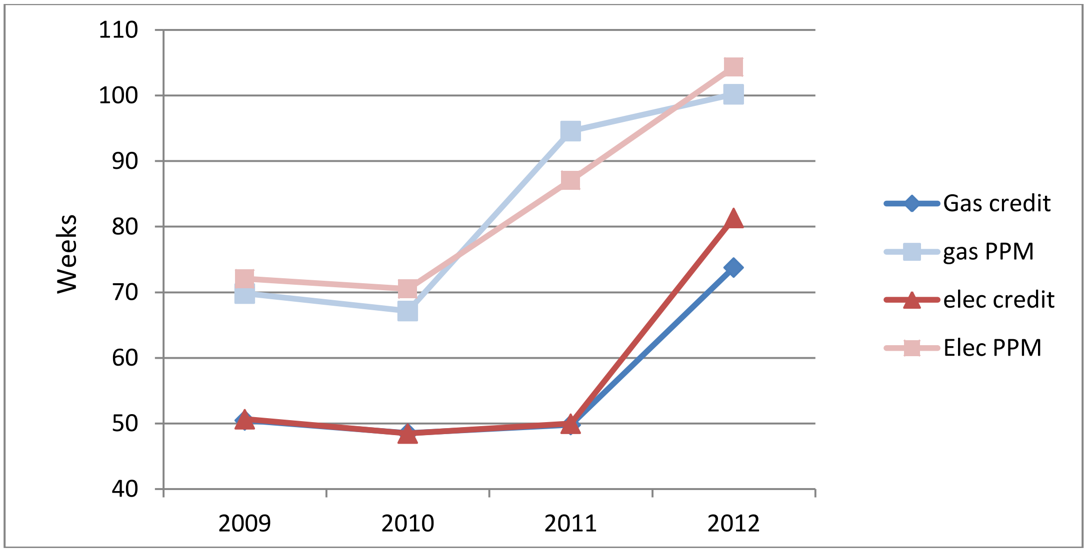
2.33. The introduction of Universal Credit will make significant changes to the welfare payment system. For example, claimants will be paid their Universal Credit monthly. They will receive a single payment per household and they will be responsible for paying bills such as rent that were previously paid directly by DWP. The introduction of Universal Credit may also involve changes to third party deduction schemes such as Fuel Direct.

2.34. We believe that Fuel Direct is a useful tool to resolve debt situations and to help prevent customers falling back into debt. In our view, it would not be in customers' interests for Fuel Direct to be made more difficult to access or to stay on. We will continue to work with the DWP and suppliers to ensure that the interests of customers are taken into account with regard to any changes to Fuel Direct in the future.

Average number of weeks to repay energy debt

2.35. Figure 6 below shows the average length of debt repayment arrangements over time.

Figure 6 – Average length in weeks of debt repayment arrangements agreed between 2009 and 2012



2.36. Suppliers reported that, on average, repayment arrangements agreed in 2012 allowed customers twice as long to repay their debt as those agreed in 2010. Credit customers not using a PPM to repay debts associated with an electricity account were, on average, given almost 70 per cent longer to repay their debt.[14]

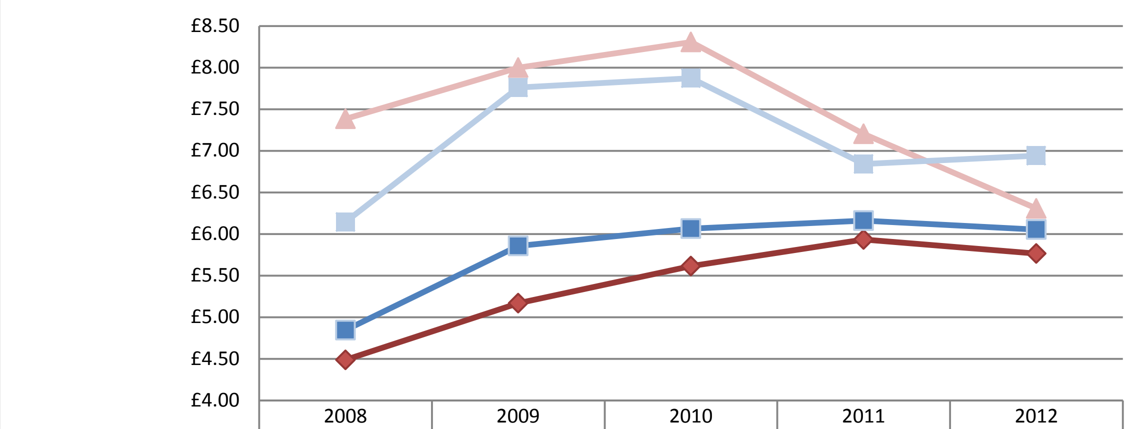
2.37. The average length of debt repayment arrangements agreed by customers paying by PPM in 2012 was 100 weeks. For customers using other methods of repayment the average length of a debt repayment arrangement was 74 weeks for debt associated with gas accounts and 81 weeks for debt associated with electricity accounts.

Average repayment rates of PPM and credit customers

2.38. Figure 7 below shows average repayment rates agreed in 2012 compared to those agreed in previous periods. It compares rates agreed for customers repaying their account debt using a PPM with those agreed for customers repaying their account debt via other 'credit' methods.

[14] It is possible that this increase is, in part, a result of changes to suppliers reporting.

Figure 7 - Average weekly debt repayment rates from 2008-2012



	2008	2009	2010	2011	2012
Electricity Credit	£4.49	£5.17	£5.61	£5.93	£5.76
Gas Credit	£4.84	£5.86	£6.06	£6.16	£6.05
Electricity PPM	£7.38	£8.00	£8.31	£7.20	£6.31
Gas PPM	£6.14	£7.76	£7.87	£6.84	£6.94

2.39. Customers using PPMs are generally more likely to be on lower incomes than customers paying via credit methods and customers are likely to have a PPM installed to manage account debt after other arrangements have failed. Therefore, we would expect PPM customers to have lower average repayment rates. However, historically the reverse of this expected pattern has been recorded.

2.40. Although, the gap between PPM and credit repayment rates has reduced since we introduced our Ability to Pay Principles in 2010 we remain concerned that:

- on average, weekly repayment rates remain higher for PPM customers than for customers repaying by other methods and
- the gap between gas PPM and credit repayment rates was larger at the end of 2012 than at the end of 2011.

Average repayment rates agreed by different suppliers and best practice in understanding customers' Ability to Pay

2.41. Figures 8 and 9 below show the level of repayment rates agreed by each supplier between July and December 2013. For example, it shows that 50 per cent of EDF Energy customers agreed to repay their debt at between £0.01 and £2.99 a week.

2.42. As this is a new reporting requirement we do not have comparable data for previous periods.

Figure 8– Weekly repayment rates agreed by the 'big six' energy suppliers in 2012 as a percentage of arrangements agreed to repay a debt

