

Involving the consumer watchdog in the regulatory process

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Consumer Focus

- Consumer Focus is the statutory watchdog campaigning for a fair deal for consumers in England, Wales, Scotland, and for postal services Northern Ireland.
- Formed in 2007, from the merger of three consumer organisations – energywatch, Postwatch and the National Consumer Council (including Welsh and Scottish Consumer Councils).
- We operate across the whole of the economy, persuading businesses and public services to put consumers at the heart of what they do.

We seek to improve consumer experience

- **Empowering consumers:** so they can operate effectively in the energy market
- **Representing consumers:** in discussions with Government, the regulator and business
- **Protecting vulnerable customers:** ensuring that older, disabled, low-income & rural customers have access to affordable warmth

The evolution of the UK energy industry

- **Pre-1990**: publicly owned. Central Electricity Generating Board and Gas Board and regional electricity boards
- **1990s – 2000**: Privatisation and separation of a) generation, b) transmission and c) supply.
- **Post 2000**: liberalisation, separation of distribution from supply of energy functions & retail competition; integration of generation and supply

Problems and key issues with the market from the consumer perspective

Price

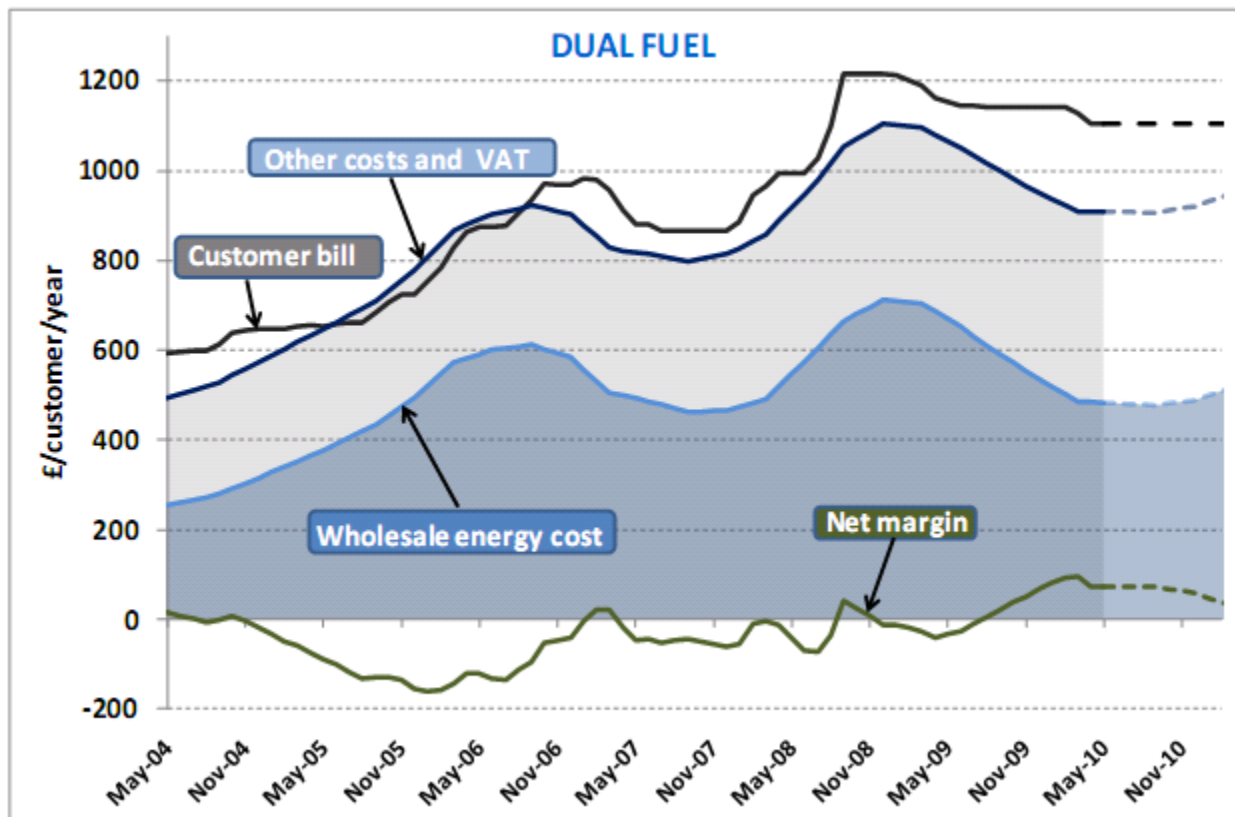
- Retail energy prices do not reflect wholesale price movements
- Discriminatory prices: in-area customers & non-direct debit customers

