



**Consumer
Focus**
Campaigning for a fair deal

What's the deal?

Energy suppliers' social tariffs and rebates

February 2010



About us

Consumer Focus is the statutory organisation that champions the interests of consumers across England, Wales, Scotland and, for post, Northern Ireland. We started work on 1 October 2008.

Consumer Focus was formed through the merger of three organisations – energywatch, Postwatch and the National Consumer Council (including the Scottish and Welsh Consumer Councils). We are an organisation that works in a devolved setting, with work priorities varying across different parts of the country, but all working to common strategic goals.

Through campaigning, advocacy and research, we champion consumers' interests in private and public sectors by working to secure fairer markets, greater value for money, and improved customer service. We have a particular focus on the interests of

consumers in markets that are designated by Government as requiring additional consumer advocacy. Currently these include energy and postal service consumers.

We also have a commitment to work on behalf of vulnerable consumers, and a duty to work on issues of sustainable development.

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About Cornwall Energy

The Cornwall Energy team comprise independent energy market specialists who have experience of liberalised energy markets since their inception in Great Britain and elsewhere in the late 1980s. Specific areas of our expertise include:

- regulation and public policy within both electricity and gas markets. Our Energy Spectrum market intelligence services numbers 70 energy industry participants and stakeholders amongst its subscribers
- electricity and gas market governance and business processes;
- renewables policy and market developments
- energy retail and business-to-business supply markets

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1 Executive summary

1.1 Scope and approach

Consumer Focus asked Cornwall Energy to update its 2007 assessment of electricity and gas suppliers' voluntary social tariffs and bill rebates for low-income consumers for the year ending 31 March 2009.¹ The term 'social tariff' is used to describe tariffs that offer a rate at least as good as suppliers' standard direct debit tariffs and is the definition applied by Ofgem before April 2009. The term 'bill rebate' describes a variety of discounts offered by suppliers to low-income consumers that do not meet the social tariff criteria. Social tariffs and bill rebates are collectively described as 'social packages'.

This report sets out Cornwall Energy's assessment of suppliers' social packages at 31 March 2009. It compares them with the original autumn 2007 assessment produced for Consumer Focus' predecessor, energywatch. The report also:

- summarises suppliers' social tariff and bill rebate arrangements
- compares suppliers' 'spend' on social packages with the £100m level agreed with the Government for the year ending 31 March 2009
- reviews how the assessment of suppliers' social spend compares with Ofgem's findings
- considers suppliers' commitments compared with:
 - wider market price levels
 - the choices they have around 'breadth' (the number of consumers benefiting) and 'depth' (the amount of saving each individual consumer receives), given specified levels of funding and the overall cost to consumers as a whole

Consumer Focus asked the six major domestic fuel suppliers to provide information on the number of consumers benefiting from a social package on 31 March 2009 and the principles behind these offerings (eg eligibility criteria, discount offered). All six suppliers provided this information, and we would like to thank them for their assistance. The methodology for assessing suppliers' social packages is the same as that used for the autumn 2007 evaluation (see Section 2 in main report for details).

¹ This document, Proportionality of social tariffs and rebates, is available at:
http://collections.europarchive.org/tna/20080922203044/http://www.energywatch.org.UK/uploads/Proportionality_of_suppliers_social_tariffs_13_January_2008.pdf

1.2 Summary findings

1.2.1 Annualised contributions at 31 March 2009

1.2.1.1 Overall commitments

All six suppliers increased their voluntary social packages between autumn 2007 and 31 March 2009. Suppliers developed existing offers, launched new products and waived price increases for social tariff consumers. In line with the commitment they had made to the Government, the suppliers' total annualised contribution of £21.7m in autumn 2007 rose to £164.6m by 31 March 2009. Just over 40 per cent of the contribution (£69.2m) consisted of social tariffs, the rest was bill rebates worth £9.9m and waived price increases by two companies, British Gas, and Scottish and Southern Energy, worth £65.4m and £4.6m respectively.

Supplier spend on social packages represented on average 0.57 per cent of company turnover at 31 March 2009. This ranged from 0.33 per cent at Scottish Power to 0.88 per cent at British Gas. Supplier spend on social tariffs alone represented on average 0.24 per cent of company turnover. This ranged from 0.01 per cent at Eon UK to 0.43 per cent at RWE npower. It should be noted that the figure for Eon UK does not include their StayWarm tariff because it is not classed as a social tariff. The following conclusions are also of note:

- British Gas made the largest financial contribution to social packages at £90.7m (55 per cent of all supplier funding). It also spent £25.3m on social tariffs and £65.4m on waived price increases. 516,279 gas and electricity consumer accounts received a social package – the highest number of all the six companies, accounting for 41 per cent of all social package consumer accounts
- EDF Energy contributed £12m to social tariffs (seven per cent of the total), supporting just over 145,000 consumer accounts (12 per cent of the total)
- RWE npower contributed £14.8m (nine per cent of the total), of which £0.2m was spent on bill rebates and the remainder on social tariffs. This supported 120,000 accounts (10 per cent of the total)
- Scottish and Southern Energy contributed £18m (11 per cent of the total). £11.7m was spent on social tariffs, £4.6m on waived price increases and £1.7m on bill rebates. This supported 154,955 accounts (13 per cent of the total)
- Scottish Power contributed £9.7m (six per cent of the total), of which £5.3m was spent on social tariffs and £4.4m on bill rebates. This supported 107,821 accounts (nine per cent of the total)
- E.ON UK contributed £19.5m (12 per cent of the total), of which £0.3m was spent on social tariffs and £3.6m on bill rebates, with the balance on the social element of its StayWarm tariff. The company supported 211,092 accounts (17 per cent of the total)

British Gas' contribution to its social package was proportionately higher than its market share, with contributions from the other suppliers proportionately lower than their market share. While this is an important finding, this observation should be qualified because British Gas's standard prices (ie prices for consumers who do not pay 'on-line') tend to be at or above average levels for the six suppliers assessed in this survey.

The research suggests that the actual voluntary contribution from the six suppliers at £164.4m considerably exceeds the £100m agreed with the government. However, 42 per cent of this amount was due to foregone revenue (ie revenue the companies would have otherwise received) from two suppliers waiving price increases for social tariff consumers. The companies may have decided to waive price increases in 2008 but will not necessarily do this again in the future. Of course, the policy can only be applied during a period of price increases. It is therefore quite possible that the waived price increases were 'one-offs' only.

The analysis suggests that British Gas's financial contribution exceeded its relative share of customer accounts (see Table 1.1).

Table 1:1: Suppliers' social packages and market shares – annualised at 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Social package value (£m)	90.7	12.0	19.5	14.8	9.7	18.0	164.6
Proportion of collective supplier spend (%)	55	7	12	9	6	11	100
Energy market share (%)	32	11	16	13	10	17	100

1.2.2 Key elements of suppliers' commitments

There were four main ways in which suppliers made contributions to their social packages:

- **Social tariffs:** the suppliers collectively committed £69.2m to electricity and gas social tariffs at an average cost of £1.41 per meter. Social tariffs accounted for 42 per cent of all supplier spend on social packages
- **Waived price increases for social tariff customers:** this represented revenue foregone for British Gas, and Scottish and Southern Energy of £65.4m and £4.6m respectively. Waived price increases accounted for 42 per cent of all supplier spend on social packages
- **E.ON UK's StayWarm:** the social element of this tariff accounted for £15.6m, or nine per cent of all supplier spend on social packages
- **Bill rebates:** four of the six suppliers had offerings available to just over 250,000 consumers to a combined value of £9.9m. Bill rebates accounted for six per cent of supplier spend on social packages

Table 1:2 is an overview of the key elements of suppliers' voluntary social packages.

Table 1:2: Social packages – estimated annualised costs to suppliers at 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Social tariffs (£m)	25.3	12.0	0.3	14.6	5.3	11.7	69.2
Waived price increases (£m)	65.4	0.0	0.0	0.0	0.0	4.6	69.9
Social element of StayWarm (£m)	0.0	0.0	15.6	0.0	0.0	0.0	15.6
Rebates (£m)	0.0	0.0	3.6	0.2	4.4	1.7	9.9
Total costs (£m)	90.7	12.0	19.5	14.8	9.7	18.0	164.6
Consumer beneficiaries	516,279	145,012	211,092	119,848	107,281	154,955	1,254,467
Meters supplied	15.8	5.2	7.8	6.6	5.1	8.5	49.1
Estimated turnover (£m)	10,292	2,786	4,414	3,813	2,940	4,741	28,986
Cost £/all meters supplied	5.74	2.30	2.49	2.24	1.89	2.11	3.35
Rank	1	3	2	4	6	5	
Costs as proportion of turnover (%)	0.88	0.43	0.44	0.39	0.33	0.38	0.57
Rank	1	3	2	4	6	5	
Recipients as proportion of all accounts (%)	3.27	2.78	2.69	1.82	2.09	1.82	2.56
Rank	1	2	3	6	4	5	

1.2.3 Commentary

This assessment shows that energy suppliers exceeded their agreement with the Government to collectively commit £100m in 2008-09 to voluntary measures that support vulnerable customers. However almost 40 per cent of the £164.6m provided to social packages last year was achieved through waived price increases for social tariff customers from only two energy firms – British Gas and Scottish and Southern Energy.

If waived price increases prove to be one-offs, the suppliers will need to greatly improve their social packages to meet the increased spending commitments agreed with Government of £125m for 2009-10 and £150m for 2010-11. We would particularly like to see an increased proportion of suppliers' voluntary spending being used to fund social tariffs, which guarantee the lowest price rates from the supplier. Social tariffs formed only just over 40 per cent of suppliers' social spend in 2008-09.

In addition, the following points are of note.