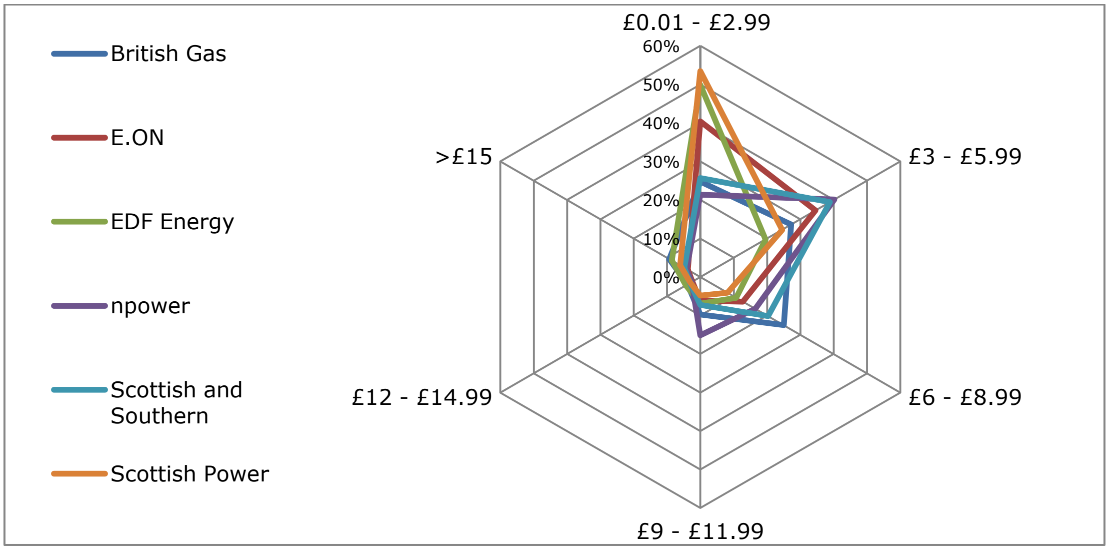
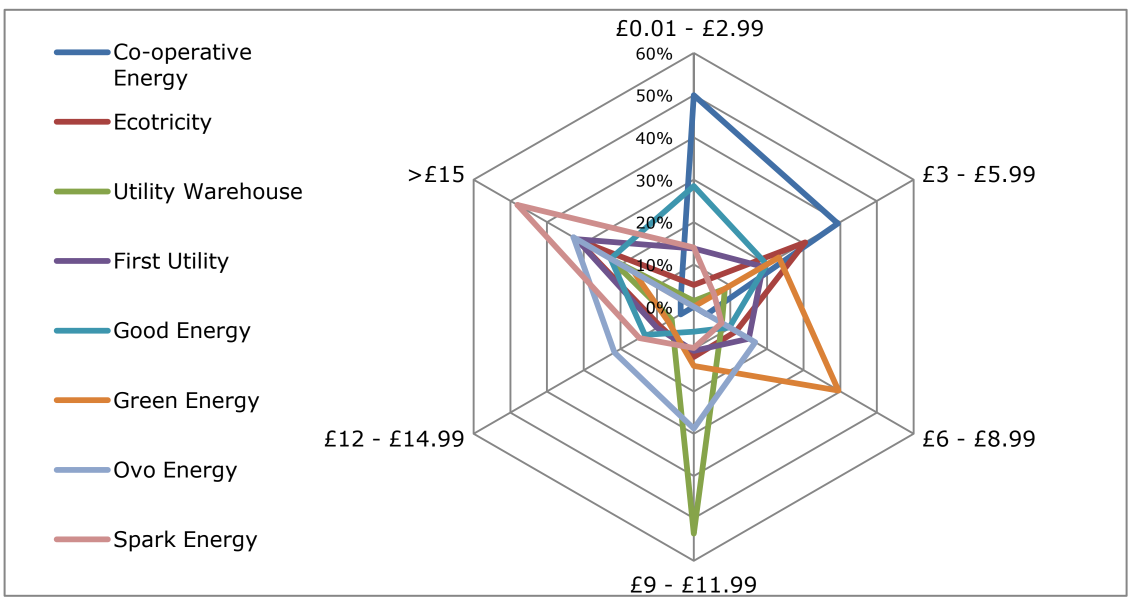


Figure 9 – Repayment rates agreed by the smaller suppliers in 2012 as a percentage of arrangements agreed to repay a debt



2.43. This data shows some differences in repayment arrangements agreed by different suppliers, particularly small suppliers. Customers of Co-operative Energy, Scottish Power, EDF Energy and E.ON were most likely to agree an arrangement to repay their debt at less than £3 a week. By contrast, customers of Spark Energy, First Utility and Ovo Energy were most likely to agree to repay their debt at more than £15 a week.[15]

2.44. We use our bilateral meetings with suppliers to discuss their approaches to debt management and all have assured us that they have processes in place to consider individual customer’s Ability to Pay.

2.45. Different customer bases may have different abilities to pay, on average. However, this will still vary with each individual. The marked differences between the repayment rates agreed by suppliers suggest that supplier processes and procedures, to assess customer’s Ability to Pay, may be influencing the repayment rates they agree with their customers.

2.46. One supplier has highlighted that lower than average repayment rates may be the result of accounts having a lower than average level of debt. In response to this point we remind suppliers that repayment rates should be based purely on customer’s Ability to Pay and not the size of their debt.

2.47. Our bilateral meetings with suppliers have identified a number of examples of good practice in this area including:

- Partnerships with debt charities to help suppliers identify customers’ Ability to Pay and to refer customers to more holistic sources of help and support.
- Lowering or suspending debt repayment arrangements for the most vulnerable customers in the winter months when their Ability to Pay may be reduced.

2.48. We have also identified practices that we consider could adversely influence the repayment rates customers agree to. These include:

- Using a set repayment amount or time period as an initial basis for repayment discussions.
- Setting an initial high repayment rate (in some cases as high as £20 a week) on pre-payment meters installed on a warrant visit without the customer present.

2.49. Recent research by RS Consulting and Consumer Futures has found that many customers feel pressured to agree to repayment rates suggested by suppliers.[16] This could be because they are keen to end a stressful conversation. Also, customers may agree to repay debt at a higher rate than they can afford because they do not have a clear understanding of their Ability to Pay.

[15] It should be noted that, on average, both LowCo2 and Utilita also reported high repayment rates but neither supplier was able to provide a breakdown for this period.
[16] Ability to Pay - Exploring the extent to which Ofgem guidelines regarding indebted customers are followed, from the customer and debt adviser perspective http://www.customerfutures.org.uk/files/2013/07/Ability-to-Pay-RS-Consulting.pdf

2.50. We expect suppliers to consider industry best practice and review the findings and recommendations of RS Consulting and Consumer Futures Ability to Pay research and consider how their approaches to considering Ability to Pay and agreeing repayment arrangements can be improved.

2.51. We remind all suppliers that supply licence condition 27 requires that they 'take all reasonable steps to ascertain the customer's Ability to Pay and take this into account when calculating instalments'. The Authority has powers to enforce this condition and when assessing compliance with it will take into account the 'key principles for Ability to Pay' set out in our June 2010 document 'Review of suppliers' approaches to debt management and prevention'.

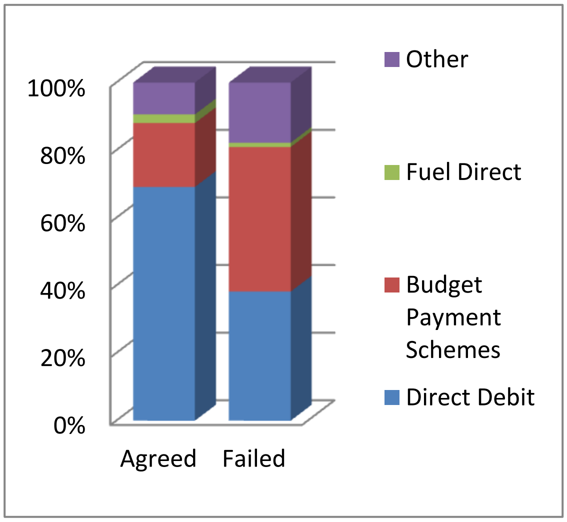
Failed arrangements

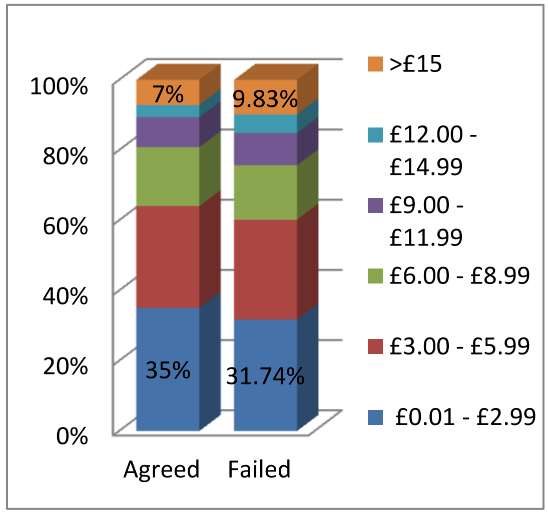
2.52. Debt repayment arrangements can fail, for example if customers' circumstances change or if the original arrangement did not take account of their Ability to Pay. Where customers are not using a PPM to repay debts associated with their gas and/or electricity accounts suppliers can monitor failed agreements to assess whether repayment arrangements set by their debt advisors are working.

2.53. Figures 10 and 11 below compare the repayment arrangements agreed by suppliers and the repayment arrangements that failed between July and December 2012.[17] The analysis in Figure 10 is by repayment method and in Figure 11 it is by repayment rate. As this was a new reporting requirement in July 2012 we do not hold data for previous periods.

[17] It should be noted that failed arrangements refer to all arrangements that failed in the period, including those that were originally set up in previous periods.

Figure 10 and Figure 11 – Comparison of repayment arrangements agreed and arrangements that failed between July-December 2012 (combined electricity and gas)





2.54. As we only have information about failed arrangements for part of 2012 (July-December) caution should be used when drawing conclusions from it. It should also be noted that arrangements that failed in July-December 2012, may have been agreed in an earlier period.

2.55. The data suggests that customers who repay their debt using passive methods like direct debit and Fuel Direct are less likely to default on their repayment arrangements than customers repaying through budget payment schemes or other payment methods that require them to do something to make payments towards their debt. For example, the majority (70 per cent) of arrangements agreed between July and December 2012 involved repayment via direct debit but direct debit only accounted for approximately 40 per cent of failed arrangements. Conversely, only 19 per cent of arrangements agreed involved repayment via a budget payment scheme but this method accounted for 43 per cent of failed arrangements in the period.

