

Ofgem Consultation on Revisions to Social Obligations Reporting

Energy UK Response January 2019

About Energy UK

Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our membership covers over 90% of both UK power generation and the energy supply market for UK homes. We represent the diverse nature of the UK's energy industry – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

Our members turn renewable energy sources as well as nuclear, gas and coal into electricity for over 27 million homes and every business in Britain. Over 680,000 people in every corner of the country rely on the sector for their jobs, with many of our members providing long-term employment as well as quality apprenticeships and training for those starting their careers. The energy industry invests over £12.5bn annually, delivers around £84bn in economic activity through its supply chain and interaction with other sectors, and pays £6bn in tax to HMT.

These high-level principles underpin Energy UK's response to Ofgem's Consultation on Revisions to Social Obligations Reporting. This is a high-level industry view; Energy UK's members may hold different views on particular issues, and may send in individual responses. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Executive Summary

Energy UK appreciates the opportunity to respond to Ofgem's consultation on Revisions to Social Obligations Reporting. Energy UK and its members broadly welcome the proposed changes and the extent to which Ofgem has engaged with suppliers' feedback on this topic.

Energy UK members feel that these changes will lead to a less burdensome and more focused process for suppliers. Energy UK particularly welcomes the reduction in data that will be requested, the clearer process for the submission of data, added overall clarity, and the move in some places to annual reporting rather than quarterly. Some members have raised that the indicator changes were difficult to follow, and therefore would find Ofgem publishing a document showing the previous indicators against the suggested indicators useful.

There are some specific issues that Energy UK members have raised which are set out in more detail in our response, most notably around self-disconnection. Energy UK looks forward to continuing to constructively work on this issue, in particular as the Commission for Customers in Vulnerable Circumstances publishes its final report, and a new Vulnerability Charter is finalised.

Responses to Questions

Our approach to data collection for market monitoring

Consultation question 1: Have you found the portal easy to use over the last few years?

Energy UK members are best placed to answer this question in their own responses.

Consultation question 2: Can you suggest ways in which the functioning of the SOR data

portal could be improved?

Energy UK members are best placed to answer this question in their own responses.

Indicators related to domestic consumer debt

Consultation question: Are you content with the changes proposed? And if not please explain any concerns.

Some Energy UK members have expressed concern around the snapshot debt collected by Ofgem, for the reason that legacy and historical debt management performance distorts the results; therefore, they do not accurately reflect current performance.

In practice this means that a supplier who has improved their processes over time is still hamstrung by historical debt management performance. These metrics currently include legacy arrangements, capturing accounts that have been subject to historical debt management policies that have been subsequently improved. Therefore, their SOR reporting is not an accurate reflection of current performance. One proposed solution is for the metric to simply reflect snapshot and take-on debt for the relevant reporting period, in order to illustrate where suppliers have made progress.

Energy UK is happy to facilitate discussions between suppliers and Ofgem on this issue.

Domestic debt repayment – non-PPM customers

Consultation question: Are you content with the changes proposed? And if not please explain any concerns.

Energy UK members have not expressed any serious concerns about these changes, and welcome the clarity given by merging some indicators, however some members have requested that Ofgem provide a more detailed definition of what is meant by “a repayment holiday “. As Ofgem is now proposing that data is collected for England, Scotland and Wales rather than GB wide, it would be welcome if some clarity could be given as to whether suppliers will be given time to adjust their processes to capture this data.

Domestic debt repayment – PPM customers

Consultation question: Are you content with the changes proposed? And if not please explain any concerns.

Energy UK members have not expressed any serious concerns about these changes, and welcome the clarity given by making this consistent with non-PPM customers. Further clarity would be useful from Ofgem with a definition of the beginning of the warrant process, for consistency As Ofgem is now proposing that data is collected for England, Scotland and Wales rather than GB wide, it would be welcome if some clarity could be given as to whether suppliers will be given time to adjust their processes to capture this data.

Debt Assignment Protocol

Consultation question: Are you content with the changes proposed? And if not please explain any concerns.

