



energy retail association

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### **RESPONSE TO ENERGYWATCH WORK PLAN 2004**

The Energy Retail Association established in October last year is the only dedicated trade association for UK energy suppliers. All the main energy suppliers operating in the domestic market in Great Britain are members of the new association - Atlantic Electric and Gas, British Gas, EDF Energy, npower, Powergen, Scottish Power, and Scottish and Southern Energy.

The purpose of the ERA is:

- to identify areas where the industry can work together for the common good without competitive advantage;
- to improve the profile of the sector with decision makers, opinion formers and consumers
- to protect the industry from regulation that stifles commercial development and assist the industry in the operation of effective self-regulation procedures.

The ERA Board has identified the following six topics as the first year's priorities: Selling, Customer Transfer Programme, Energy Efficiency, Fuel Poverty, Debt, and Renewables

Energy retailers believe that there are many areas where it is in everyone's interests to work together to improve the service we can offer customers. They have already brought choice to millions of households and created a hugely successful market, and we wish to ensure that every customer's experience of exercising their choice is a good one. The decision to establish the Energy Retail Association is testament to this ambition.

This paper offers comments on the questions posed in the energywatch Forward Plan 2004.

### **Delivering effective consumer services**

What else can energywatch do to be more accessible and responsive to consumers?

The ERA believes that the natural evolution of the energy market since the introduction of competition is towards a consumer-led industry. It will be increasingly necessary for energy suppliers to learn more about their customers and anticipate their needs in order to compete for the same consumer base. Therefore, the ERA looks forward to a constructive dialogue with energywatch, in which we can offer our knowledge of the consumer market in order to inform energywatch's campaign messages.

In order to maintain the trust and credibility of industry and consumers, the improvements in the energy supply sector must be reflected in the performance of energywatch. Before setting new targets for itself energywatch should ensure that it achieves existing targets.

Para 1.9 refers to business consumers. The ERA is strictly focused on domestic customers, but would not recognise the need for energywatch to broaden its scope to business customers. Our work on the Customer Transfer Programme, for example has shown that in the main businesses can adequately manage their contracts with suppliers. The exception would be SME's who may benefit from energywatch's services.

### **Confident and assertive consumers**

2.15 Will these proposals strike the correct balance between empowerment and advocacy?

Para 2.5 states energywatch's intention to continue to produce easy to use comparisons of company performance in key areas, such as billing, mis-selling and price.

The industry accepts that the energy supply market has evolved without a strong degree of harmonisation. The ERA will work with government, suppliers and other organisations to improve the presentation of universal information to consumers. We do not support "name and shame" policies, which are ineffective because most consumers do not identify specific services standards with individual energy companies, but refer to the power companies collectively. Bad publicity for one is bad publicity for all. This runs counter to our efforts to raise the profile of energy suppliers as retailers providing a range of differing services and is bad for competition. Any reference to individual suppliers should properly be supported by sound and quantifiable evidence rather than anecdotal evidence.

We have particular concerns that energywatch accredits certain websites that provide price comparisons, which are not truly independent. For example, some require a subscription to be paid by the supplier. Any website accredited by energywatch that does not offer a comparison of all suppliers in the market is not offering total choice and is compromising energywatch's neutrality.

Para 2.8 states that energywatch will develop a series of tools and materials (e.g. standard complaint letters) for consumers to use to complain to suppliers about the standard of service they have received.

We request that the industry is consulted before these measures are developed. Customer service systems have been dramatically improved in the last few years. We consider that our knowledge of the sector will form a key component of any proposals offering advice to consumers dealing with customer services. In particular consumers would benefit from advice provided by energy suppliers on what information to include in standard correspondence or when telephoning with an inquiry. Such accurate information greatly assists in resolving disputes.

### **Championing the interests of vulnerable consumers**

3.21 What should we do to get companies to take their social obligations seriously?

Para 3.4 assumes that industry is not committed to its social obligations. We would contest this assumption.

There are a number of government objectives linked to energy supply. The industry does not oppose these objectives, but it must be borne in mind that energy suppliers are first and foremost commercial businesses. The ERA will work with the Government in support of its public policy agenda. However, we are not a government agency and beyond this it must fall to the Government to create a market that has economic and social benefits. For example, energy suppliers recognise that they are part of the solution to fuel poverty, but they cannot give an undertaking to address this where there is no consumer demand for improvement beyond providing the relevant information that allows consumers to make choices. The ERA has an objective to better inform the public and opinion formers about the positive contribution the industry makes to the community.

Para 3.7 states that energywatch will campaign to prevent companies from disconnecting consumers. The ERA supports Ofgem's view that a ban on disconnection is counter-productive and works against a competitive energy market.

Disconnection is a measure that is used as a last resort. It is important to differentiate those customers who can't pay from those who won't pay. The latter incur the costs that affect the prices we all pay for gas and electricity. We believe it is unfair that those who choose not to pay should be subsidised by others who want to pay - but may themselves be in poverty.

By definition those in fuel poverty spend a larger proportion of their income on heating and lighting their houses. It follows that these customers would be most adversely affected by a ban on disconnection that leads to an increase in fuel prices. Energy suppliers make every effort to help those in difficulty and given the exhaustive process that is followed we seek to avoid disconnection wherever possible. There is a clear disconnection between wanting to continue disconnections and retaining the right to disconnect.

Para 3.15 states that energywatch supports EEC2 measures aimed at a priority group of at least 50%. The ERA considers that the maximum size should be no greater than 50%.