2.56. This data also suggests that repayment arrangements are less likely to fail when they are set at a lower rate. Between July and December 2012, arrangements to repay a debt at less than £3 a week accounted for 35 per cent of arrangements agreed and 32 per cent of failed arrangements. Arrangements to repay a debt at £15 a week or more accounted for seven per cent of arrangements agreed and 10 per cent of failed arrangements.

2.57. Our key principles for Ability to Pay require suppliers to monitor failed arrangements. We expect suppliers to use information about trends in failed arrangements to review the performance of their debt advisors and improve their processes. Over the next year we intend to use our bilateral meetings with suppliers to discuss how suppliers are doing this.

Next Steps

2.58. As smaller suppliers may not have the same amount of experience of managing debt or the same resources as the 'big six' suppliers, we intend to hold a workshop, in conjunction with Money Advice Trust and other debt charities, with them to discuss best practice in debt practices and assessing customer's Ability to Pay.

2.59. To ensure that customers struggling to pay are aware of their rights, for example their right to a suitable payment option and repayment rates based on their ability to pay, we intend to work with the advice sector and suppliers to develop a consumer energy debt advice guide over the coming year.

Smart meters and debt management

2.60. The government is aiming for all homes and small businesses to have smart meters by 2020. Energy suppliers will be required to install smart meters and take all reasonable steps to install them for everybody. Domestic consumers with smart meters will be offered an In-Home Display that shows how much energy they are using and what it will cost.

2.61. Smart meters will help consumers to better understand and manage their energy use. They will bring an end to estimations and result in customers' bills being more accurate. They will also allow for more convenient and flexible billing frequency and payment arrangements. We expect that this will help consumers manage their bills.

2.62. The new functionality of smart meters will further enable suppliers to more effectively help customers manage their energy debt. For example, smart meters will make switching between credit and PPM methods easier, and low credit reminders can be sent to consumers when they reach a certain threshold.

2.63. The Consumer Empowerment & Protection project, part of Ofgem's Smarter Markets programme, will consider pre-payment and billing accuracy arrangements for consumers with smart meters. We will consult on the Consumer Empowerment and Protection project in December.

3. Prepayment meters (PPMs)

Chapter Summary

This chapter focuses on PPMs including, not just, those installed in 2012, providing analysis on the number of PPM customers, the reason for the installation of PPMs and the number of PPM customers repaying an energy debt.

3.1. When a domestic gas or electricity account is in debt, suppliers have a licence obligation to take all reasonable steps to recover outstanding charges. They may use a PPM to do this where it is safe and reasonably practicable in all the circumstances to do so.[18]

3.2. Research we have undertaken in the past has shown that many customers like PPMs because they help them budget and avoid debt. However, paying by PPM also has some drawbacks, for example it is typically more expensive than paying by direct debt due to the higher cost to suppliers of serving PPM customers. While PPMs can be a valuable alternative to disconnecting customers for debt, if a customer cannot afford to top up their PPM they may self-disconnect, ie, their supply may be interrupted because the card or key has not been charged and inserted into the meter. We monitor PPM use but we do not currently monitor self disconnection as it is not something suppliers' are currently able to record.

Total number of PPMs

3.3. There were over four million electricity PPM accounts and three million gas PPM accounts in 2012. Table 5 below shows the total number of PPM accounts in GB, England, Scotland and Wales in 2011 and 2012.

Table 5 – Total number of gas and electricity PPM accounts

	Electricity			Gas		
	2011	**2012**	**Change**	**2011**	**2012**	**Change**
GB	4,094,890	4,256,065	+4%	2,912,662	3,099,245	+6%
England	3,319,557	3,461,205	+4%	2,450,813	2,607,571	+6%
Scotland	512,482	524,766	+2%	273,808	293,859	+7%
Wales	262,851	270,094	+3%	188,041	197,815	+5%

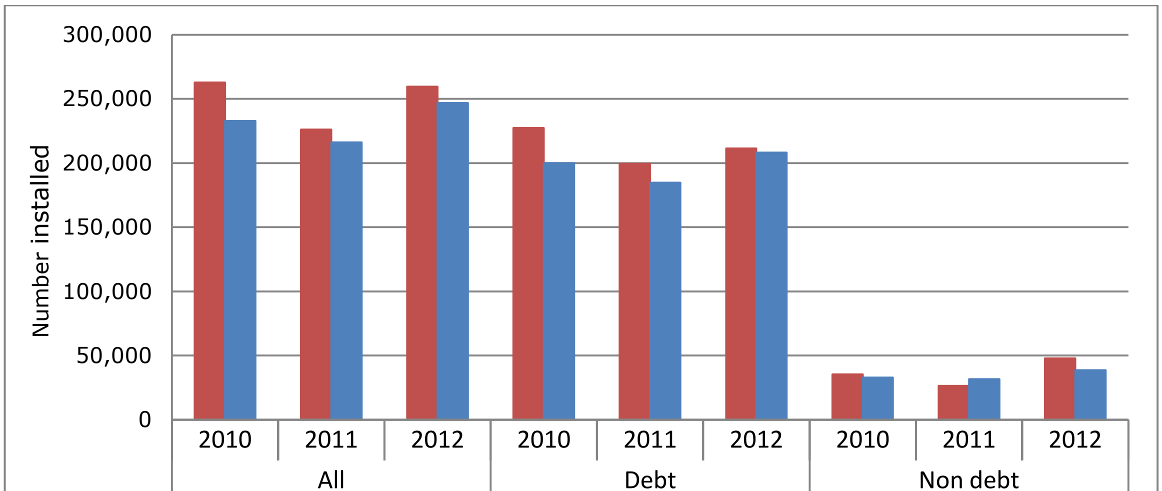
[18] Pursuant to standard licence condition 27.9 of the gas supply licence and the electricity supply licence.

3.4. In our 2011 Social Obligations annual report we highlighted a long term upward trend in the number electricity and gas PPM accounts. This trend continued in 2012 when the total number of electricity and gas PPM accounts in GB increased by around four per cent and six per cent respectively.

PPM installation rates

3.5. Figure 12 below shows the number of electricity and gas PPM installations over the past three years, split by those that were installed for a reason other than debt and those installed because of a debt associated with the account.

Figure 12 – Number of PPMs installed because of account debt and for reasons other than account debt



	All			Debt			Non debt		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Elec	262,730	226,012	259,425	227,352	199,483	211,519	35,378	26,529	47,906
Gas	232,959	216,267	246,817	199,964	184,726	208,235	32,995	31,541	38,582

3.6. It shows that, following a reduction in the number of PPMs installed in 2011, the number of electricity PPMs installed rose in 2012 to levels previously seen in 2010. Six per cent more gas PPMs were installed in 2012 compared to 2010.

3.7. In 2012, there was an increase in the number of PPMs installed for reasons other than account debt, potentially reflecting customers seeking more control over their energy bills as household budgets tighten. However, given that the majority of PPMs were installed to manage debt, the overall increase in PPM installations was largely driven by the increase in customers entering debt repayment arrangements (see chapter 2) and the reduction in customers being disconnected for debt (see chapter 4).

Use of blanking discs

3.8. When a supplier uses a warrant to enter a property to fit a PPM the customer may not be present. While it is possible for suppliers to fit a functioning electricity PPM when the customer is not present, for safety reasons they may need to use a blanking disc to fit a gas PPM. The blanking disc is inserted in one of the unions to prevent gas from getting into the property's supply. This leaves the customer with a PPM but without a gas supply until they arrange for the supplier to attend the site when they are present to remove the disc.

3.9. In quarter 3 (July-September) 2012 we started to collect more information about PPMs are installed to manage debt which allows us to look at suppliers' use of blanking discs.[19] This data shows us that:

- in quarter 3 (July-September) 2012, 1,949 gas PPMs were installed with blanking disks
- in quarter 4 (October-December) 2012, 1,381 gas PPMs were installed with blanking disks.

3.10. We support the fitting of PPMs as an alternative to disconnection where PPM is a suitable payment method for the customer. However, we are concerned that, where the customer is not present, the fitting of a gas PPM is tantamount to temporary disconnection as it leaves the customer without gas until they arrange for their supplier to remove the blanking disc.

3.11. As blanking discs leave customers off supply we expect them to be used only as a last resort and an alternative to disconnection. We note that EDF Energy has taken steps to avoid the use of blanking discs during the winter months and we encourage other suppliers to adopt similar moratoriums. We also encourage suppliers and Energy UK to extend the Safety Net to commit to not using blanking discs at any time of year where there are signs of vulnerability in the household.