Energy UK members have not expressed any serious concerns about these changes, and welcome the clarity given by merging some indicators, and the move from reporting some indicators quarterly to annually.

It is, however, important that Ofgem remain mindful that while a point of acquisition approach to debt assignment is now the standard approach for suppliers looking to win customers via the DAP, suppliers are not required by their licence to win customers via the process. The electricity and gas SLCs only

require that they be able to lose a customer where DAP has been agreed by the customer and the New Supplier.

Indicators relating to disconnections

Consultation question: Are you content with the changes proposed? And if not please explain any concerns.

Energy UK members have not expressed any serious concerns about these changes. We are happy that Ofgem recognises the progress made on significantly reducing the number of customers disconnected for debt, helped in a large part by the Energy UK Safety Net. Ofgem also note that many suppliers have taken a policy decision to never disconnect, so these changes will not affect these suppliers.

Smart meters

Consultation question: Are you content with the changes proposed? And if not please explain any concerns.

Energy UK members have not expressed any serious concerns about these changes, and welcome the clarity given by alterations to definitions to closer match Licence Conditions. We would query the addition of Indicator 8.2 which requires suppliers to submit how many smart meters they have installed. This seems like an unnecessary addition given that suppliers are already required to submit this information as part of their obligations under the smart meter roll-out. It would also be useful if Ofgem clarified what they view as a failed top-up.

Indicators relating to the Priority Services Register

Consultation question: Are you content with the changes proposed? And if not please explain any concerns.

Energy UK members have not expressed any serious concerns about these changes, and welcome the clarity given by merging indicators. An indicator on data sharing is welcome.

Energy efficiency

Consultation question: Are you content with the changes proposed? And if not please explain any concerns.

Energy UK members have not expressed any serious concerns about these changes, and welcome the clarity given by merging some indicators, and the move from reporting some indicators quarterly to annually.

Self-disconnection

Consultation question: Do you think that this question would give a worthwhile insight into the problem of self-disconnection? Do you have any alternative proposals for indicators which could be collected from suppliers which would give a better insight?

Energy UK welcomes the new section on self-disconnection and a greater focus on this issue by Ofgem. We are aware that the Department for Business, Energy and Industrial Strategy are also looking at this and we would urge close working on self-disconnection between BEIS and Ofgem.

There has been great progress made on disconnections for reasons of debt on credit meters, with Ofgem's most recent Vulnerability Report highlighting that there were only 17 disconnections for this in the UK last year. We would also highlight Energy UK's PPM principles that currently exist to provide some protection for PPM customers, with 16 suppliers now signed up.

We do, however, recognise that the number of PPM customers self-disconnecting has not decreased in recent years, as borne out by Citizens Advice survey on this, which stated that c.140,000 households self-disconnected. Of particular concern was that the survey found that only 9% of PPM customers who self-disconnected actually contacted their supplier. Self-disconnection, and also self-rationing, have featured heavily through the Commission for Customers in Vulnerable Circumstances evidence gathering, highlighting that this is a growing and pressing issue.

Broadly, Energy UK does believe that this question will assist with giving a worthwhile insight into the problem of self-disconnection.

However, whilst Energy UK welcomes the inclusion of this new indicator, further clarity from Ofgem would be welcome that the limits of that data are understood. This should include a recognition that, if a customer self-disconnects, this could be deliberate (where they regularly let their credit run down and use the meter going off as a trigger to top-up), or for reasons that do not mean there is an issue as such, for example where the customer is on holiday or it is not their primary property. The indicator of where the longest period of self-disconnection was under one day should therefore be treated with caution.

We also believe it is important to stress that customers who are not on Smart PPM's should not be forgotten about. Monitoring self-disconnection with traditional PPM's is obviously much more difficult, and we would urge Ofgem to continue to work closely with Energy UK and suppliers on this issue.

For any further questions or enquires please contact Tom Marsland: tom.marsland@energy-uk.org.uk or 020 7747 2957.