- This research used annualised contributions at 31 March 2009, based on standardised profiles and costings to minimise complexity, rather than suppliers' actual contributions. The methodology therefore slightly 'exaggerated' suppliers' social spend, especially for those that increased the number of consumers signed to their social tariffs significantly during 2008-09
- Suppliers have considerable discretion in how they deliver the annual totals to which they have collectively committed. This is most obvious when considering the breadth (number of benefiting accounts) and depth (amount of support each consumer receives) made available by suppliers
- Suppliers have considerable discretion over who receives a social package. Some only make packages available to pensioners, while others operate a broader range of criteria. The qualifying period for which social tariff consumers need to have bought energy from suppliers also varies between suppliers
- The social element of the StayWarm tariff, the major contributor of E.ON UK to the agreement, is very different to other suppliers' social packages and is difficult to compare. The tariff is, therefore, reviewed separately. Consumer Focus should work with Ofgem to see how vulnerable consumers benefit from the tariff compared with other tariffs, including E.ON UK's new Warm Assist offering
- Suppliers take different approaches to the internal quotas they set for the number of benefiting consumers. British Gas stopped accepting new entrants onto its tariff in October 2008 because it had reached its quota, while other companies continued to accept new consumers onto their tariffs after their internal quotas were reached. British Gas has subsequently launched a new social tariff
- Levels of commitment to social tariffs vary over time as suppliers become more and less competitive in relation to each other and as they change the balance of prices between different payment methods. The latter is a key area of supplier activity since Ofgem issued its Energy supply probe – Initial findings report in October 2008², and several suppliers have made important changes to their standard tariffs (see section 6.4 for details)
- City analysts estimate typical gross fuel companies' supply margins from the household sector at around five per cent. The cost of the six suppliers' social packages was assessed at 0.57 per cent of turnover in 2008-09, or more than a tenth of reported supply margins. However, this includes the waived price increases, which might be one-offs. If these are excluded, the remaining social packages represent around 0.30 per cent of total supplier turnover
- Suppliers will seek to recover a proportion (possibly 100 per cent) of the cost of their voluntary social packages from their wider market prices. The cost of these measures was equivalent to £3.35 per meter supplied at 31 March 2009, indicating that they will cost £6.70 per year per householder (with both a gas and electricity supply), if suppliers pass on the costs in full to consumers. For social tariffs alone, the cost is £1.41 for every gas and electricity account, or £2.82 for every household with both gas and electricity supplies

² [http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Energy %20Supply per cent20Probe%20-%20Initial%20Findings%20Report.pdf](http://www.ofgem.gov.uk/Markets/RetMkts/ensuppro/Documents1/Energy%20Supply%20per%20cent%20Probe%20-%20Initial%20Findings%20Report.pdf)

1.3 Comparison against Ofgem's findings

During the course of this research, Ofgem concluded its own review of suppliers' voluntary social commitments.³ Using data solicited through a detailed questionnaire about suppliers' actual contributions, the regulator found that for the year ending 31 March 2009 suppliers' collective expenditure totalled £157m with one million consumer accounts benefiting from social tariffs. Ofgem's review included suppliers' spend on items not covered by this research, namely trust funds (£11m) and 'other assistance' (£5.9m). These additional items accounted for 11 per cent of suppliers' social spend under Ofgem's criteria.

Table 1:3 summarises Ofgem's findings for suppliers' social packages (these do not include trust funds and 'other assistance'). Ofgem did not distinguish supplier expenditure on waived price increases from expenditure on social tariffs. It shows suppliers contributed £140.4m to their social packages, of which £114.9m was to social tariffs (including waived increases), £15.6m was to the social element of StayWarm and £9.9m was to bill rebates. The figures in the brackets in Table 1:3 show the results of this research to allow comparison to be made with Ofgem's findings.

Table 1:3: Social packages – Ofgem's estimated annualised costs to suppliers at 31 March 2009

(£m)	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Social tariffs (£m)	25.3	12.0	0.3	14.6	5.3	11.7	69.2
Social tariffs and waived price increases	77.4 (90.7)	8.8 (12.0)	0.0 (0.3)	12.3 (14.6)	1.5 (5.3)	14.9 (16.3)	114.9 (139.1)
Social element of StayWarm	0.0	0.0	15.6 (15.6)	0.0	0.0	0.0	15.6 (15.6)
Rebates	0.0	0.0	3.6 (3.6)	0.2 (0.2)	4.4 (4.4)	1.7 (1.7)	9.9 (9.9)
Total costs	77.4 (90.7)	8.8 (12.0)	19.3 (19.5)	12.4 (14.8)	5.9 (9.7)	16.6 (18.0)	140.4 (164.6)

Assuming supplier spend on social tariffs and waived price increases, in Ofgem's review, was split to the same proportion as found by this research (that is, roughly similar amounts were spent on both), the Ofgem analysis suggests suppliers spent £87.2m on social packages and £99.6m on all social programmes (including trust funds and 'other assistance'), if waived price increases are not included. Thus, Ofgem's analysis also suggests supplier spend on all social programmes was marginally short of the Government target, if waived price increases are not included.

In contrast to Ofgem's approach, this research calculated suppliers' contributions from:

- the number of consumer accounts served by social tariffs or bill rebates at 31 March 2009 and the principles behind these offerings (eligibility criteria etc), and the actual financial contribution to rebates. (suppliers provided this information)
- typical prices charged by region, fuel and payment terms at 31 March 2009. This information was sourced from Consumer Focus pricing factsheets (available on the Consumer Focus website)
- how vulnerable consumers pay for their energy, and how such consumers are distributed across Great Britain, derived from DECC reports and publications (see section 2 for details)

³ www.ofgem.gov.UK/Sustainability/SocAction/Suppliers/CSR/Documents1/Monitoring_suppliers_social_spend_2008_09_final.pdf

Suppliers' voluntary commitment to their social packages was assessed at £164.6m, as shown in Table 1:2. Both Ofgem's and this analysis yield the same ranking of absolute commitments: British Gas with the highest followed by E.ON UK, Scottish and Southern Energy, RWE npower, EDF Energy and Scottish Power. But the aggregate assessment calculated by this research is some £24.3m (or 17 per cent) more than that calculated by Ofgem. The difference is accounted for entirely by social tariffs. This is due to two factors:

- the average value of the benefit for those social tariffs based on percentage reductions on standard rates increased during 2008-09. This is because suppliers increased standard prices during the July to September period of that year
- the rising number of consumers signing up for social tariffs during the year. The annualised assessments used in this research effectively assume consumers had full year benefits if they were recorded as signed up to social tariffs at 31 March 2009. In reality, suppliers were actively seeking new social tariff accounts throughout the year. Ofgem's approach reflects the actual costs incurred by suppliers as consumers signed up to social tariffs during the course of the year

Given the broad similarities between the findings of this research and Ofgem's analysis, it is likely that the findings broadly reflect reality 'on the ground'. This research also usefully complements Ofgem's analysis in that it separates out expenditure on waived price increases from that on social tariffs and social packages as a whole.



2 Approach

This chapter summarises the approach taken to assessing suppliers' voluntary commitments to social packages. It outlines the measures included within social packages and the method used to assess their costs.

2.1 Purpose of research

In late 2008, Consumer Focus asked Cornwall Energy to update its 2007 assessment of voluntary social tariffs and bill rebates (collectively described as social packages) offered by the big six suppliers⁴ of electricity and gas to low income consumers. The original assessment was undertaken for energywatch to reflect the position at autumn 2007 and was published in January 2008⁵.

The research considered the suppliers' commitments both individually and collectively as the ratio of:

- the number of consumers benefiting from social packages as a proportion of the total number of accounts served
- their cost to each supplier as a proportion of overall turnover from supplying electricity and gas
- their cost spread over the total number of meters served

There have been a number of significant developments since publication of energywatch's original report in 2008. These include the launch of a number of new social tariffs; Ofgem's tightening of its definition of the term 'social tariff' in June 2008; and the agreement between suppliers and the Government in May 2008 to increase suppliers' commitment to supporting vulnerable consumers.

This second review updates the 2007 assessment of suppliers' social packages, using a baseline of annualised commitments at 31 March 2009. As well as updating the above ratios and comparing them with those for autumn 2007, the review sets out:

- a detailed summary of how suppliers' social tariff and bill rebate arrangements have evolved, including the decisions by two suppliers in the summer of 2008 to waive standard price increases for their social tariff customers
- how suppliers' voluntary commitments to social packages compare in aggregate with the £100m level agreed, albeit on a wider range of services, with the Government for the year ending 31 March 2009
- a brief consideration of suppliers' commitments compared to wider market price levels, the choices they have around 'breadth' (the number of consumers benefiting) and 'depth' (the amount of saving each individual consumer receives) given specified levels of funding, and overall costs to consumers as a whole

⁴ British Gas, E.ON UK (Powergen), EDF Energy, RWE npower, Scottish and Southern Energy and Scottish Power

⁵ The original report for energywatch, Proportionality of social tariffs and rebates, is available at: http://collections.europarchive.org/tna/20080922203044/http://www.energywatch.org.UK/uploads/Proportionality_of_suppliers_social_tariffs_13_January_2008.pdf

2.2 Approach

In order to undertake the analysis in a time-efficient way, a number of assumptions were made:

- that Ofgem's monitoring reports of 2008 and 2009 (Monitoring suppliers' social programmes 2007-08 and Monitoring suppliers' social programmes 2008-09) are accurate baselines for reviewing suppliers' voluntary initiatives⁶
- that Ofgem's October 2008 Initial supply probe report⁷ provide accurate information on the number of meters in the household gas and electricity markets and how these are shared between the major suppliers
- that the Government's 2008 Fuel poverty progress report for England provides accurate information on the breakdown of payment terms for the electricity and gas bills of fuel poor consumers in 2006
- that British Gas activity is spread across the whole of Great Britain, while that from the other major suppliers is concentrated in their traditional home electricity supply regions. Of course, the activity of all the Big Six suppliers is becoming more nationally rather than regionally based; however official figures still show incumbent market shares of 40-50 per cent or above by region⁹
- that the 1 July 2008 and 3 April 2009 data on annualised costs to a typical medium user of gas and electricity¹⁰ are a reliable baseline from which an account cost of individual social tariff offerings can be derived. Information on the cost of dual fuel (gas and electricity from a single supplier) was not used because it was apparent most social consumers do not have dual fuel arrangements. It is worth noting that separate bills for gas and electricity are usually higher than the equivalent dual fuel bill
- the use of medium-user price data in this analysis may exaggerate the cost of social packages to suppliers, if our contention that low-income consumers generally have fairly low levels of consumption is accepted; thus, the consumption of social tariff consumers is likely to be closer to the 'low user' rather than 'medium user' price data¹¹