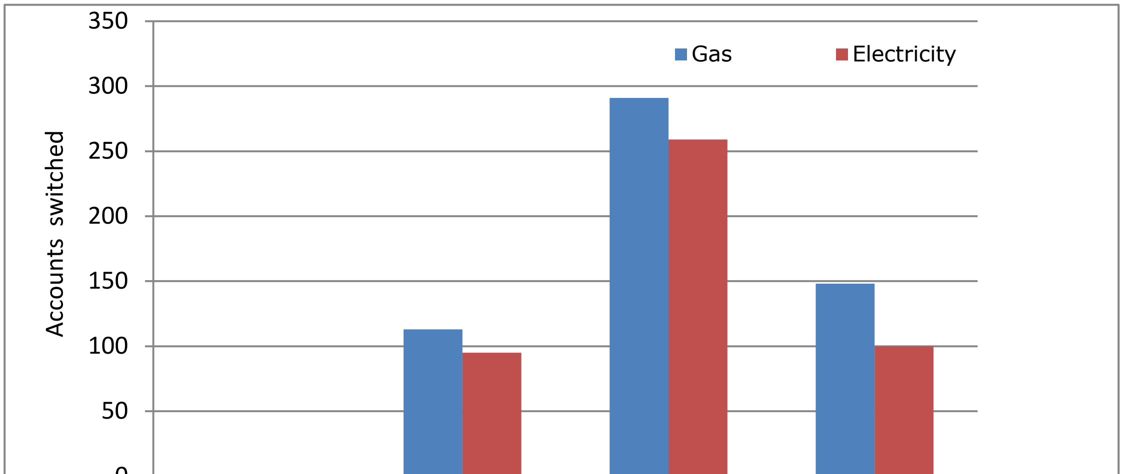
Debt Assignment Protocol

3.12. The Debt Assignment Protocol is a process by which PPM customers can switch gas and/or electricity supplier if they are in debt. The process is designed to assist customers with a debt to participate in the competitive market and switch to the cheapest prepayment deal for them to help pay off their debts more easily.

[19] Unfortunately, as some suppliers provided data about warrant visits for the full year and others provided it only for Q3 and Q4 2012 we are not able to calculate the percentage of PPMs that were installed during a warrant visit for this years' annual report. We intend to look at this area in more detail in our next annual report.

3.13. Figure 13 shows the number of PPM consumers who have transferred to another supplier with a debt.[20]

Figure 13 – Number of gas and electricity accounts switched to another supplier using the Debt Assignment Protocol



	2009	2010	2011	2012
Gas	0	113	291	148
Electricity	1	95	259	100

3.14. Suppliers have reported that consumers attempted to switch approximately 70,000 electricity PPM accounts with a debt and 71,000 gas PPM accounts with a debt in 2012. However, only 100 gas accounts and 148 electricity accounts were successfully switched through the debt assignment protocol, fewer than were switched in 2011.

3.15. We undertook research in 2012 to understand how the Debt Assignment Protocol could be improved. Suppliers responded positively to the challenge of getting more PPM customers in debt to switch and they agreed to a number of measures to increase awareness and improve the process. As part of this, the big six energy suppliers agreed to voluntarily increase the monetary threshold for PPM customers switching with a debt from £200 to £500 from 1 November 2012.[21] Small suppliers adopted this increased threshold from 1 April 2013.

3.16. We expect these changes to improve the experiences of PPM consumers that attempt to switch with a debt and increase the number of PPM customers successfully switching with a debt. As the changes took effect in November

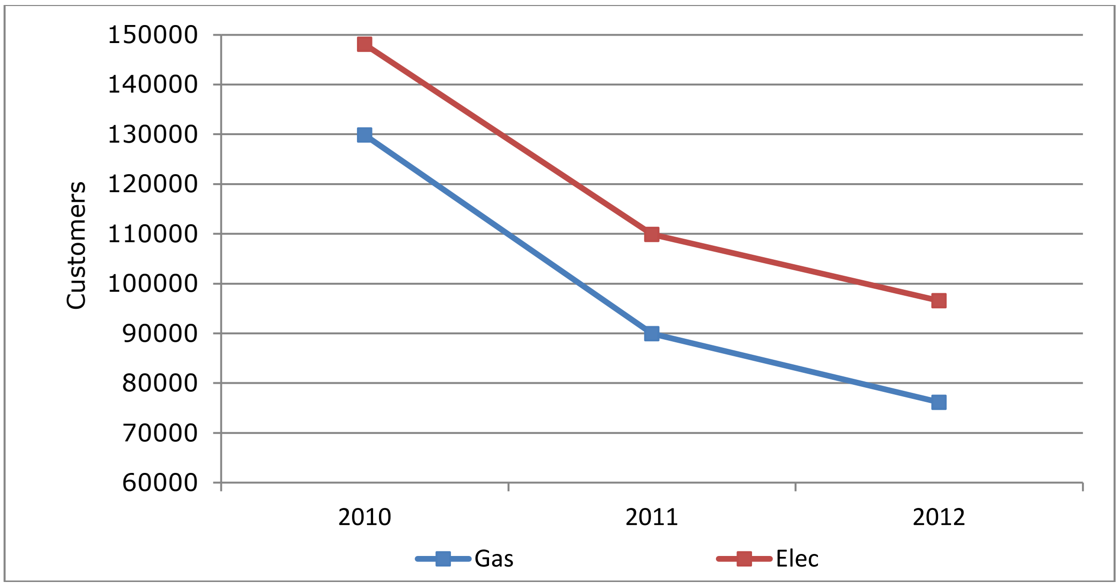
[20] Total number based on confirmations of the amount of debt to be assigned received during the reporting period (records sent via the following industry flows – 'Schedule 9 Supply Point Administration Agreement' D/G0309 flows in gas and 'MRASCO procedure for the Assignment of debt in relation to prepayment meters' D0309s flows in electricity).
[21] http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=252&refer=Sustainability/SocAction/Publications

2012 it is too early to assess their effectiveness in this report. We intend to look at this area in more detail over the next year.

Customers switching from PPM to credit meters

3.17. Figure 14 shows the number of customers switching from PPMs to credit meters between 2010 and 2012.

Figure 14 – The number of customers switching from PPMs to credit meters



3.18. The number of customers switching from PPMs to credit meters is in decline. With approximately 40 per cent less customers switching from PPM to credit meters in 2012 compared to 2010. We are keen to understand whether this decline indicates that customers are happy to pay by PPM or whether they are being prevented from switching back to a credit meter once they have had a PPM installed.[22]

3.19. In 2012, only four suppliers reported that they refused requests to switch customers that were not in debt from PPM to credit. However, we are concerned that suppliers may have different interpretations of our Guidance and may not have reported all refusals. We intend to investigate this in our bilateral meetings and revisit the issue in our 2013 report.

[22] Suppliers may refuse to allow customers to move to a credit meter because they have a credit checking policy. Other suppliers may have policies which prevent some customers from switching their meter, such as charging for changing the meter or requiring a security deposit.

Smart meters - remote switching

3.20. To switch a customer between traditional PPM and credit payment methods a supplier needs to physically replace the customer's meter. The introduction of smart metering enables suppliers to do this remotely. This has a number of benefits for consumers, including the ability to switch between payment methods more easily and to top-up over the telephone or the internet.

3.21. However, this remote switching functionality also carries risks. Historically a supplier would know whether it was safe and practicable for a customer to use a PPM because it would have visited the premises to install it. Where remote switching to prepayment mode is possible, there may no longer be an operational reason to visit the customer's premises. As part of the 2011 'Spring Package', we revised our guidelines on the safe and reasonable practice of installing prepayment meters to account for smart meters; we also strengthened the information provision obligations on suppliers by requiring them to inform customers on how to operate the PPM.

3.22. In quarter three 2012, we introduced new reporting requirements to allow us to monitor suppliers' use of remote switching. Only one supplier reported that they had used remote switching in quarters three and four (July-December) 2012. Details of the remote switches made are set out in table 6 below.

Table 6 – Remote switches made between July and December 2012

	Smart meter customers remotely switched from credit to PPM		Smart meter customers remotely switched from PPM to credit
	Repaying a debt	Not repaying a debt	
Gas	23	10	26
Electricity	38	11	33

3.23. We will continue to monitor suppliers' use of remote switching in 2013. Where remote switching is being used, we will use our bilateral meetings with suppliers to identify if they are taking effective steps to satisfy themselves that it is safe and reasonably practicable for the customer to change payment type. We will also keep our guidelines under consideration to ensure they remain fit-for-purpose.

4. Disconnection for non-payment of debt

Chapter Summary

This chapter outlines the number of gas and electricity disconnections during 2012 including a comparison of the disconnections undertaken by each of the suppliers. It also contains an overview of disconnection trends in England, Scotland and Wales.