Services

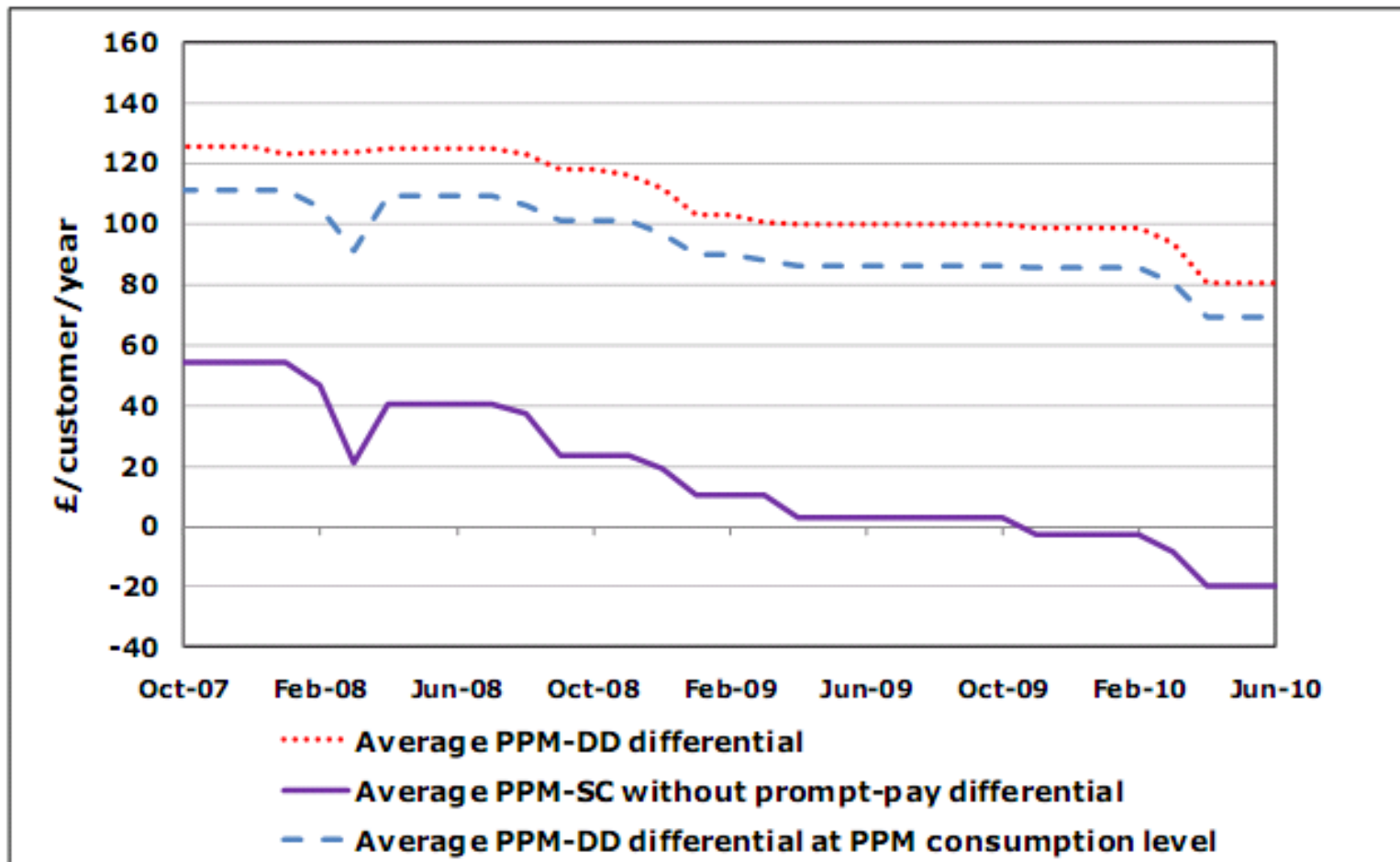
- Conduct of sales & marketing activities
- Handling of queries about debt, billing queries
- Complaints procedures

Net margins earned by the suppliers remain at historically high levels

Figure 1.1: Typical dual fuel customer bill, costs and net margin



Discriminatory pricing: Ofgem has temporarily prohibited discrimination between groups of customers



Source: Ofgem analysis

Conduct: Gas and electricity supply has performed worst on Consumer Confidence Index