2.3 Analysis process

The analysis assesses the annualised commitments made by suppliers to social packages at 31 March 2009 and compares them with those at autumn 2007, as calculated in the original report for energywatch. The term 'social packages' includes:

- social tariffs
- waived price increases for social tariff customers. These were analysed separately as they represent specific and time-limited adjustments to enduring social tariff arrangements and provided a one-off benefit to recipients during winter 2008-09
- the social element of the StayWarm tariff offered by E.ON UK
- bill rebates

The term does not include trust funds, partnership initiatives or energy efficiency initiatives beyond those prescribed by the Carbon Emissions Reduction Target (CERT)¹². It is important to note that Ofgem does include such initiatives in its monitoring of supplier 'social spend', although collectively these items only contributed 11 per cent to supplier spend, according to Ofgem's most recent analysis (see section 6.3).

⁶ This document is available at: [www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/Monitoring per cent20Suppliers per cent20Social per cent20Spend per cent20171.08.pdf](http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/Monitoring%20per%20cent%20Suppliers%20per%20cent%20Social%20per%20cent%20Spend%20per%20cent%20171.08.pdf)

⁷ This document is available at: www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Energy%20Supply%20Probe%20-%20Initial%20Findings%20Report.pdf&refer=Markets/RetMkts/ensuppro

⁸ This document is available at www.berr.gov.uk/files/file48036.pdf

⁹ One supplier stated that only 22 per cent of the customers of one of its major social offerings lived in its home supply regions.

¹⁰ Consumer Focus pricing factsheets based on this information are available at: www.consumerfocus.org.uk/en/content/cms/Energy_Help___Advice/Energy_Supplier_Pric/Energy_Supplier_Pric.aspx

¹¹ The medium user is deemed to consume 3,300kWh of electricity and 20,500kWh of gas a year while low users consume 1,650kWh and 10,000kWh respectively. Two suppliers stated that their social tariff customers often had above average consumption levels. However, in general energy consumption rises with increased income, ie low income consumers tend to have low consumption.

¹² The Carbon Emissions Reduction Target is the Government's main household sector energy and carbon saving scheme. It places a three year (to March 2011) obligation on energy suppliers to meet household carbon saving targets through encouraging consumers to take up energy saving measures like loft and cavity wall insulation, higher efficiency lighting and appliances. If suppliers carry out energy efficiency activities for vulnerable consumers that are not included as part of CERT, Ofgem counts this towards their voluntary 'social spend'.

Ofgem carried out its analysis of suppliers' actual spend on social package measures for the year ending 31 March 2009. Ofgem's analysis was based on suppliers' actual commitments over 2008-09. The approach in this research differs from Ofgem's in that it covered a narrower range of services and assessed suppliers' commitments by taking a 'snapshot' of spend at 31 March 2009 and annualising this to the preceding year. Ofgem's analysis was thus able to take account of the fact that a number of suppliers developed their range of offers and escalated the number of benefiting accounts during the course of 2008-09.

2.4 Information from suppliers

In order to assist the evaluation, Consumer Focus asked the major domestic suppliers to provide information on the number of consumers benefiting from their social tariffs and bill rebates at 31 March 2009 and the principles behind these offerings (eg eligibility criteria, discount offered). The suppliers were also asked to provide any other relevant information on their voluntary social commitments. This information is summarised in the annex.

All six large domestic suppliers provided information on their voluntary social commitments. They also gave information on the numbers of vulnerable consumers served by their targeted tariffs and rebates and the principles behind their offerings. We would like to thank suppliers and their representatives for their assistance with this analysis.

2.5 Social tariffs

The original report for energywatch defined 'social tariffs' as arrangements which were targeted specifically at vulnerable consumers regardless of payment method and where rates were at least as good as the supplier's standard direct debit tariff. The report highlighted the various approaches taken by suppliers to structure their social tariffs, including:

- a specific discount from standard tariffs applied either as a percentage or flat rate
- a commitment to at least match low-priced, not necessarily the lowest priced, tariff schedules regardless of their payment terms
- a fixed-fee based charging arrangement not directly related to actual usage but expected to be at a lower cost than standard pricing schedules¹³

This definition was also applied to the updated analysis outlined in this report, although Ofgem has now set out a tighter definition of social tariffs, which came into effect on 1 April 2009 (see Section 4.2.1).

Our analysis undertook the following steps to evaluate the cost of social tariffs to suppliers, and effectively the benefit available to consumers:

- Consumer Focus pricing data for medium users (although see footnote 11) was used to evaluate the saving available from the social tariff by payment term and by region for both gas and electricity supplies. The pricing information current at 1 July 2008 and 3 April 2009 was used due to the decision by two suppliers, British Gas and Scottish and Southern Energy, to waive price rises levied in late July and August 2008 respectively until at least April 2009
- A weighted average saving from social tariffs for gas and electricity by supplier was calculated, by each region of England, according to the proportion of the fuel poor supplied on such terms in England in 2006 (the latest available data). These proportions are shown in Table 2:1
- The number of consumers served by each supplier, eligible by region and payment term for the social tariff, was estimated. The analysis used data provided by the suppliers themselves on the numbers of consumers benefiting from social tariffs nationally and allocated them regionally. It was assumed that British Gas Essentials consumers were distributed around the country weighted according to the 14 supply regions and, within that proportionately, to the relevant payment terms, as shown in Table 2:1¹⁴. It was also assumed that the other suppliers' social tariff consumers were primarily located in their home electricity supply regions, again distributed proportionately. This reflects the significant retained market shares held by all the incumbent electricity suppliers in their 'home' regions (that is, the regions in which they previously enjoyed franchise rights)

¹³ An example of a tariff of this kind is E.ON UK's StayWarm arrangement. The social element of this tariff is based on a monthly fee.

¹⁴ Because British Gas effectively only offered a discount to standard credit and prepayment meter social tariff consumers, consumers were only allocated to these payment methods. All Scottish and Southern Energy, E.ON UK, RWE npower, Scottish Power and EDF Energy social tariff consumers were spread across the three different payment methods.

- An estimate of the cost in aggregate to each supplier was calculated by multiplying the anticipated consumer benefit by the calculated number of consumers for each payment term for each supply region. It should be noted that the payment methods used by social tariff consumers, who are generally defined by their age or benefit characteristics, may differ from those used by fuel poor consumers, who are defined by their income and housing characteristics

Table 2:1: Proportion of fuel poor consumers by payment method

Payment method	Electricity	Gas
Direct Debit (%)	39	40.9
Standard credit (%)	43	43.8
Prepayment (%)	18	15.4

Source: *Fuel Poverty Statistics, Detailed tables, 2006, Annex to Fuel Poverty Strategy Report, Berr 2008¹⁵.*

Gas figures are proportionate to those fuel poor households with access to gas.

2.6 Waived price increases

The research assessed British Gas, and Scottish and Southern Energy's financial commitments as a result of waiving their respective standard price increases of 30 July 2008 and 25 August 2008 to their social tariff customers. Information from Consumer Focus pricing factsheets for annualised costs for medium users, current at 1 July 2008 and 3 April 2009, was used for this purpose. The net impact of these price increases (and the subsequent smaller reductions levied early in 2009) is shown in Table 2:2.

Table 2:2: Cost assessments for British Gas, and Scottish and Southern Energy

Average annualised cost	Jul-08 £	Apr-09 £	Change %
British Gas – electricity	413	447	8
British Gas – gas	652	798	22
Scottish and Southern Energy – electricity	397	439	11
Scottish and Southern Energy – gas	624	766	23

Source: *Consumer Focus pricing data. Average of annualised direct debit, standard credit and prepayment costs.*

The following are the approaches used to assess the cost to the suppliers of waiving price increases:

- the difference between the social tariff costs for each payment method for each supply region for the two suppliers was isolated using our pricing data for schedules applied by each company at 3 April 2009. The benefit from waiving the increase to social tariff users was calculated by applying the principles of each of the company's social tariffs to derive annualised costs at July 2008 and March 2009. These were standard direct debit prices regardless of payment terms for British Gas Essentials; and 20 per cent off the appropriate cost for Scottish and Southern Energy's Energycare plus
- for electricity, the annualised waived benefit costs were weighted according to the proportion of domestic electricity consumed,¹⁶ in the periods from 1 August 2008 to 31 March 2009 (for British Gas) and 1 September 2008 to 31 March 2009 (for Scottish and Southern Energy), compared with the year as a whole commencing 1 April 2008. The respective percentage figures derived were 71 per cent (British Gas) and 64 per cent (Scottish and Southern Energy)

¹⁵ The file is available at: www.berr.gov.uk/files/file48038.pdf.

¹⁶ As recorded by the Department for Energy and Climate Change: http://stats.berr.gov.uk/energystats/et5_5.xls

- for gas, the annualised waived benefit figures were weighted according to the proportion of domestic gas consumed,¹⁷ in the two winter quarters of 2008 (commencing 1 January and 1 October), compared with the year as a whole. The percentage figure derived for weighting the waived benefit for both suppliers was 74 per cent. The different approach reflects the fact that information on household gas consumption is only available quarterly, rather than monthly, as is the case for electricity
- the commitments to social tariffs were estimated by multiplying the weighted waived benefit by the assessed number of accounts at 31 March 2009 in each region and on each payment term. This yielded an estimate of the cost to the supplier of waiving the appropriate standard price increase to its social tariff accounts

2.7 The social element of the StayWarm tariff

E.ON UK's StayWarm tariff is for consumers over 60 years old. E.ON UK states that the tariff is intended to offer customers 'peace of mind' by levying a fixed price every 12 months for all gas and electricity based on monthly direct debit payments. The amount charged is based on the number of people that live in a home and the number of bedrooms it has (to a maximum of three).