4.1. During winter (October to March) suppliers are prohibited from knowingly disconnecting customers of pensionable age (where they live alone, with other pensioners or with children). Suppliers must also take all reasonable steps during winter to avoid disconnecting premises where the occupants include a person who has a disability or a chronic sickness or a person of pensionable age.[23]

4.2. Members of Energy UK also adhere to a voluntary code of practice known as the 'Safety Net'.[24] Among other protections, this prevents the disconnection of vulnerable customers[25] at any time of year and a commitment to reconnect customers who are subsequently identified as vulnerable as a priority and usually within 24 hours. Compliance with the Safety Net is independently audited.

The number of disconnections for debt

4.3. Table 7 shows the total number of electricity and gas disconnections in 2010, 2011 and 2012. It also shows the number of disconnections broken down by England, Scotland and Wales.

Table 7 - Number of disconnections for non-payment of debt

	Electricity				Gas			
	2010	2011	2012	Percentage change 2011-12	2010	2011	2012	Percentage change 2011-12
GB	1988	921	453	-51%	813	331	104	-69%
England	1946	868	440	-49%	687	282	98	-65%
Scotland	17	13	5	-62%	94	15	4	-73%
Wales	25	40	8	-80%	32	34	2	-94%

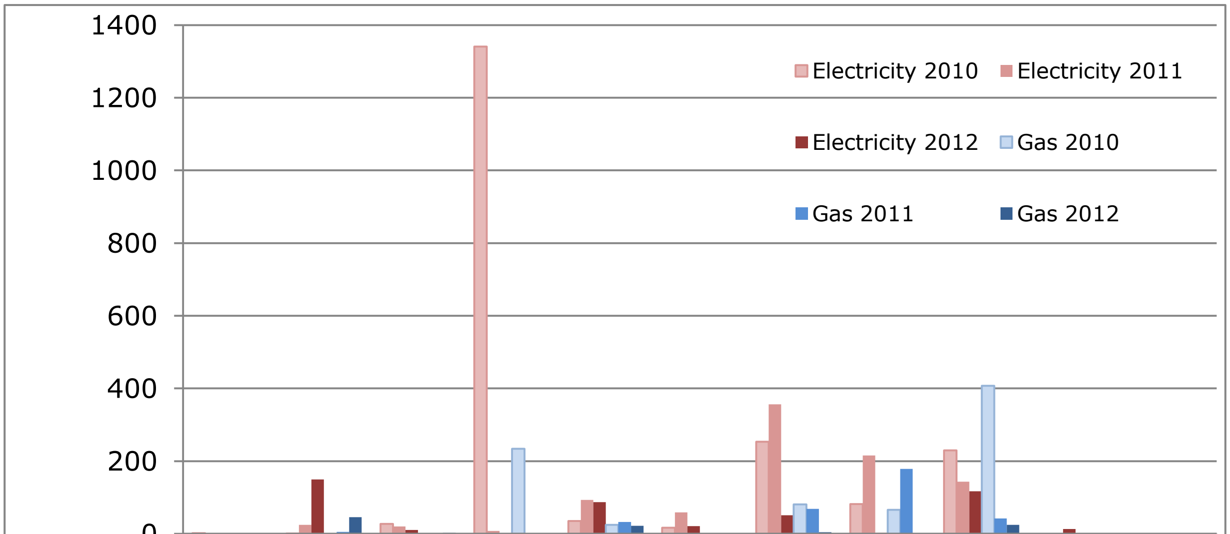
[23] Pursuant to standard licence conditions 27.10 and 27.11 of the gas and electricity supply licences.
[24] The Safety Net is a voluntary code of practice on debt and disconnection run by Energy UK. British Gas, EDF Energy, E.ON, npower, Scottish Power and SSE are signed up to the code.
[25] The Safety Net defines a vulnerable customer as "A customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household".

4.4. The number of disconnections undertaken by suppliers fell across Great Britain in 2012 with electricity disconnections down 51 per cent compared to 2011 (77 per cent compared to 2010) and gas connections down 69 per cent compared to 2011 (87 per cent compared to 2010). This indicates that the majority of suppliers are continuing to use other methods of recovering debts and use disconnection only as a last resort.

Disconnections for debt by supplier

4.5. Figure 15 below compares the disconnections for debt carried out by suppliers between 2010 and 2012. Figure 16 shows the disconnections carried out by each supplier in 2012 as a percentage of their customer base in debt.

Figure 15 – Number of disconnections for debt by supplier between 2010 and 2012



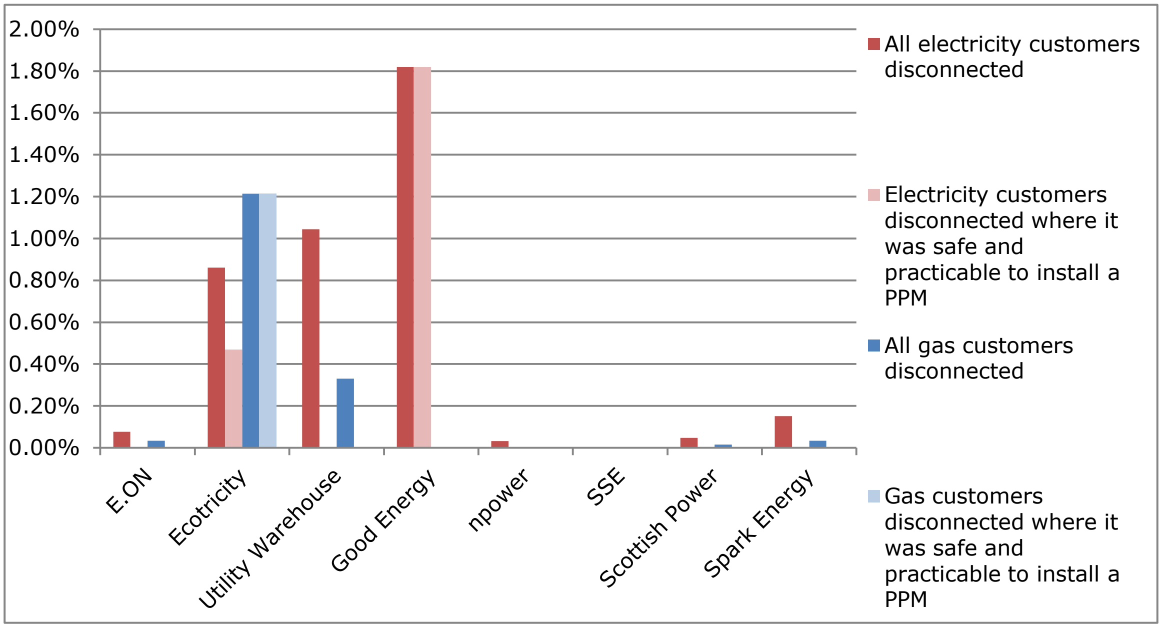
	British Gas	E.ON	Ecotricity	EDF Energy	Utility Warehouse	Good Energy[1]	npower	Scottish and Southern	Scottish Power	Spark Energy	Utilita
Electricity 2010	2	1	27	1341	35	17	253	82	230	0	0
Electricity 2011	0	25	20	8	93	59	356	216	143	0	1
Electricity 2012	0	150	11	0	87	21	51	3	117	13	0
Gas 2010	0	0	0	234	25		81	66	407	0	0
Gas 2011	0	5	0	0	33		69	179	42	2	1
Gas 2012	0	46	3	0	22		4	2	25	2	0

[1] Gas data not available for 2012, see appendix one for further information.

4.6. Eight suppliers carried out a total of 453 electricity disconnections and 104 gas disconnections for debt in 2012.

4.7. It is notable that having carried out the vast majority of electricity disconnections for debt in 2010, EDF did not disconnect any of its customers for debt in 2012. It is also notable that, while the majority of suppliers disconnected fewer customers for debt in 2012 than in 2011, E.ON disconnected more customers than in the previous year.

Figure 16 – Supplier disconnections for debt in 2012 shown as a percentage of their customer base in debt



4.8. Although E.ON carried out the most disconnections in 2012, figure 10 shows that the number of disconnections it carried out equated to just 0.08 per cent and 0.034 per cent of its electricity and gas accounts in debt. In comparison to E.ON and other suppliers, Ecotricity, Utility Warehouse and Good Energy carried out a proportionally higher number of disconnections.

Use of PPMs as an alternative to disconnection

4.9. We expect suppliers to seek out alternative solutions to disconnection and to use disconnection only as a last resort. One common alternative to disconnection used by suppliers is the fitting of a PPM. However, there are instances where a supplier is having difficulty recovering a debt but cannot install a PPM for safety or practical reasons.[26]

4.10. In 2012 we started to monitor the number of disconnections that occurred because it was not safe and practicable to install a PPM. We found that the vast majority of disconnections that took place for debt in 2012 went ahead in situations where it would not have been safe and practicable for the supplier to install a PPM.