UK: Overall CCI scores – bottom scores



Ipsos MORI Base: c.500, April – May 2008; March 2009

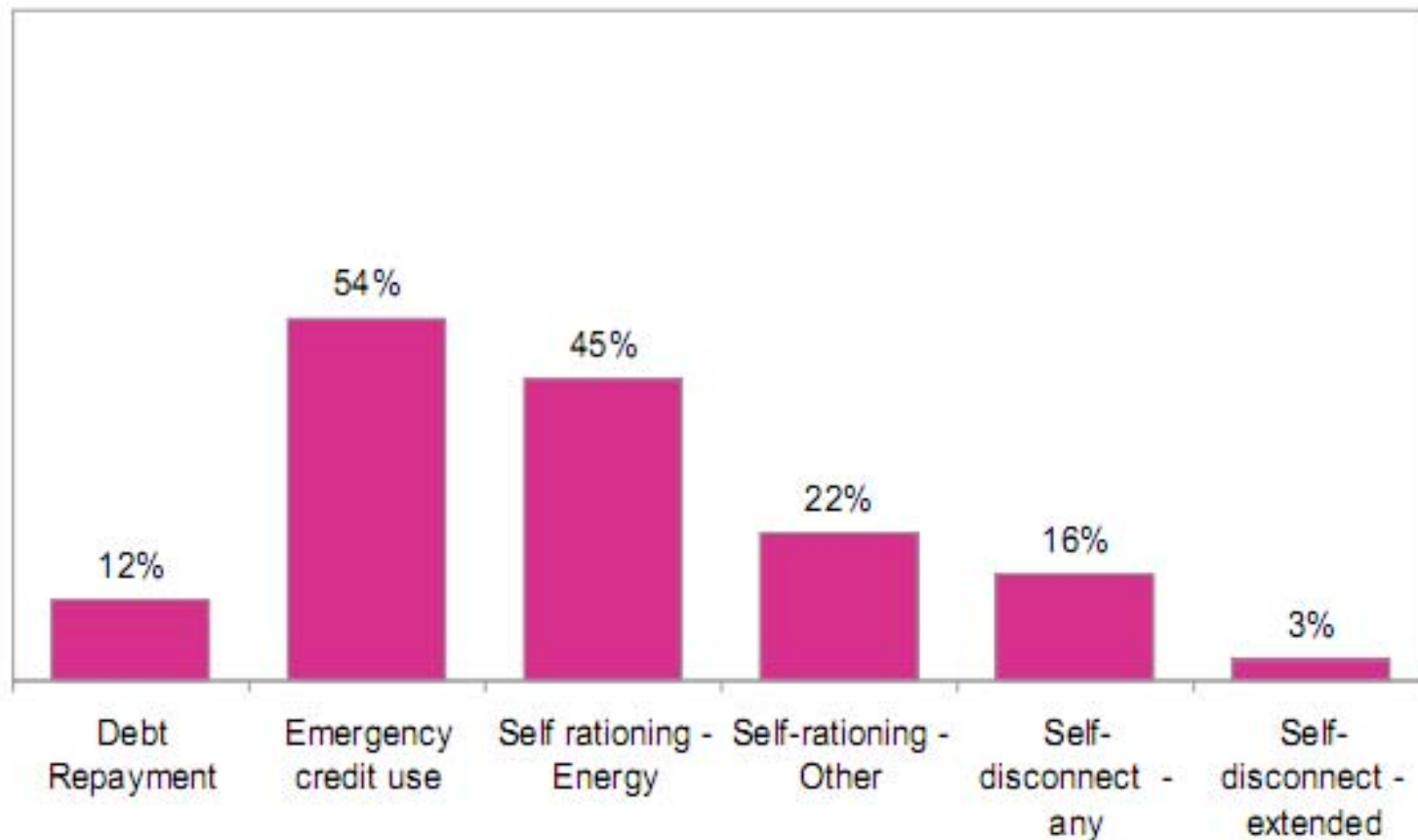


Vulnerable customers: Consumer Debt and Fuel debts

- Citizens Advice Bureaux priority debt cases (Jan - Mar 2009)
 - Council tax arrears - 37,000
 - Mortgage & secured loan arrears - 29,000
 - Fuel debts - 28,000

Fuel is the priority debt with the biggest % increase compared to the same quarter last year - up by 53%

Vulnerable customers: Many people on pre-payment meters deny themselves access to energy