StayWarm incorporates three consumption-banded fixed costs. There is also a social element to the tariff whereby qualifying consumers are charged at the low-user rate even if their actual use means they should be charged at the medium or high rates. Some commentators have characterised StayWarm as a social tariff, although energywatch did not because of E.ON UK's requirement for direct debit payment and because it is not clear whether or not the tariff provides significant discounts on standard tariffs¹⁸. However, consumers eligible for the social element of StayWarm (but not the main StayWarm tariff) can pay by other payment methods to direct debit.

2.8 Bill rebates

Suppliers' annualised commitments to bill rebates were calculated by multiplying the number of benefiting accounts at 31 March 2009 by the reported or average value of the particular rebate scheme, as reported by the suppliers.



¹⁷ As recorded by the Department for Energy and Climate Change http://stats.berr.gov.uk/energystats/et4_1.xls

¹⁸ E.ON UK stated that during 2008-09 the level of support under the social element of StayWarm increased to around £620/customer (medium user £480, high user £900). Some 22 per cent of customers on the social element of StayWarm pay by regular cash payment. The company stated: 'the social element of StayWarm provides the greatest level of support to vulnerable customers compared to any other supplier's tariff and our

3 The autumn 2007 baseline

This chapter reviews the key findings of our first report for energywatch and identifies the baseline figures used to assess the changes in suppliers' commitments to their social packages between autumn 2007 and 31 March 2009.

3.1 Offers available

At autumn 2007, four of the big six, British Gas, EDF Energy, RWE npower, and Scottish and Southern Energy, offered tariffs that gave eligible consumers a price discounted from prices available to the wider market. The tariffs were:

- British Gas' Essentials, offering direct debit prices to those eligible regardless of whether or not they were supplied on standard credit or prepayment terms
- EDF Energy's Energy assist, offering 15 per cent off the applicable prices to eligible consumers based on their existing payment terms
- RWE npower's First step, offering an average saving of around 15 per cent
- Scottish and Southern Energy's Energyplus care, offering 20 per cent off applicable prices to eligible consumers based on their existing payment terms

Scottish Power did not offer a social tariff in 2007 but had stated an intention to launch a product in 2008. E.ON UK offered the StayWarm tariff.

Three suppliers, E.ON UK, Scottish Power, and Scottish and Southern Energy, also offered bill rebates to certain consumers.

3.2 Scale of commitment

The autumn 2007 analysis of suppliers' voluntary commitments to their social packages is summarised below. The financial figures are annualised assessments of suppliers' commitments in place at this time.

This information forms the baseline for evaluating changes to commitments between autumn 2007 and 31 March 2009.

3.2.1 Social tariffs

3.2.1.1 Electricity

The four suppliers with electricity social tariffs committed an annualised amount of £5m at autumn 2007:

- Two suppliers, British Gas and EDF Energy, committed 37 per cent (£1.9m) and 50 per cent (£2.5m) respectively of the total
- Scottish and Southern Energy committed £0.6m (11 per cent)
- RWE npower almost £80,000 (two per cent)

Nearly 140,000 consumers benefited from social tariffs in 2007, with the majority (83,000 or 61 per cent) served by British Gas. A further third (a little over 45,000) were served by EDF Energy, with the balance split between Scottish and Southern Energy (five per cent) and RWE npower (one per cent).

The annual benefit for each consumer was in the range of £50-75 per electricity account, although British Gas offered a benefit of less than this, around £23 per account. For Scottish and Southern Energy, and EDF Energy the social tariff was the lowest-priced offer made available at this time. The typical annual cost to the supplier spread over all electricity consumers supplied ranged from £0.02 per electricity consumer (RWE npower) to £0.67 per electricity consumer (EDF Energy). The costs of the electricity social tariff to suppliers measured as a proportion of their estimated electricity turnover ranged from near zero (RWE npower) to 0.19 per cent (EDF Energy).

Table 3:1 summarises the 2007 assessment.

Table 3:1: Electricity social tariffs – summary of costs to suppliers at autumn 2007

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Costs (£m)	1.9	2.5	0.0	0.1	0.0	0.56	5.0
Estimated turnover (£m)	2,110	1,338	1,903	1,634	1,153	1,680	9,818
Actual recipients	83,000	45,154	0	1,415	0	7,538	137,107
Meters supplied (m)	5.9	3.8	5.1	4.3	3.2	4.8	27.2
Cost to supplier/saving to recipient (£)	22.69	55.86		54.95		74.65	36.80
Rank	4	2		3		1	
Cost £/all meters supplied	0.32	0.67		0.02		0.12	0.19
Rank	2	1		4		3	
Costs as proportion of turnover (%)	0.09	0.19		0.00		0.03	0.05
Rank	2	1		4		3	

3.2.1.2 Gas

The four suppliers with gas social tariffs committed an annualised total of £16.6m at autumn 2007:

- British Gas committed 89 per cent of this (£14.7m)
- EDF Energy, the second highest contributor, committed £1.3m (8 per cent)
- RWE npower, and Scottish and Southern Energy contributed £0.6m (3 per cent) between them

Nearly 220,000 consumers benefited from gas social tariffs in 2007, with the vast majority (197,000 or 92 per cent) served by British Gas. As with electricity, the supplier with the next highest share, although much lower, was EDF Energy (five per cent), with the balance split between Scottish and Southern Energy (two per cent) and RWE npower (0.3 per cent).

The typical annualised benefit for each consumer from gas social tariffs was in the range of £45-85 per gas account at autumn 2007. For Scottish and Southern Energy, which offered the highest benefit of £107 per account, and EDF Energy, the social tariff represented the lowest-priced offer available. The annual cost to the supplier spread over all gas consumers supplied ranged from £0.02 per gas consumer (RWE npower) to £1.45 per gas consumer (British Gas). The proportion of estimated gas turnover ranged from near zero (RWE npower) to 0.21 per cent (British Gas).

Table 3:2 summarises the 2007 assessment.

Table 3:2: Gas social tariffs – summary of costs to suppliers at autumn 2007

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Costs (£m)	14.7	1.3	0.0	0.05	0.0	0.5	16.6
Estimated turnover (£m)	6,942	1,073	1,894	1,706	1,357	1,836	14,808
Actual recipients	197,000	14,825	0	1,042	0	4,983	217,850
Meters supplied (m)	10.1	1.5	2.8	2.6	1.9	2.8	21.8
Cost to supplier/saving to recipient (£)	74.84	85.81		47.72		106.59	76.18
Rank	3	2		4		1	
Cost £/all meters supplied	1.45	0.84		0.02		0.19	0.76
Rank	1	2		4		3	
Costs as proportion of turnover (%)	0.21	0.12		0.00		0.03	0.11
Rank	1	2		4		3	

3.3 The social element of the StayWarm tariff

Using the supplier's own figures, the social element of E.ON UK's StayWarm tariff at autumn 2007 was assessed at £4.4m across 10,373 vulnerable consumers served on a dual fuel basis.

3.3.1 Bill rebates

Three suppliers offered bill rebates to eligible consumers in autumn 2007. A little over 166,000 consumers benefited to a combined value of £2.1m or £12.44 each. E.ON UK accounted for 160,000 of these rebated consumers and, at £1.6m, the majority of the financial commitment. Scottish Power, and Scottish and Southern Energy offered rebates to a much smaller number of consumers, 5,400 and 1,000 respectively, but, at £50 and £200, the rebates were worth significantly more than the £10 per account made available by E.ON UK.

3.3.2 Social packages

In aggregate, the six major suppliers committed an estimated £28m, or 0.11 per cent, of their combined turnover to social tariffs and bill rebates at autumn 2007:

- British Gas contributed the majority of funds at £16.6m (59 per cent)
- E.ON UK was the next largest contributor with £6m (21 per cent)
- EDF Energy contributed £3.8m (13 per cent)
- Scottish and Southern Energy contributed £1.3m (five per cent)
- Scottish Power, with no social tariff offer, contributed £270,000 (one per cent) via a bill rebate
- RWE npower committed the least with a little over £127,000 (one per cent)

British Gas's commitment, in terms of cost to the supplier, was the most significant of the big six at £1.04 per meter supplied, with E.ON UK contributing £0.76 per meter supplied, just ahead of EDF Energy at £0.72 per meter supplied. British Gas's commitment was also the most significant in terms of share of turnover at 0.18 per cent commitment, ahead of EDF Energy and E.ON UK at 0.16 per cent. E.ON UK offered the greatest coverage, with social package recipients accounting for 2.28 per cent of all E.ON UK accounts.

Table 3:3 is an overview of the 2007 findings and the baseline against which the comparisons for 31 March 2009 were made.

Table 3:3: Social packages – summary of costs to suppliers at autumn 2007

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Costs (£m)	16.6	3.8	6.0	0.1	0.3	1.3	28.0
Consumer benefiting accounts	280,000	59,979	180,746	2,457	5,400	13,521	542,103
Total meters	16.1	5.3	7.9	6.9	5.2	7.6	49.0
Estimated turnover (£m)	9,052	2,410	3,797	3,339	2,510	3,516	24,626
Cost £/all meters supplied	1.04	0.72	0.76	0.02	0.05	0.17	0.57
Rank	1	3	2	6	5	4	
Costs as proportion of turnover (%)	0.18	0.16	0.16	0.00	0.01	0.04	0.11
Rank	1	3	2	6	5	4	
Recipients as proportion of all accounts (%)	1.74	1.14	2.28	0.04	0.10	0.18	1.11
Rank	2	3	1	6	5	4	



4 Developments since autumn 2007

This chapter describes the May 2008 agreement between the Chancellor of the Exchequer and the major suppliers on voluntary commitments to support vulnerable customers, a number of Ofgem initiatives and the development of suppliers' social tariffs.