[26] See Chapter 6 of our June 2010 document 'Review of suppliers' approaches to debt management and prevention'. https://www.ofgem.gov.uk/ofgem-publications/57397/debt-review-report.pdf

4.11. However, as shown in figure 16 above, Good Energy and Ecotricity both reported that they carried out disconnections where it was safe and practicable to install a PPM. Ecotricity explained that in these cases it had fitted a PPM but disconnected the properties because it mistakenly believed them to be empty.

Next steps

4.12. We remind suppliers that disconnection should only be used as a last resort and that we expect them to actively seek out alternative solutions to disconnection wherever possible. If a PPM cannot be installed to recover the debt for safety or practical reasons and another repayment method is not possible, we expect suppliers to consider other means of recovering the debt prior to disconnecting. Further we remind suppliers that they should take all reasonable steps to ascertain who the resident is (ie whether they are disconnecting the right property and whether the residents of the property may be vulnerable) and whether there is a resident in the property.

4.13. Some suppliers have introduced policies, above and beyond prohibitions set out in the licence, not to disconnect, or install gas PPMs with blanking discs[27], in the winter months but others continue to leave consumers off supply in this period. We expect these suppliers to follow industry best practice and to seek to avoid leaving customers without means to heat their homes or prepare hot food over the winter months.

4.14. We also ask that all suppliers follow the lead of the 'big six's' commitment to not disconnect customers in vulnerable positions at any time of the year. We ask suppliers, which have not already done so, to publically announce that they will abide by this commitment set out in the Energy UK Safety Net.[28] In addition, and as set out in chapter 3 of this document, we also ask suppliers and Energy UK to extend the Energy UK Safety Net to commit to not using blanking discs at any time of year where there are signs of vulnerability in the household.

4.15. To monitor suppliers' use of disconnection, in 2013 we intend to ask each supplier to provide us with details of the process they have followed for each disconnection that they carry out. We will continue to use our bilateral meetings with suppliers to discuss suppliers' disconnection processes.

Smart meters and disconnections for debt

4.16. The new functionality of smart meters enables suppliers to offer new approaches to disconnection for unpaid charges. In quarter three 2012 we introduced new reporting requirements to allow us to monitor their use.

[27] Suppliers' use of blanking discs is discussed further in chapter 3.
[28] http://www.energy-uk.org.uk/publication/finish/30-disconnection/308-era-safety-net.html

Remote disconnection

4.17. At present, when suppliers are looking to disconnect a property for unpaid charges they typically carry out a site visit prior to disconnection and a site visit at the point of disconnection. With smart metering, site visits will no longer be needed to physically disconnect supply, as suppliers will be able to disconnect customers supply remotely.

4.18. While the site visit at the point of disconnection is only one of a series of checks that suppliers carry out, it remains an important backstop opportunity to identify vulnerability. Suppliers remain obliged to take all reasonable steps to ascertain the status of a customer and the occupants of any affected domestic premises before considering whether or not to disconnect the premises. In response to our July 2010 prospectus consultation[29] suppliers committed to continue to carry out site visits prior to disconnection where they have not already spoken to a customer.

4.19. Suppliers reported that they did not carry out any remote disconnections in quarter 3 (July-September) and quarter 4 (October-December) 2012.

4.20. As the numbers of smart meters increase, we will continue to monitor activity and ensure that our guidelines remain fit-for-purpose.

Load limiting and credit limiting

4.21. Load limiting (also known as trickle disconnection) is where the flow or amount of electricity supplied to a customer is restricted only allowing them to continue using basic appliances such as lights and the fridge/freezer. As well as enabling customers that would otherwise be disconnected to remain on supply, load limiting could bring benefits to smart prepayment customers that run out of credit and self-disconnect.

4.22. Credit limiting (also known as 'managed credit') is where customers are automatically cut off if they owe more than a pre-determined amount. This has certain similarities with prepayment but a key distinction is whether the customer has to repay an agreed part of the debt or all of the debt before they are reconnected (and then continue to pay on credit terms) or whether it is part of an agreed prepayment arrangement (as with emergency credit).

4.23. We are keen that the use of load limiting and credit limiting functionality does not expose consumers to disconnection 'by the back door'. As part of the Spring Package[30], we introduced supply licence modifications defining load

[29] https://www.ofgem.gov.uk/publications-and-updates/smart-metering-implementation-programme-prospectus?docid=40&refer=e-serve/sm/Documentation
[30] https://www.ofgem.gov.uk/publications-and-updates/smart-metering-spring-package-addressing-consumer-protection-issues

limiting and credit limiting and the circumstances where they would be considered as being tantamount to disconnection (and therefore subject to protections associated with disconnection). No supplier reported using load limiting or credit limiting functionality in 2012. We will continue to track developments in this area and we will consider whether further protections may be needed in light of future developments.

5. Priority Service Register (PSR) and free gas appliance safety checks

Chapter Summary

This chapter outlines key trends identified in relation to suppliers' licence obligations to use their PSRs to identify and assist vulnerable customers. It identifies the total number of customers listed on suppliers' PSRs, and shows a breakdown of the number of customers on PSRs in England, Scotland and Wales. It also looks at suppliers' provision of free gas safety checks.

Priority Service Register

5.1. Domestic suppliers have a licence obligation to maintain a PSR. The PSR is a list of customers who are of pensionable age, have a disability or a chronic sickness and have made a request to be added to their suppliers' PSR. Suppliers must provide advice and information, free of charge, on the free services available to PSR customers and they must take all reasonable steps to inform all of their customers at least once a year of the existence of the PSR.[31]

5.2. The free services that suppliers must provide to PSR customers on request, include:

- quarterly meter readings where the customer is not able to read their meter;
- a password to be used by any person acting on behalf of the supplier;
- the relocation of a PPM to ensure it is accessible; and
- the provision of bills and information relating to the customer's account in an accessible format for blind, partially sighted, deaf or hearing-impaired customers.

5.3. Some suppliers use their PSRs to help target other forms of assistance.

Number of customers on Priority Service Registers

5.4. In 2012, approximately nine per cent of GB electricity customers and seven per cent of GB gas customers were listed on their suppliers' PSR.

5.5. Table 8 below shows the total number of customers on suppliers' PSRs in Great Britain at the end of 2012 compared to 2011. The table also shows this

[31] Pursuant to standard licence conditions 26.4 and 26.6 of the gas and electricity supply licence conditions.

information broken down for England, Scotland and Wales. A customer may be registered on a supplier's PSR but not registered to receive any associated free services. Another customer may be registered to receive multiple free services.

Table 8 – Number of customers on a PSR (millions) and the percentage of customers on a PSR

	Electricity			Gas		
	2011	**2012**	**Percentage change**	**2011**	**2012**	**Percentage change**
GB	2.11 *(8%)*	2.38 *(9%)*	+13%	1.68 *(8%)*	1.88 *(8%)*	+12%
England	1.82 *(8%)*	2.04 *(9%)*	+12%	1.45 *(8%)*	1.64 *(9%)*	+13%
Scotland	0.17 *(6%)*	0.20 *(8%)*	+18%	0.13 *(7%)*	0.14 *(7%)*	+8%
Wales	0.12 *(8%)*	0.13 *(9%)*	+8%	0.10 *(9%)*	0.11 *(10%)*	+10%

5.6. In last year's annual report we expressed our concern that a much smaller proportion of customers were on suppliers' PSRs in Scotland compared to in England and Wales. We called on all suppliers, particularly those with a significant market presence in Scotland, to make improvements to the promotion of their PSRs and identification of vulnerable customers for inclusion on their PSRs.

5.7. We are pleased that by the end of 2012, there was a 13 per cent increase in the number of electricity customers on suppliers' PSRs across GB and a greater 19 per cent increase in electricity customers on suppliers' PSRs in Scotland. However, we note that there was a much smaller percentage increase in the number of gas customers on suppliers' PSRs in Scotland and that the proportion of customers on the PSR in Scotland remains lower than elsewhere in GB.

5.8. Despite the increase in the number of customers on suppliers' PSRs we remain concerned that the take up of priority services remains low and that it still varies significantly between suppliers.[32]

5.9. As part of our Consumer Vulnerability Strategy (published in July 2013), we are reviewing the services provided under the PSR and how take up and targeting of the PSR can be improved.We have already carried out some research into the PSR and published this on our website and held a workshop

[32] Details of the number of customers on each supplier's PSR and the services that they are using can be found in the 2012 data reports published on our website alongside this report.

with suppliers and DNOs. We expect to issue a consultation as part of our review in the coming months.