3.22 How do we play a part without duplicating the work of other established organisations that work on behalf of vulnerable consumers?

Energy suppliers currently work with charities, social services and other organisations to ensure that vulnerable groups are aware of benefits such as the Priority Service Register. It is often difficult to identify those customers who could be eligible for such measures and energywatch could usefully work with energy suppliers to communicate the benefits available. The ERA is also working with other agencies, such as NACAB to identify ways to assist those in fuel poverty. Some suppliers have special tariffs for older or low income customers. Others offer checks on entitlement to benefits, security devices, and work with charities to develop the most effective measures to help the fuel poor.

Energywatch could proactively communicate the benefits of the Priority Service Register to consumers.

### **Promoting an effective market**

4.23 How can energywatch further develop its role in promoting consumer confidence and participation in the market?

Para 4.4 states that energywatch intends to identify and expose those suppliers who have poor billing procedures.

Whilst we understand that energywatch has limited powers to demand change, there is no evidence that “naming and shaming” those who have less efficient billing procedures will create a consumer driven market or encourage existing customers to switch suppliers. Instead energywatch should seek to inform consumers about the positive measures individual suppliers are making to add value to the service their services. This would allow consumers to see advantages in switching to a supplier who offered a better sales package, which would create a market in which suppliers competed to offer consumers the best deal not just on price but in the quality and range of services.

Para 4.5 seeks to enhance existing industry codes on selling.

The ERA is undertaking a wholesale review of the Code of Practice for face-to-face marketing of energy supply that is currently administered by the Association of Energy Supply. As part of this initiative we shall be looking at best practice models of other service providers e.g. the banking and travel sectors. We would welcome an opportunity to work together to test the robustness of the new Code at the appropriate time.

Para 4.6 indicates that energywatch looks for active participation in the Customer Transfer Programme to ensure that customer experience is central to the process.

The ERA is currently reviewing the progress of the Customer Transfer Programme as a matter of priority. Although there is no competitive advantage, the process of switching has been improved but there is more work to do because some customers are still encountering difficulties when they change their supplier. The ERA is managing a project group to consider how to implement improvements.

Para 4.9 refers to a mandatory annual statement of energy consumption and costs. We request further details to clarify how this differs from the quarterly figures published by the DTI.

Para 4.10 gives notice of research to assess consumers' attitudes to the development of the energy market post privatisation.

This could be very beneficial to government and industry and the ERA would be pleased to offer assistance in setting the framework for the survey and advice on questions which may be included.

Para 4.11 refers to a series of policy papers on promotion of effective markets.

We require clarification of this proposal. Competition and energy market policy is the responsibility of Ofgem and there is no indication in energywatch's Forward Plan as to what additional information this policy would offer or how it would be used.

Para 4.13 states that energywatch will campaign for the removal of barriers that prevent consumers in debt from changing supplier.

We would welcome a dialogue to identify these barriers, which we consider to be economic, social and environmental, as well as possibly commercial.

Para 4.15 makes reference to a model standard bill and a national and international standard on billing systems.

The ERA is opposed to this proposal. We see no advantage to standardization of bills and moving forward this may be a competitive edge tool. There is no evidence from other utilities or the banking sector that standard bills and billing systems offer additional benefits to consumers. In most instances a customer typically only sees one

gas and one electricity bill and the slight differentiation have no bearing on the customers understanding of the bill.

Para 4.19 calls for consumers to be able to switch suppliers regardless of whether they have outstanding accounts.

We assume that this proposal would not involve the new supplier taking on the debt of the old supplier. We would also like an explanation of how this will help those in debt to pay their new supplier whilst at the same time paying back money owed to their former supplier. We look forward to receiving further details of this proposal.

### **Achieving consumer rights through compliance and enforcement**

5.19 How should energywatch work with the regulator and other enforcement agencies to ensure a fast and efficient referral process?

Para 5.14 states energywatch's intention to campaign for an extension to Ofgem's existing regulatory powers.

The Government has given a commitment to reduce regulation where it stifles enterprise and is a burden on business practice. We welcome Ofgem's intention to regulate the energy industry under the principles of Better Regulation.

Any further regulation must be non-prescriptive, proportionate and developed with a clear and realistic strategy for implementation. Regulations that are drafted without due regard to the impact on business will be ineffective and lead to compliance problems. Therefore we request further details of energywatch's proposals and would request that the ERA is fully consulted at an early stage.

### **Secure, efficient, accessible and safe energy networks supply**

6.18 Will these proposals ensure that consumer interests remain high in this area?

The ERA is engaging with industry, government and energywatch through the Combined Gas and Electricity Emergency Review Group to ensure effective communications in the event of power supply disruption.

This is the first time that the energy industry and government has come together to examine the impact on consumers and develop a communication strategy.

Finally, in response to General Questions the ERA is extremely encouraged by energywatch's desire to build a dialogue with industry through fuller consultation and workshops. However, this attitude must be effectively communicated throughout the regional office network as well as internally in the head office.

We respect energywatch's right to communicate to consumers through the media. However, we have seen too many experiences of negative messaging in regional and national media that only serves to undermine the spirit of co-operation that we are seeking to build on. We would expect that energywatch's its well-honed regional and national communication functions can be used to convey positive messages as well as encouraging continued improvement in energy supply services.

Yours sincerely

Duncan Sedgwick  
Chief Executive