4.1 Agreement between major suppliers and the Government

In his budget speech on 12 March 2008, the Chancellor of the Exchequer Alistair Darling said the Government wanted to see suppliers spending around £150m a year on social tariffs, compared to the estimated £50m at that time. Working with suppliers and Ofgem, the Government drew up a plan for voluntary and statutory action¹⁹.

On 30 May 2008, the energy minister, Malcolm Wicks, referred to: 'a commitment from the energy companies now to provide an extra £225m in social assistance by increasing their investment to £150m/year by 2011'²⁰.

On the same day, Ofgem provided further details in its Monitoring suppliers' social initiatives consultation, designed to establish a framework for measuring delivery. This stated that supplier spend on social initiatives would be distributed between suppliers according to their individual market share²¹.

The agreement between the Government and suppliers included a number of key elements:

- An increase in collective social spend from a baseline of around £50m in 2007-08 to £150m in 2010-11, with the split across suppliers based on market share
- The increase would be delivered incrementally over a three-year period so suppliers' collective spend in 2008-09 would be £100m, £125m in 2009-10, and £150m in 2010-11. This is an increase of around £225m over the three-year period, compared to the baseline
- Suppliers' initiatives were to be targeted at the fuel poor or those vulnerable to fuel poverty
- Suppliers' contributions did not have to take the form of social tariffs or bill rebates. They could include energy efficiency measures (beyond CERT – see footnote 12 for explanation) and other programmes. The Government actively encouraged suppliers to innovate and compete in this area
- The £225m was additional spend and, if existing initiatives were included in the revised framework (where they had not been counted previously), the baseline would be increased

Implications for analysis: the agreement set an expectation for suppliers to significantly increase their voluntary measures for assisting vulnerable customers. Suppliers' individual contributions should broadly be equivalent, when adjusted for market shares. Social tariffs and rebates are two channels by which suppliers could meet their commitments. However, suppliers could also choose to meet their obligations through other options outside the scope of this assessment, such as trust funds and other assistance (although most supplier spend is accounted for by social packages).

¹⁹ The comments are at: www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080312/debtext/80312-0004.htm

²⁰ More information is available at: <http://nds.coi.gov.uk/environment/fullDetail.asp?ReleaseID=368987&NewsAreaID=2&NavigatedFromDepartment=True>

²¹ More information is available at: www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/suppliers%20social%20monitoring_consultation.pdf

4.2 Information from Ofgem

Ofgem has produced three documents of relevance to this analysis. Monitoring suppliers' social initiatives, published in July 2008, produced a new definition of social tariffs and states that this will take effect from April 2009. Monitoring suppliers' social programmes 2007-08 and Monitoring suppliers' social programmes 2008-09, provide updated information on the uptake of social tariffs as well as comments on whether or not supplier offers already met the new definition of social tariffs (ie before it took effect).

4.2.1 Revised definition of a social tariff

As part of Ofgem's responsibility for monitoring suppliers' commitments, it issued new monitoring and reporting guidance in July 2008²².

The regulator specified stricter qualifying criteria, effective from 1 April 2009, for social tariffs. Before this, a supplier's tariff could qualify if it was at least as competitively priced as the supplier's standard direct debit tariff. Under the revised definition, a social tariff had to offer a rate at least as good as the lowest tariff offered by that supplier to a customer in that region on an enduring basis regardless of that customer's payment method. This effectively brought online tariffs, as well as standard offline products, into consideration. Ofgem stated tariffs targeted at vulnerable consumers that offered discounted rates, but which did not meet its social tariff definition, would still count towards its assessment of supplier contributions to the Government agreement but would be classified in another reporting category.

4.2.2 Monitoring suppliers' social programmes 2007-08 and 2008-09

Ofgem issued these reports in December 2008 and August 2009²³. They set out the measures taken by suppliers to assist vulnerable and fuel poor consumers in the years ending 31 March 2008 and 31 March 2009. Measures included the discounted tariffs and bill rebates that fall within the scope of this analysis, plus trust funds, partnership schemes, energy efficiency schemes and joint industry initiatives.

The second report stated that at the end of March 2009 around one million customer accounts benefited from a social or discounted tariff, over twice the number calculated for the end of March 2008. This included:

- British Gas reported over 500,000 customers on Essentials and Price Promise
- EDF Energy reported 145,000 customers on Energy assist
- RWE npower reported 110,000 customer accounts on Spreading warmth
- Scottish and Southern Energy reported 103,000 customers on Energyplus care

Ofgem found that suppliers spent £157.3m on social programmes in 2008-09. Social packages represented 89 per cent of this expenditure and trust funds and other initiatives, 11 per cent. Ofgem commented that most suppliers had made changes to their existing social tariffs to make sure they were consistent with its revised guidance. Ofgem also commented that for future periods E.ON UK's StayWarm social tariff would be categorised as a 'discounted tariff' rather than a social tariff as it did not meet the new definition.

Implications for analysis: although Ofgem specified a tighter definition for social tariffs, this did not apply at 31 March 2009. The same definition that applied at autumn 2007 was still in force, meaning that like-for-like comparisons could be made of suppliers' commitments to social tariffs at the two dates. Ofgem's information also indicates that the number of consumer accounts supplied on social tariffs increased significantly during 2008 and early 2009.

²² This guidance is available at: www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=261&refer=Sustainability/SocAction/Suppliers/CSR

²³ These reports are available at: www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Pages/CSR.aspx

4.3 Supplier developments

Table 4:1, drawn from suppliers' information, summarises the main social tariffs they offered at 31 March 2009.²⁴ More detailed information on social tariffs, bill rebates and waived price increases is given in the annex.

Implications for analysis: suppliers have made a number of changes to their social tariffs and bill rebates since autumn 2007, including the introduction of new offerings, the extension of existing arrangements and temporary increases in available discounts.

Table 4:1: Overview of major social tariff arrangements reviewed in this analysis

Company	Social tariff	Principles of social tariff	Comments on eligibility and uptake at 31 March 2009*
British Gas	<p><i>Essentials and Essentials extra</i></p> <p>http://www.britishgas.co.uk/products-and-services/energy/our-products/essentials-programme.html</p>	<p>Standard direct debit prices regardless of payment method</p> <p>Summer 2008 standard price increases waived to at least 1 April 2009 as part of <i>Essentials extra</i></p>	<p>'If you are on very low income and on means tested benefits we can help, through our <i>Essentials</i> support package by providing an account assessment and helping you choose the best payment method for you.'</p> <p>181,590 electricity accounts, 311,509 gas accounts</p> <p>British Gas stopped accepting new customers onto its original <i>Essentials</i> tariff after October 2008 upon reaching the company's internal quota. British Gas re-launched the tariff in May 2009 (see annex).</p>
EDF Energy	<p><i>Energy assist</i></p> <p>http://www.edfenergy.com/sustainability/our-sustainability-challenge/affordable-energy/energy-assist-social-tariff.shtml</p>	<p>15 per cent off standard prices regardless of payment method</p>	<p>'To qualify for <i>Energy assist</i>, the customer must be supplied by EDF Energy and meet the qualifying criteria: that they spend more than 10 per cent of their total net annual household income on their annual household energy costs, or be in receipt of income support and/or receive pension credit benefits.'</p> <p>99,073 electricity accounts, 45,939 gas accounts</p>

²⁴ Consumer Focus maintains an up-to-date guide to suppliers' social tariffs, including eligibility criteria, at: <http://www.consumerfocus.org.uk/energy-help-advice/your-energy-questions>

Company	Social tariff	Principles of social tariff	Comments on eligibility and uptake at 31 March 2009 ¹
E.ON UK	<p><i>Warm Assist</i></p> <p>http://www.eonenergy.com/At-Home/Going-Green/Energy-Saving-Advice/Guidance-And-Caring-Energy.htm</p>	<p><i>Warm Assist</i> launched December 2008</p> <p>15 per cent off standard credit prices regardless of payment method</p>	<p>'If you are an existing E.ON UK customer, 60 or over and in receipt of pension credit [...] you may be eligible for our <i>Warm Assist</i> tariff.'</p> <p>1,841 electricity accounts, 1,449 gas accounts</p>
RWE npower	<p><i>Spreading warmth</i></p> <p>http://www.npower.com/spreading_warmth/index.htm</p>	<p>£125/year single fuel, £250/year dual fuel discount</p>	<p>'The eligibility for the tariff is that a customer has a gross annual household income below £13,500 and someone in the household is: 60 or over, disabled, chronically sick, or a child under 16.'</p> <p>62,494 electricity accounts, 46,762 gas accounts</p>
Scottish Power	<p><i>Fresh start</i></p> <p>http://www.scottishpower.co.uk/Home_Energy/Product_Information/Fresh_Start/</p>	<p>Rates equal to discounted energy online direct debit</p>	<p>'To qualify for the discount you must be: 1. 60 years of age or over 2. In receipt of one of the following benefits: attendance allowance, council tax benefit (not including single occupancy discount), disability living allowance, disabled persons tax allowance, child tax credit (where income is less than £15,460) housing benefit, income-based JSA, state pension credit, working tax credit (where household income is less than £15,592), war disablement pension (which either includes a mobility supplement or constant attendance allowance), industrial injuries disablement benefit (must also have a constant attendance allowance).'</p> <p>43,363 electricity accounts, 27,852 gas accounts</p>

Company	Social tariff	Principles of social tariff	Comments on eligibility and uptake at 31 March 2009 ¹
Scottish and Southern Energy	<i>Energyplus care</i> http://www.southernenergytips.co.uk/help.aspx	20 per cent off standard prices regardless of payment method Summer 2008 price increases waived to at least 1 April 2009	'If you are spending 10 per cent or more of your income on your fuel bills you may qualify for extra help. Energyplus care is our special package for customers who are struggling to pay their energy bills. This could be because of poor housing, health or income issues.' 64,661 electricity accounts, 38279 gas accounts

¹ Sources: company information, including quotes, provided to Cornwall Energy



5 Evaluating current commitments

This chapter is an assessment of suppliers' commitments to their social packages at 31 March 2009. It outlines suppliers' voluntary contributions to:

- social tariffs
- the specific commitments of British Gas and Scottish and Southern Energy, to waiving the standard price increases levied in late summer 2008 for their social tariff customers
- the social element of E.ON UK's StayWarm tariff
- bill rebates

5.1 Social tariffs

In summer 2008, two suppliers announced they would waive price increases they would otherwise have applied to their social tariffs until at least April 2009. The impact of these actions on the commitments of these two suppliers is considered separately in Section 5.2. The following information uses the standard tariffs in force at 31 March 2009, with appropriate adjustments to derive social tariffs.