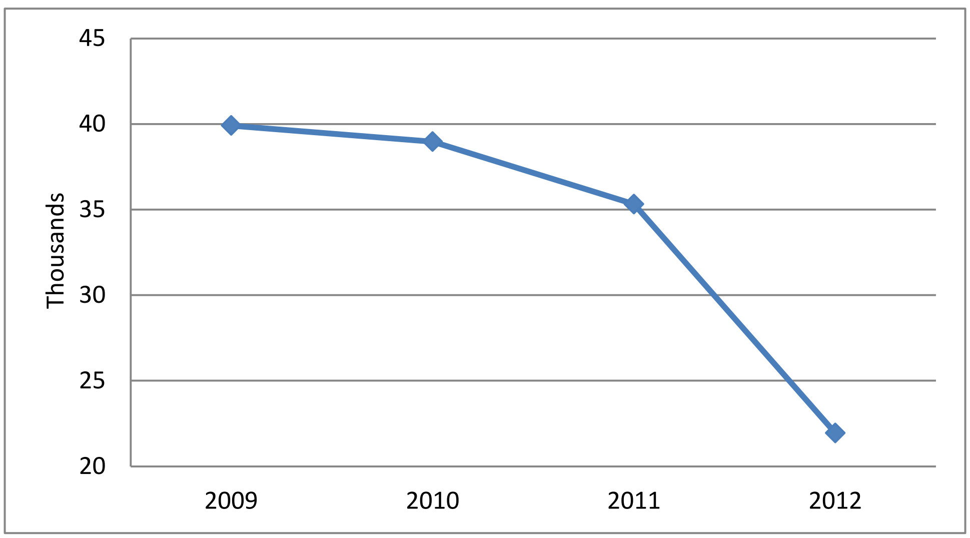
Free gas appliance safety checks

5.10. Suppliers are obliged by their licence[33] to provide a free gas safety check upon request to home owners with children under five years old, and domestic customers who are of pensionable age, have a disability or a chronic sickness, living along or living with others of pensionable ages, disabled, under 18 or chronically sick, when they own their own home:

- are living in households where the landlord is not responsible for arranging a gas safety check;
- are in receipt of means tested benefits and
- have not had a gas safety check in the last 12 months or such longer period as may be directed by the Authority.

5.11. Figure 17 shows the number of free gas appliance safety checks carried out in Great Britain between 2009 and 2012.

Figure 17 – Number of free gas appliance safety checks carried out in GB



5.12. In last year's annual report we explained that we were concerned at the decline in the number of free gas safety checks carried out by suppliers. Figure 17 below shows this decline has continued with 45 per cent less gas safety checks carried out in 2012 than in 2009. We intend to consider this issue as part of our PSR review.

[33] Standard Licence Condition 29 of the gas supply licence.

Appendices

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Appendix one - Issues affecting Social Obligations reporting

Appendix Summary

This appendix provides details of issues that have impacted on the Social Obligations reporting provided by suppliers. These include new reporting Guidance and a review of data accuracy.

New reporting Guidance

1.1. In 2012, in consultation with suppliers, we reviewed the Social Obligations data that we collect.[34] The review focused on ensuring that reporting remained comprehensive, fit for purpose and that suppliers were reporting each data item consistently.

1.2. Following the review we decided to make changes to our Guidance to improve the consistency and completeness of reporting, and monitor emerging issues.[35] Our revised reporting requirements were published in March 2012.[36] Suppliers began reporting against the new Guidance in quarter three (July) 2012. The data for this period was provided to Ofgem in October 2012.

1.3. A summary of the changes made to our Guidance is provided below.

Summary of changes to our Guidance

To improve consistency

1.4. To improve the consistency of suppliers' reporting we provided additional clarity in our Guidance. For example, we clarified the circumstances where direct debit customers should be included in the number of accounts in debt.

1.5. Because suppliers have previously had varying interpretations of 'average debt', we replaced an existing question about levels of debt with separate questions requiring suppliers to provide details of both 'snapshot' debt (debt that remains owing on a repayment arrangement) and 'take-on' debt (the debt that the customer agreed to pay when they started their debt repayment arrangement).

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[34] Consultation https://www.ofgem.gov.uk/ofgem-publications/57228/social-obligations-data-review-consultation-proposed-changes.pdf
[35] Decision https://www.ofgem.gov.uk/publications-and-updates/review-data-collected-under-suppliers-social-obligations-decision-letter
[36] Guidance https://www.ofgem.gov.uk/publications-and-updates/Guidance-monitoring-suppliers%E2%80%99-performance-relation-domestic-customers-updated-march-2012

To improve completeness

1.6. Historically, as a proxy for the number of gas and electricity accounts in debt, we have relied solely on information about the number of accounts with agreed debt repayment arrangements.[37] This meant that information about accounts in debt where customers had not yet agreed a repayment plan was excluded. To give a more complete picture of energy debt suppliers must now also tell us how many of their gas and electricity accounts are in arrears and the average level of their arrears.[38]

1.7. To aid us in monitoring whether suppliers are setting realistic repayment arrangements in compliance with our Ability to Pay Principles we increased the information we collect about debt repayment arrangements. Suppliers now report the number of arrangements agreed by payment rate and payment type, the average length of the arrangements agreed and the number of accounts where customers have failed to keep to agreed debt repayments.

1.8. To improve our understanding of when customers are seeking energy efficiency advice and when it is being proactively provided, we altered how we require suppliers to tell us about the energy efficiency advice they provide.

To monitor emerging issues

1.9. We introduced new requirements for suppliers to provide us with data where certain smart functionality is used. These new requirements build on our work to introduce customer protections as part of our 'Spring Package' of measures. The Spring Package focused on the use of remote disconnection functionality; the use of remote switching; and also on the introduction of credit and load limiting.[39] We are keen to monitor supplier action where this new functionality is utilised, and the new data reporting requirements are designed to facilitate this.

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[37] A debt repayment arrangement is defined in our Guidance as a specific formal arrangement between a supplier and a customer to repay outstanding arrears. Direct Debit customers are only included in these figures where they have joined the scheme specifically to repay a debt or where they have fallen into debt while on direct debit by defaulting on one or more payments. All PPM customers repaying a debt are included. Other customers are only included if their payment arrangement extends beyond 91 days/13 weeks.

[38] Arrears is defined in our Guidance as any customers who has had a bill issued which remains outstanding for longer than 91 days/13 weeks and who has not yet set up a debt repayment arrangement. This only includes customers who are billed in arrears for ongoing consumption. It excludes customers on payment methods that involve some method of regular payment such as Direct Debit, PPM, or Fuel Direct customers. It also excludes customers who have begun the transition to a formal debt repayment arrangement but have now yet started repaying their debt.

[39] Credit limiting is also known as 'managed credit' and is defined as where customers are automatically cut off if they owe more than a predetermined amount.
Load limiting is also known as 'trickle' disconnection and it is defined as where customers are limited to a minimal flow of electricity.

The impact of changes to our Guidance

1.10. While we have tried to minimise the impact of introducing new Guidance, unavoidably it does impact the comparability of some new and historical data.

1.11. Where our new Guidance changed or clarified how we expect suppliers to report it is not always possible to compare data provided for periods since quarter three (July) 2012 with that provided for previous periods.

1.12. Where new questions were introduced in quarter three (July) 2012 we do not hold data on these questions for previous quarters. Because of this, we are not able to identify trends in this data at this time.

1.13. Where we believe that changes to our data may have had an impact on the comparability of suppliers' data it is highlighted in this report.

Data accuracy review

1.14. Following the introduction of our revised Guidance in quarter three 2013, we noticed unexpected variances in the data provided by some suppliers. Concerned about the accuracy of suppliers' Social Obligations reporting we commenced a review of data accuracy.

1.15. Our review comprised two parts: We queried specific anomalies and unexpected variances in suppliers' data to identify the cause. We then wrote all suppliers (individually) to remind them that they were required by their licence to provide Social Obligations reporting as set out in our Guidance. We also requested assurances that they were confident that their systems and processes allowed them to produce and submit accurate Social Obligations reporting that is consistent with our Guidance. Our findings are set out below.

Errors identified and corrected

1.16. During the course of our review a number of suppliers identified errors in the reporting they had provided to us and arranged for these to be corrected. The majority of the errors identified affected data that had not yet been published. However, the following suppliers corrected errors in data for quarters between quarter three (July-September) 2011 and quarter two (April-June) 2012 that was already published on our website:

- British Gas
- Ecotricity
- npower
- Spark Energy
- Utility Warehouse

1.17. We have published updated data for the quarters affected on our website alongside this report.

1.18. In general, changes in individual supplier's data do not appear to have impacted on the industry trends we reported in our 2011 annual report or our quarter 1 and quarter 2 2012 open letter. An exception to this is that, in our 2011 annual report we stated that there had been a two per cent drop in the number of customers repaying an energy debt in Scotland between 2010 and 2011. Revised data now shows that there a larger five per cent drop in the number of customers repaying a debt in Scotland in this period. We also stated that there had been a seven per cent and 18 per cent rise in the number of electricity and gas customers repaying an energy debt in Wales between 2010 and 2011. Revised data now shows that there was in fact a one per cent fall in the number of customers repaying an electricity debt and a nine per cent rise in the number of customers repaying a gas debt in Wales in this period.

