



*Campaigning for Warm Homes*

## Consultation Document Response

### **Monitoring suppliers' social initiatives- proposed reporting framework**

#### **Source: Ofgem**

For the source document see:

[http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=suppliers%20social%20monitoring\\_consultation.pdf&refer=Sustainability/SocAction/Suppliers/CSR](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=suppliers%20social%20monitoring_consultation.pdf&refer=Sustainability/SocAction/Suppliers/CSR)

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#### **Question 1. What should the qualifying criteria be for a social tariff? Do you agree with the proposed approach?**

NEA has consistently maintained that any social tariff should be at least equal to the lowest cost tariff available in the market. We are conscious that the digital divide is a factor in social exclusion and that online tariffs clearly favour those more affluent consumers who have easy and convenient access to the internet. Consumers who are eligible for social tariffs are the least likely to be this fortunate. In our view this should not exclude those in greatest need of the lowest available tariff from gaining access to it. We accept that this may have implications for the decisions which suppliers make regarding the level of discounts available to online accounts.

We are also sceptical about the degree to which the Government's ambition that suppliers should innovate and compete in this area can be accomplished. There is currently no competitive market for social tariffs. Suppliers make these offers available to their existing customers only and it is not currently possible for a consumer of supplier A to switch to the social tariff of supplier B even if they meet the latter's eligibility criteria. Nor is it clear how companies would deal with situations where consumers switched in the normal way and then revealed that they qualified for the social tariff. In addition many suppliers have set a ceiling on the number of social tariff customers they are prepared to accept. A qualifying customer who is told that the social tariff is 'sold out' cannot simply choose an alternative from a social tariff market.

These restrictions in availability seem to us to be at least as significant as those which Ofgem sees as problematic in using online tariffs as a benchmark. The fact that these tariffs fluctuate and may only be available for short periods has been true of all tariffs for the last three years. The suggestion that focusing on online tariffs will mean directing a significant level of assistance to a smaller number of customers in order to meet spending targets presupposes that suppliers will retain the current level of online discounts. As noted above suppliers will have the option to reduce the differential between online and other tariffs.

A uniform social tariff, uniform in both eligibility criteria and price, also has the advantage of being simple and clear for consumers and their advisors to understand. It eliminates the need for separate publication by individual suppliers of terms and conditions. We accept that the latter will be important if Ofgem maintains its current policy of pseudo competition, although the absence of any genuine market means that the only information relevant to the consumer is that produced by the supplier with which they have an existing contract.

**Question 2. Do you agree with the changes we have proposed to calculating suppliers' contributions from their social tariffs?**

We agree that using actual consumption data rather than assumptions will improve the accuracy of the analysis of suppliers' expenditure on social tariffs.

**Question 3. What are the potential implications and benefits of assessing a supplier's social tariff against the lowest available for that payment method?**

As indicated above our preference is for a uniform social tariff. Whilst this simplifies matters for consumers and their advisors we accept that monitoring will need to continue to examine the differences between the social tariff and a suppliers other tariffs for the purpose of determining expenditure. For the purposes of reporting we also see value in continuing to record the difference between the social tariff and the lowest available tariff in the market for all other tariff options.

**Question 4. Do you agree with our proposed approach to including rebates as part of suppliers' social spend?**

Yes

**Question 5. Do you agree with our proposed approach to including PPM equalisation as part of suppliers social spend only where it is targeted at fuel poor customers?**

We sympathise with the ambition to focus on fuel poor customers but we reserve judgement until more information is available about qualifying criteria. The search for a proxy measure for fuel poverty has an undistinguished track record. We note that around 40% of UK households qualify for priority group status and we would have many reservations if attempts are made to pick and choose between categories of vulnerability. Furthermore, fuel poverty is a moving target, affected by changes in personal circumstances as well as fuel prices and house conditions. We anticipate more difficulties where there are periodic efforts to verify that a prepayment meter customer remains eligible for a more favourable tariff.

**Question 6. Do you agree with our proposed approach to including trust funds as part of suppliers' social spend?**

We have made clear our view that most of the additional support from the industry should be dedicated to provision of social tariffs and rebates. We do not dispute that trust funds offer valuable assistance to some consumers and applaud the initiative shown by some companies in making them part of their corporate social responsibility programmes. We agree that it will be valuable for Ofgem to continue to monitor and report on these programmes. In doing so we think it will be important to measure the extent to which funds are allocated to individual consumers as opposed to third party organisations involved in debt or money advice for example. It will also be important to take account of the benefit which

accrues directly to suppliers where any payments are used to clear outstanding debts for gas and electricity.

**Question 7. Do you agree with our proposed approach to including other categories of spend towards suppliers' social spend targets? In particular our proposed approach to energy efficiency initiatives, debt prevention initiatives and operational costs?**

We acknowledge the value of the range and variety of suppliers' voluntary social initiatives. However, valuable as these may be for both consumers and suppliers, we do not support the inclusion of existing initiatives in calculating spending targets. At a practical level we anticipate many difficulties in calculating what is legitimate additional expenditure, but more generally we view many of these activities as elements of good practice for any company providing essential services. In some instances we have some sympathy with the industry's claim that its costs should be reimbursed. In the case of benefit entitlement checks it may well be argued that the DWP should contribute. For Warm Front top ups and additional CERT measures our reservations are about using consumers money to patch failings or design flaws in other programmes. However we should make clear that we take it as axiomatic that any household which is accepted onto a social tariff or receives a rebate will automatically be offered an energy efficiency package which best suits their circumstances, whether Warm Front, CERT or a combination of the two. As in the case of trust funds we agree that it will be helpful if Ofgem continues to monitor and report on these complementary activities to provide a full picture of industry initiatives to support vulnerable consumers.

**Questions 8 and 9. Not applicable.** See response to Question 7.

**Questions 10 and 11. Do you agree with our proposed approach to calculating suppliers' contribution towards their social spend targets? Do you agree with our proposed approach to setting the baseline spend?**

We support the approach proposed, although clearly our view that additional funding should be primarily allocated to social tariffs and rebates has implications for establishing and revising any baseline expenditure figure.

**Question 12. Do you agree with our proposed approach to include analysis on suppliers' overall tariff and pricing strategies?**

Whilst we reiterate our support for a uniform social tariff which is at least equal to the best offer available in the market, we accept that the kind of tariff analysis proposed by Ofgem for analysing and comparing company performance is useful if existing arrangements continue.

**Question 13. Do you agree with our proposed approach to our monitoring role?**

Yes. However as one of the respondents to the open letter to stress the value of output based measures we are disappointed with the emphasis on counting the numbers of pounds spent. This consultation document places much emphasis on measures which endeavour to target assistance on fuel poor households. We think it would be a missed opportunity if monitoring and reporting failed to record some basic facts and figures about the extent to which this is the case and the difference that this assistance makes to those who receive it.

**Question 14. Do you agree with our proposal to require assurance from the Board of each supplier to ensure data accuracy?**

Yes.

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