Table 4.1 gives information on supplier offers treated as social tariffs. Six are enduring arrangements and two are legacy arrangements that are not offered to new eligible consumers but existing consumers still benefit from. The two legacy social tariffs are:

- Price promise from British Gas is a complex legacy arrangement that covers a little over 23,000 accounts. Price promise represents a lower cost tariff to the consumer than Essentials and cost the company an average of £149 per electricity account and £265 per gas account in 2008-09 (based on the annualised costs)
- First step from RWE npower is no longer available²⁵. The arrangement had an average cost of £210 per electricity account and £210 per gas account in 2008-09. These assessments are based on the annualised costs of these arrangements

5.1.1 Electricity

5.1.1.1 Commitment at 31 March 2009

The following summarises the analysis of annualised costs of the six major suppliers' commitments to social tariffs at 31 March 2009:

- the suppliers collectively committed £31.4m to electricity social tariffs in 2008-09. British Gas contributed £9m or 29 per cent of the total figure; EDF Energy, 6.6m or 21 per cent; RWE npower, £8.4m or 27 per cent; Scottish and Southern Energy, £5.8m or 19 per cent; Scottish Power, £1.5m or 5 per cent; and E.ON UK £0.1m or 0.3 per cent

²⁵ Although RWE npower's First Step Fund, which is available for debt write-off, is still open to customers.

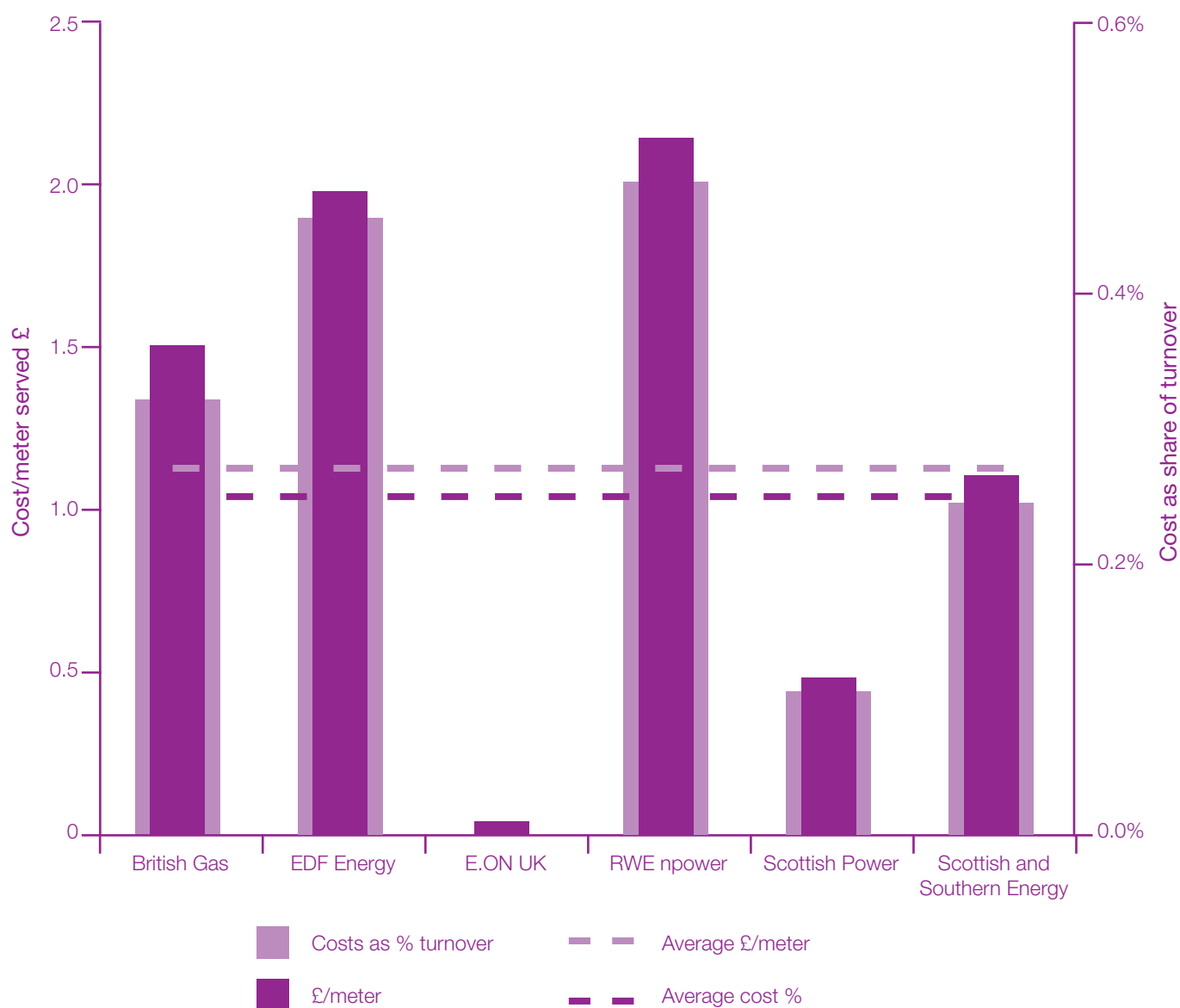
- just over 467,000 consumers benefited from electricity social tariffs. Some 193,148 (41 per cent of the total) were served by British Gas. EDF Energy served the second highest number at 99,073 (21 per cent), RWE npower served 65,251 accounts (14 per cent), Scottish and Southern Energy 64,661 (also 14 per cent), Scottish Power 43,363 (9 per cent) and E.ON UK 1,841 (0.4 per cent)
- the typical annual benefit per consumer was in the range of £35-65 per electricity account. But Scottish and Southern Energy at nearly £90 per account and RWE npower at around £125 per account offered a benefit significantly in excess of this. For Scottish and Southern Energy, Scottish Power, EDF Energy, E.ON UK and RWE npower the social tariff typically matched, at least, the lowest-priced tariff on offer including online offerings as recorded by Consumer Focus price information sheets
- the typical annual cost to the supplier spread over all electricity consumers supplied ranged from £0.02 per electricity consumer (E.ON UK) to £2.07 per electricity consumer (RWE npower). The average for the supplier group was £1.16 per electricity consumer
- the costs of the electricity social tariff to suppliers, measured as a proportion of their estimated electricity turnover, ranged from 0.005 per cent (E.ON UK) to 0.46 per cent (RWE npower). The average was 0.27 per cent

Table 5:1 and Figure 5:1 provide further information.

Table 5:1: Electricity social tariffs – estimated annualised costs to suppliers at 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Costs (£m)	9.0	6.6	0.1	8.4	1.5	5.8	31.4
Estimated turnover (£m)	2,649	1,530	2,140	1,808	1,377	2,282	11,785
Actual recipients	193,148	99,073	1,841	65,251	43,363	64,661	467,337
Meters supplied (m)	6.0	3.6	4.9	4.0	3.2	5.3	27.1
Cost to supplier/saving to recipient (£)	46.45	66.30	57.05	128.59	35.56	89.81	67.16
Rank	5	3	4	1	6	2	
Cost £/all meters supplied	1.49	1.82	0.02	2.07	0.48	1.11	1.16
Rank	3	2	6	1	5	4	
Costs as proportion of turnover (%)	0.34	0.43	0.00	0.46	0.11	0.25	0.27
Rank	3	2	6	1	5	4	

Figure 5:1: Overview of costs to major suppliers of electricity social tariffs at 31 March 2009



5.1.1.2 Developments since autumn 2007

The analysis suggests that suppliers made the following major changes to their electricity social tariffs between autumn 2007 and 31 March 2009:

- the total annual financial commitment increased from £5m to £31.4m and the total number of consumers benefiting increased by 330,230, from over 137,000 to over 467,000
 - all six suppliers increased the number of consumers served by social tariffs and their financial commitments, although the contribution from E.ON UK was marginal
 - with its new Spreading warmth tariff, RWE npower committed the greatest increase in finances at £8.3m (32 per cent of the total rise), although it started from a low baseline. British Gas and EDF Energy added a further £7.1m (27 per cent of the total rise) and £4m (15 per cent of the total rise) respectively. Scottish and Southern Energy raised its commitment by £5.2m (20 per cent of the total rise), Scottish Power £1.5m (6 per cent of the total rise) and E.ON UK £0.1m (0.5 per cent)
 - British Gas registered the largest rise in the number of benefitting accounts at 110,148 (33 per cent of the total rise). RWE npower contributed 19 per cent of the increase with 63,836 accounts, EDF Energy (16 per cent) and Scottish and Southern Energy (17 per cent) contributed an extra 53,919 and 57,123 accounts respectively. Scottish Power's 43,363 increase was equivalent to 13 per cent of the total rise, while E.ON UK's 1,841 represented 0.6 per cent

Table 5:2 provides further information.