The impact of changes to suppliers' systems

1.19. Over the last two years a number of suppliers have introduced new systems with improved reporting functionality. Suppliers have told us that their new systems have improved the accuracy of their reporting as their new system design has taken into account additional clarity provided in bilateral discussions and in our March 2012 Guidance into account.

1.20. Concerned that changes to suppliers' systems could have impacted the comparability of suppliers' reporting, we asked suppliers to provide us with details of any trends they would have expected us to see in their data that may not be evident due to changes made to their systems. We also asked them to provide us with assurances that the data they had provided was accurate and that it had been reported as required by our Guidance. The majority of suppliers were able to provide us with assurances and confirm that changes to their systems had not had any material effect on the data they had provided. However, E.ON and SSE identified that improvements to their systems had impacted the comparability of some of their debt reporting.[40]

Missing and erroneous data

1.21. During the course of our review it emerged that, to date:

- Social Obligations data provided by Ovo Energy and Utilita has not been reported as required by the definitions in our Guidance. Neither company has been able to correct the errors in the data they have provided.
- Good Energy has not provided us with data about its gas customers.

1.22. The failure of these companies to provide us with accurate reporting has prevented us from comparing their performance against that of other suppliers. However, due to their small size, we do not expect that it has impacted on our ability to monitor industry level trends in suppliers' Social Obligations. Each of these companies has provided us with assurances that they will be able to report accurately in the near future.

[40] Where changes to our guidance and/or supplier system have impacted the comparability of data we have provided details in this report.

Energy Efficiency data

1.23. As described earlier in the appendix, in March 2012 we issued new guidance which changed how we expected suppliers to report how they provided their customers with information about energy efficiency. In analysing the information provided by suppliers we became concerned that suppliers may have differing interpretations of our new guidance in this area.

1.24. Because of this, we have decided not to include analysis of the Energy Efficiency advice provided by suppliers in this report. We intend to work with suppliers to achieve consistent reporting in 2013. Readers interested in the figures provided can find them in the Social Obligations data tables published on our website as an associated document to this report.

Next steps

1.25. We take monitoring of Social Obligations performance extremely seriously as we use this information to review how domestic suppliers treat some of their most vulnerable customers. To allow us to investigate areas of concern, highlight where improvements need to be made and identify and share good practice, it is crucial that all suppliers report on a consistent basis and in accordance with SLC 32 and our Guidance.

1.26. Our Guidance was established in consultation with suppliers and it provided advance notice of Social Obligations reporting deadlines and what is required in response to each question. We recognised that suppliers would need time to update their systems to take into account revisions to our Guidance and we did not require suppliers to begin reporting under the revised arrangements, announced in March 2012, until 28 October 2012 (ie, quarter 3 2012).

1.27. We expect suppliers to take responsibility for ensuring that their reporting is accurate, on time and consistent with our Guidance. We consider the submission of inaccurate and incomplete data unacceptable and as a minimum we would expect any data submitted to us to have previously been checked for accuracy by somebody with a financial, auditing or similar qualification.

1.28. To give us confidence that suppliers are taking their responsibility to provide Social Obligations reporting seriously, we now expect suppliers to provide Director level assurances, alongside each of their submissions, that the data they have provided is accurate and consistent with our Guidance. Where suppliers have not been able to report as required by our Guidance, we have requested and received assurances that they will be able to report accurately in the near future.

1.29. We continue to keep the Social Obligations reporting provided by each of the suppliers under review. If any supplier has not, or does not provide accurate and timely information as required by SLC 32 and the SLC 32 Direction set out in our Guidance, it may be in breach of these licence obligations. In that event, the Authority may determine appropriate action, including enforcement action where relevant.

Appendix 2 - Glossary

A

Arrears

As defined at paragraph 2.21 of our Guidance on monitoring suppliers' performance in relation to domestic customers, published March 2012. 'Arrears' are defined as any customer who has had a bill issued which remains outstanding for longer than 91 days/13 weeks and who has not yet set up a debt repayment arrangement. This will only include customers who are billed in arrears for ongoing consumption. It will excluded customers on payment methods that involved some method of regular payment, such as Direct Debit (see paragraph 2.9), PPM or Fuel Direct customers. It should exclude customers who have begun the transition to a formal debt repayment arrangement, but have not yet started repaying their debt.

B

Big Six

The big six suppliers are British Gas, EDF, E.ON, npower, Scottish Power and SSE.

D

Debt repayment arrangement

As defined at paragraph 2.14 of our Guidance on monitoring suppliers' performance in relation to domestic customers, published March 2012. 'Debt repayment arrangement' is defined as a specific formal arrangement between a supplier and a customer to repay outstanding arrears. Suppliers should include such customers who repay monthly, fortnightly, weekly or at any other regular interval and who repay via cash, cheque, payment card or Fuel Direct. Direct debit customers should only be included where they have joined the scheme specifically to repay a debt or where they have fallen into debt while on direct debit by defaulting on one or more payments. All other direct debit customers should be excluded, including those customers with a debit at the end of a payment scheme that will be rolled into a new payment scheme and those who have had their payments increased because previous payments were set to low. All customers on payment schemes (including direct debit) should be excluded once the initial (take-on) debt has been repaid.

E

Energy Best Deal (EBD)

Ofgem and Citizens Advice customer awareness campaign.

Energy UK

Energy UK is a trade association which represents the six main electricity and gas suppliers in the domestic and micro business markets in Great Britain (GB).

F

Failed arrangement

Failed arrangement refers to a failure to make an agreed payment amount under the debt repayment arrangement without the prior agreement of the supplier, where full payment has not been cleared (ie received by the supplier) within 10 working days after the agreed payment date, regardless of payment method. This includes part payment. It excludes those cases where a customer has actively terminated the arrangement, for example by instructing the supplier or payment provider to cancel the debt agreement or instruction to pay, or where a customer ends the agreement paying the agreement in full. It excludes those direct debit customers who did not go on to a debt repayment arrangement but who have currently stopped paying.

Fuel Direct

Fuel Direct is a scheme administered by the Department of Work and Pensions to allow for payments to gas and electricity suppliers from sums which are deducted at source from social security benefit.

P

Prepayment meter (PPM)

A prepayment meter uses electronic tokens, keys, or cards to enable an amount of energy to be bought by the consumer to be used. The customer needs to be provide with a network of outlets where tokens can be purchased, or cards and keys can be charged up. This network of outlets needs to be linked to a payment settlement system for suppliers.

Priority Services Register (PSR)

The standard licence conditions of the gas and electricity supply licences require suppliers to establish a list (the Priority Services Register) of domestic customers that are of pensionable age, disabled or chronically sick. Eligible customers can ask to be added to their supplier's list. These customers are then eligible for certain free services specified in the supply licences.

S

'Safety Net'

ERA members have signed up to the ERA 'Safety Net for Vulnerable Customers'. This includes pledging to never knowingly disconnect a vulnerable customer at any time of year, where for reasons of age, health, disability or severe financial insecurity, that customer is unable to safeguard their personal welfare or the personal welfare of other members of the household.

Social Obligations Reporting (SOR)

The Social Obligations Reporting is used to monitor supplier activity and practices in the areas of debt and disconnection and assistance for vulnerable customers.

Supply Licence Conditions (SLCs)

The legally binding conditions that gas and electricity suppliers must meet to supply to domestic and non-domestic customers, in accordance with the Gas Act (1986) and Electricity Act (1989).

T

Tariff

The charges for supply of electricity/gas combined with all other terms and conditions that apply, or are in any way linked, to a particular type of contract for the supply of electricity/gas to a domestic customer.

V

Vulnerability

We launched our Customer Vulnerability Strategy in July 2013. Our definition of vulnerability is when a customer's personal circumstances and characteristics combine with aspects of the market to create situations where he or she is

- significantly less able than a typical customer to protect or represent his or her interests in the energy market and/or
- significantly more likely than a typical customer to suffer detriment, or that detriment is likely to be more substantial

Warm Home Discount (WHD)

The Warm Home Discount scheme mandates domestic energy suppliers to provide approximately £1.13 billion of direct and indirect support arrangements to fuel poor customers over four years from April 2011.