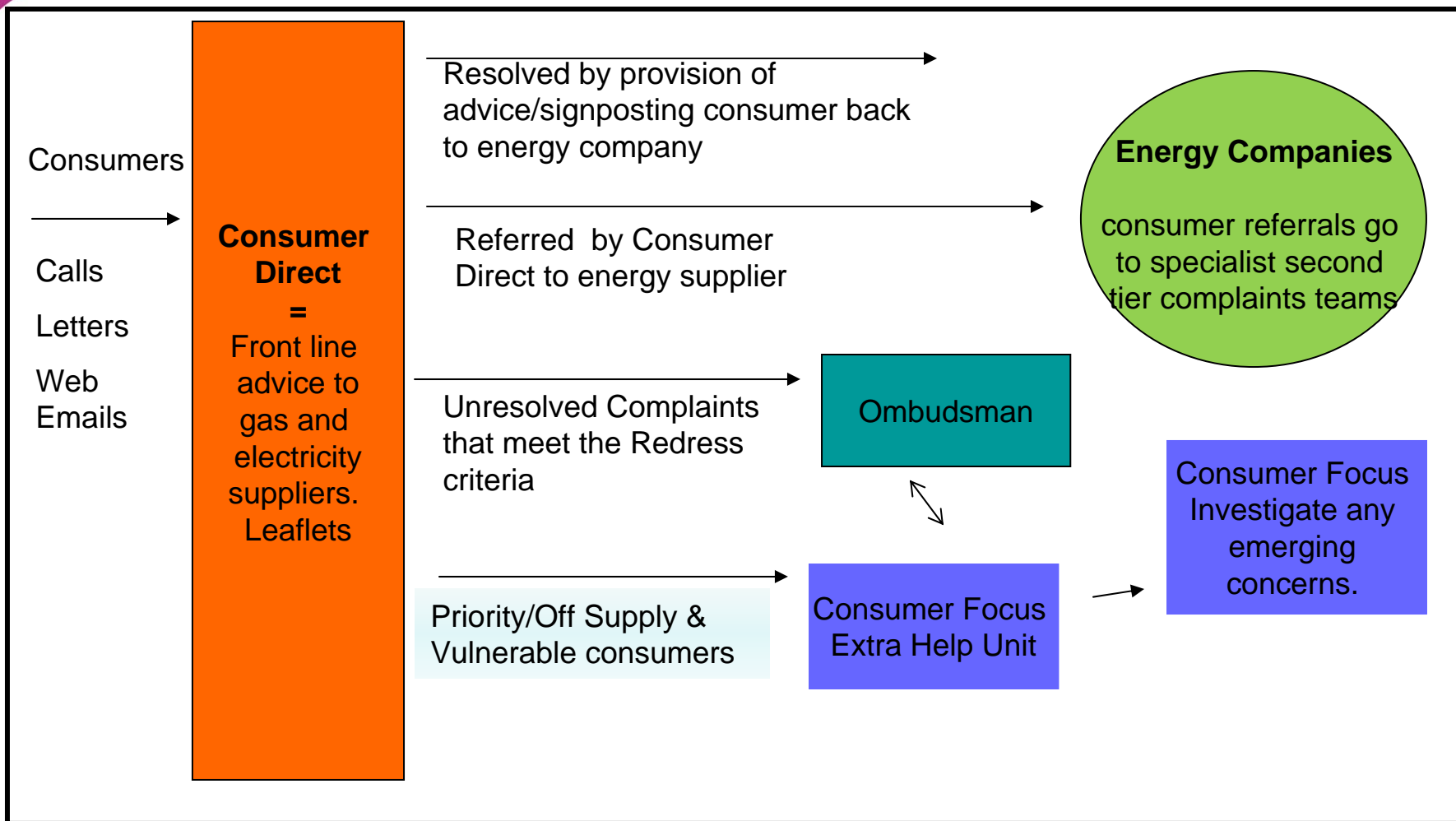


Base: All respondents with PPM (718)

Why do we need a statutory energy consumer body?

- Poor standards of service in the industry
- In energy – disconnection is still a potentially fatal threat
- Consumer body can:
 - challenge suppliers policies and processes.
 - inform and empower consumers to participate in the market.
 - encourage competition and drive company performance, based on more than just price (customer service, complaint handling etc).

New consumer arrangements - dispute and complaint handling



How do we work?

- Power to request information from industry
- Identify trends in customer complaints across industry and monitor company performance
- Use evidence base and policy advocacy to make referrals for investigation / enforcement action by the regulator
- Inform legislative changes
- Cross industry body – learn from and make links with consumer protection and behaviour in other markets.
- Power to make super complaints.

Role of Extra Help Unit

- Referrals from **Consumer Direct, Ofgem** and **Energy Ombudsman**
- Urgent calls are transferred through by Consumer Direct.
- Non-urgent calls are emailed to general inbox – monitored by EHU Admin
- Referral guidelines in place with above stakeholders
- The Energy Ombudsman and Ofgem also send us cases to investigate

Current challenges for consumer organisations

Address the weaknesses of retail competition

- Advertising and marketing of tariffs
- Wholesale / retail prices

Low carbon agenda

- Smart meters / grids: maintain consumer protections, ensure potential benefits are realised
- Installation and service quality of energy efficiency

Vulnerable customers

- Vulnerable customers in a recession

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