Table 5:2: Electricity social tariffs – changes in annualised costs between autumn 2007 and 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Costs (£m)	7.1	4.0	0.1	8.3	1.5	5.2	26.3
Estimated turnover (£m)	539	192	252	174	224	602	1,982
Actual recipients	110,148	53,919	1,841	63,836	43,363	57,123	330,230
Meters supplied (m)	0.1	-0.2	-0.2	-0.3	0.0	0.4	-0.1

5.1.2 Gas

5.1.2.1 Commitment at 31 March 2009

The analysis suggests the six major suppliers increased expenditure on gas social tariffs considerably between autumn 2007 and 31 March 2009:

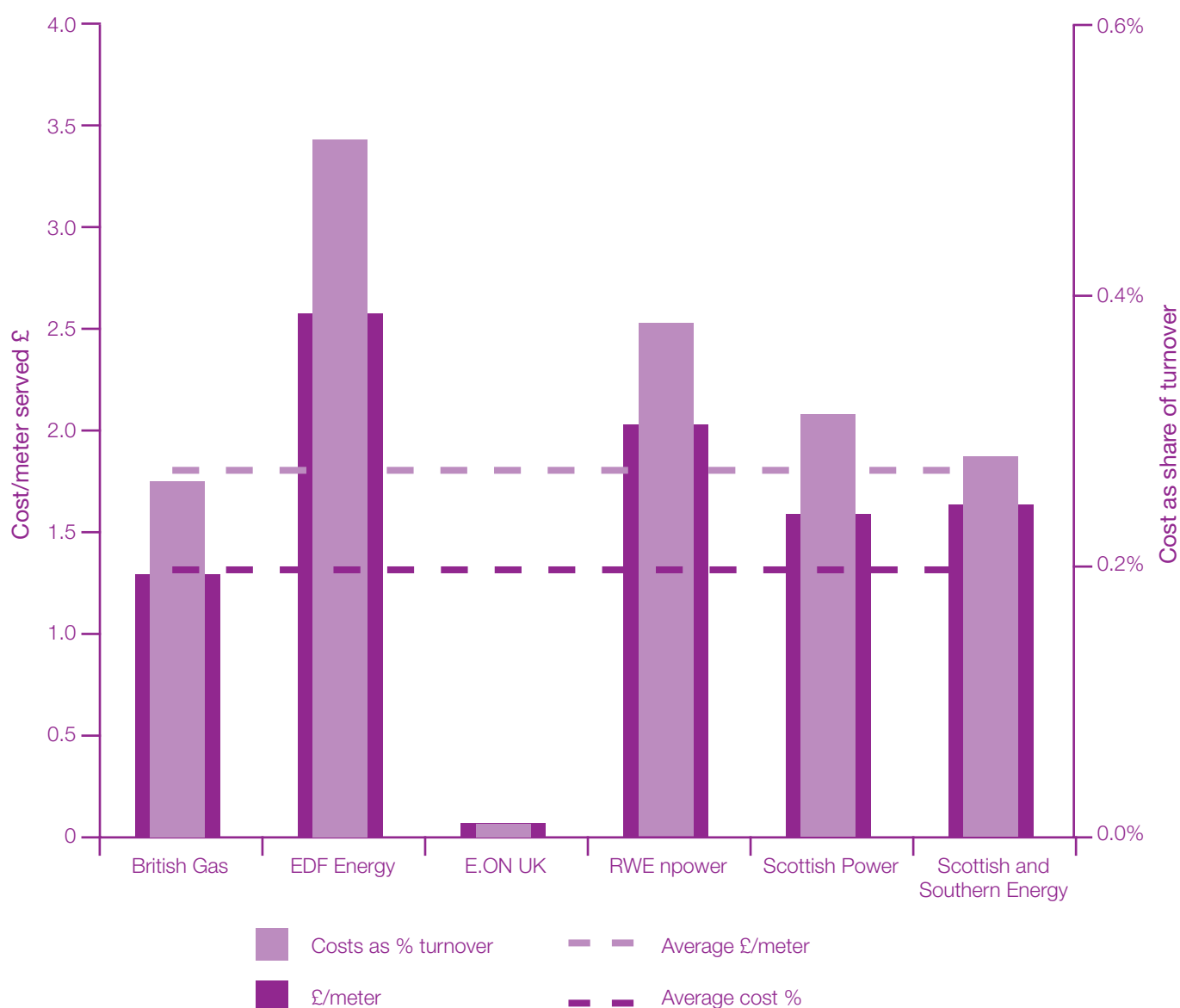
- the total annual commitment to gas social tariffs was £37.8m. British Gas made the largest financial contribution at £16.4m (43 per cent of the total). Four other suppliers contributed at least 10 per cent of the total financial commitment, while E.ON UK contributed just 0.4 per cent
- just over 485,000 consumers benefited from gas social tariffs. Two-thirds (323,131 or 67 per cent) were served by British Gas, while the numbers served by four suppliers ranged from 27,000 to 50,000. This represented a share range of 6 per cent (Scottish Power) to 10 per cent (RWE npower). E.ON UK contributed just 1,449 accounts (0.3 per cent)
- apart from British Gas, the typical annual benefit per consumer was in excess of £100 per gas account. Scottish and Southern Energy was assessed as providing the highest benefit at £153.91 per account. The benefit from British Gas was £50.66 per account, which, combined with its majority share of gas social tariff accounts, contributed to an average benefit of £77.94 per gas account across the group of suppliers
- the typical annual cost to the supplier spread over all gas consumers supplied ranged from £0.05 per gas consumer (E.ON UK) to £3.39 per gas consumer (EDF Energy). The average for the supplier group was £1.72 per gas consumer. This also reflects the majority share of consumers on social tariffs served by British Gas
- the costs of gas social tariffs to suppliers measured as a proportion of their estimated gas turnover ranged from 0.01 per cent (E.ON UK) to 0.43 per cent (EDF Energy). The average was 0.22 per cent, with British Gas registering 0.21 per cent

Table 5:3 and Figure 5:2 provide more information.

Table 5:3: Gas social tariffs – estimated annualised costs to suppliers at 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Costs (£m)	16.4	5.4	0.1	6.2	3.8	5.9	37.8
Estimated turnover (£m)	7,643	1,257	2,275	2,005	1,563	2,458	17,201
Actual recipients	323,131	45,939	1,449	48,585	27,852	38,279	485,235
Meters supplied (m)	9.8	1.6	2.9	2.6	1.9	3.3	22.0
Cost to supplier/saving to recipient £	50.66	118.13	101.50	128.19	134.82	153.91	77.94
Rank	6	4	5	3	2	1	
Cost £/all meters supplied	1.68	3.39	0.05	2.44	1.96	1.81	1.72
Rank	5	1	6	2	3	4	
Costs as proportion of turnover (%)	0.21	0.43	0.01	0.31	0.24	0.24	0.22
Rank	5	1	6	2	3	4	

Figure 5:2: Overview of costs to major suppliers of gas social tariffs



5.1.2.2 Developments since autumn 2007

Suppliers made the following changes to their gas social tariffs between autumn 2007 and 31 March 2009:

- the total financial commitment more than doubled from £16.6m per year to £37.8m per year and the total number of consumers benefiting increased from around 220,000 to a little over 485,000
- all of the suppliers increased the number of consumers served by their social tariffs and their financial commitments to them, although those for E.ON UK were much the smallest
- the relatively low increase in financial contribution by British Gas reflects the reduced size of its average gas social tariff benefit. This went down from nearly £75 per account in autumn 2007 to just over £50 per account at 31 March 2009. This may reflect British Gas' decision to narrow the differential between its standard prepayment and direct debit prices over this time period, yielding a lower advantage for a consumer switching from standard credit or prepayment rates to its Essentials social tariff which is based on standard direct debit rates
- as with electricity, and also from a low base, RWE npower committed the greatest increase in finances for its gas social tariff of £6.2m (29 per cent of the total rise). Three suppliers, Scottish and Southern Energy, EDF Energy and Scottish Power, each increased their contributions by around £4-5m (equivalent to contributions in the range 18-25 per cent). E.ON UK increased its commitment from zero to £0.1m (0.7 per cent of the total increase)
- British Gas registered the biggest rise in the number of benefitting accounts of 126,131 (47 per cent of the total rise). Four suppliers contributed 10-18 per cent each of the total increase with individual contributions ranging from 27,852 (Scottish Power) to 47,543 (RWE npower). E.ON UK contributed 0.5 per cent of the increase (1,449 accounts)

Table 5:4 provides further information.

Table 5:4: Gas social tariffs – changes in annualised costs between autumn 2007 and 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Costs (£m)	1.6	4.2	6.2	0.1	3.8	5.4	21.2
Estimated turnover (£m)	701	184	299	381	206	622	2,393
Actual recipients	126,131	31,114	47,543	1,449	27,852	33,296	267,385
Total meters supplied (m)	-0.4	0.1	0.0	0.1	0.0	0.5	0.2

5.1.3 Electricity and gas combined

5.1.3.1 Commitment at 31 March 2009

The following summarises the analysis of annualised costs of the six major suppliers' commitments to their electricity and gas social tariffs combined at 31 March 2009:

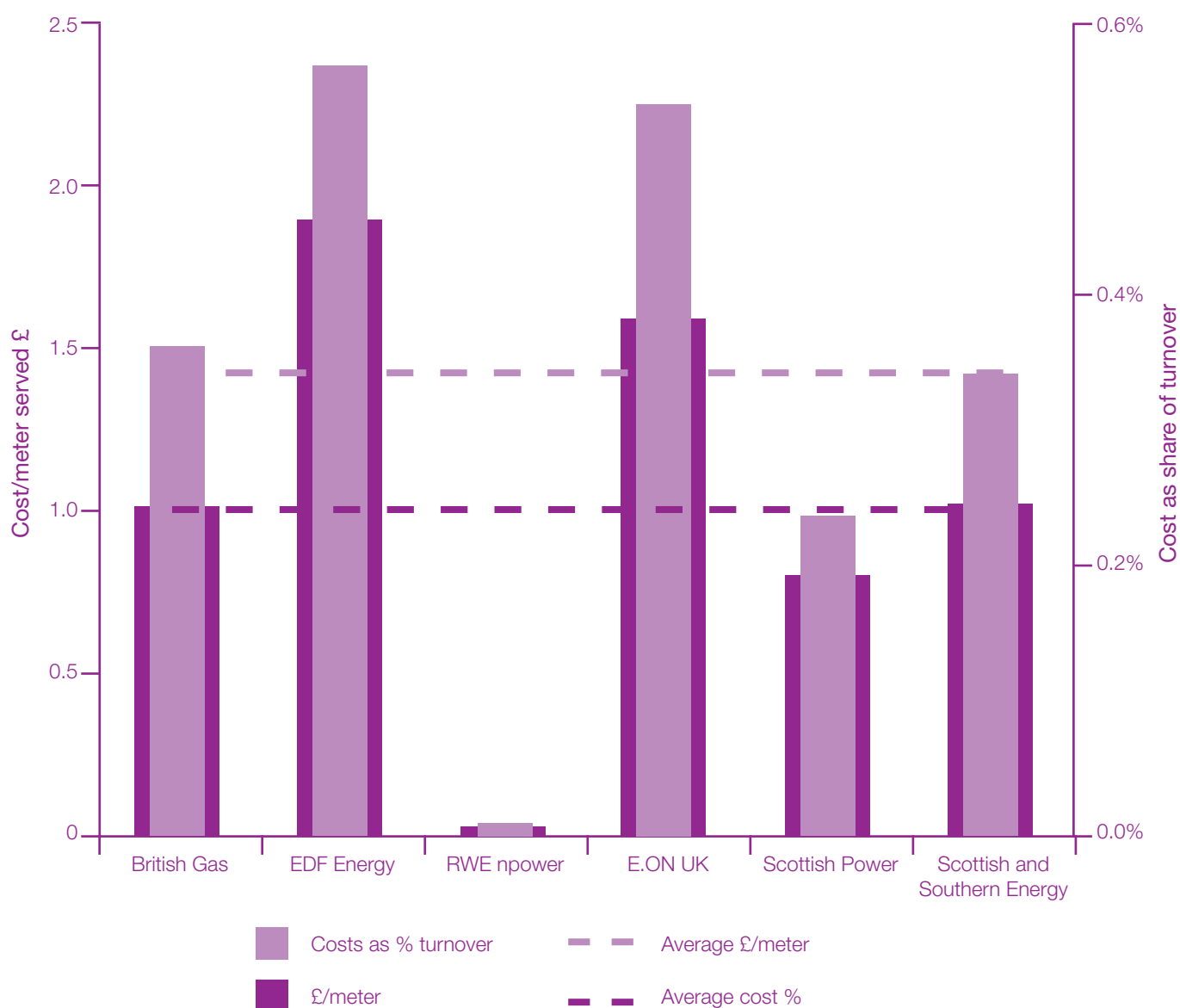
- the suppliers collectively committed £69.2m to electricity and gas social tariffs. British Gas contributed a little over a third at £25.3m. Three suppliers committed at least £10m each: RWE npower (21 per cent), EDF Energy, and Scottish and Southern Energy (both 17 per cent). Scottish Power contributed £5.3m (8 per cent) and E.ON UK £0.3m (0.4 per cent)
- British Gas, Scottish Power, E.ON UK, and Scottish and Southern Energy contributed more money towards their gas social tariffs than their electricity social tariffs whereas, for RWE npower and EDF Energy, the situation was reversed
- a little over 950,000 consumer accounts, 1.94 per cent of all consumer accounts, benefited from electricity or gas social tariffs. More than half (54 per cent or 516,279) were served by British Gas, while the number of consumer accounts served by the other five suppliers ranged between 3,290 (E.ON UK with a share of 0.3 per cent) and 145,012 (EDF Energy with a share of 15 per cent)
- the average annual benefit for a consumer in receipt of both gas and power social tariffs exceeded £145 per household. RWE npower provided the highest benefit of £256.78 per household, while the benefit from British Gas was the lowest at £97.11 per household
- the typical annual cost to the supplier spread over all electricity and gas consumers supplied ranged from £0.03 per meter (E.ON UK) to £2.30 per meter (EDF Energy). The average for the supplier group was £1.41 per meter
- the costs of the electricity and gas social tariffs to suppliers measured as a proportion of their estimated electricity and gas turnover ranged from 0.01 per cent (E.ON UK) to 0.43 per cent (EDF Energy). The average was 0.24 per cent

Table 5:5 and Figure 5:3 provide further information.

Table 5:5: Total of electricity and gas social tariffs – estimated annualised costs to suppliers at 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Costs (£m)	25.3	12.0	0.3	14.6	5.3	11.7	69.2
Estimated turnover (£m)	10,292	2,786	4,414	3,813	2,940	4,741	28,986
Actual recipients	516,279	145,012	3,290	113,836	71,215	102,940	952,572
Meters supplied (m)	15.8	5.2	7.8	6.6	5.1	8.5	49.1
Cost to supplier / social tariff accounts £	49.09	82.72	76.62	128.42	74.38	113.65	72.65
Rank	6	3	4	1	5	2	
Benefit of both to recipient £	97.11	184.43	158.54	256.78	170.39	243.72	145.10
Rank	6	3	5	1	4	2	
Cost £/all meters supplied	1.60	2.30	0.03	2.21	1.03	1.37	1.41
Rank	3	1	6	2	5	4	
Costs as proportion of turnover (%)	0.25%	0.43%	0.01%	0.38%	0.18%	0.25%	0.24%
Rank	4	1	6	2	5	3	

Figure 5:3: Overview of costs to major suppliers of electricity and gas social tariffs



5.1.3.2 Developments since autumn 2007

Suppliers made the following changes to their electricity and gas social tariffs between autumn 2007 and 31 March 2009:

- the total financial commitment increased by £47.6m to £69.2m. This represents an increase of 220 per cent from £21.6m. The total number of consumers benefiting increased from 354,957 to 952,972. This represents an increase of 168 per cent
- all suppliers increased the number of consumers served by their social tariffs as well as their financial commitments
- RWE npower registered the greatest increase in financial commitment of £14.5m (30 per cent of the increase). Scottish and Southern Energy with £10.6m or 22 per cent of the total rise contributed the second-highest increase. EDF Energy (with £8.2m or 17 per cent of the increase) and British Gas (with £8.7m or 18 per cent) increased their commitments by a similar magnitude, while Scottish Power contributed 11 per cent (£5.3m) of the increase. E.ON UK contributed 0.5 per cent (£0.3m) of the total increase
- British Gas registered the biggest rise in the number of benefitting accounts of 236,279 (40 per cent of the total rise). Four suppliers contributed 12-19 per cent each of the total increase with individual contributions ranging from 71,215 (Scottish Power) to 111,379 (RWE npower). E.ON UK contributed 0.6 per cent of the increase (3,290 accounts)

Table 5:6 provides more information.

Table 5:6: Electricity and gas social tariffs – changes in annualised costs between autumn 2007 and 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Costs (£m)	8.7	8.2	0.3	14.5	5.3	10.6	47.6
Estimated turnover (£m)	1,240	375	632	473	430	1,225	4,375
Actual recipients	236,279	85,033	3,290	111,379	71,215	90,419	597,615
Total meters supplied (m)	-0.3	-0.1	-0.1	-0.3	0.0	0.9	0.1

5.2 Waived price increases

The waiving of the summer 2008 standard price increases for social tariff customers represented revenue foregone for British Gas, and Scottish and Southern Energy of:

- £3.7m and £1.1m respectively for electricity. This cost represents an average benefit of £19 per account for British Gas' social tariff customers and £17.50 per account for Scottish and Southern Energy's social tariff customers. The cost was equivalent to 0.14 per cent of British Gas' electricity turnover and 0.05 per cent of that for Scottish and Southern Energy
- £61.7m and £3.4m respectively for gas. This cost represented an average benefit of £190.90 per account for British Gas' social tariff customers and £89.80 per account for Scottish and Southern Energy's social tariff customers. The cost was equivalent to 0.81 per cent of British Gas' gas turnover and 0.14 per cent of that for Scottish and Southern Energy

Table 5:7 shows that waiving the price increase for social tariff customers represented foregone revenues of £65.4m for British Gas and £4.6m for Scottish and Southern Energy. British Gas stated it had stopped accepting new customers to Essentials after October 2008, meaning all customers registered for this tariff should have received benefits from the waived price increase for the 2008-09 winter period. British Gas, incidentally, introduced price cuts for all of its gas consumers before 31 March 2009²⁶.

Given the available information and the complexity inherent in making more detailed estimates, these assessments are likely to be indicative of the scale of commitment made by the two companies in waiving price increases for their social tariff consumers.

Table 5:7: Waived standard electricity price increases – costs to suppliers

	British Gas			Scottish and Southern Energy			Both suppliers		
	E	G	E + G	E	G	E + G	E	G	E + G
Costs (£m)	3.7	61.7	65.4	1.1	3.4	4.6	4.8	65.1	69.9
Consumer benefiting accounts	193,148	323,131	516,279	64,661	38,279	102,940	257,809	361,410	619,219
Meters supplied (m)	6.0	9.8	15.8	5.3	3.3	8.5	11.3	13.0	24.3
Estimated turnover (£m)	2,649	7,643	10,292	2,282	2,458	4,741	4,931	10,102	15,033
Saving to recipient (£)	19.0	190.9	209.9	17.5	89.8	107.3	18.6	180.2	198.9
Costs as proportion of turnover (%)	0.14	0.81	0.64	0.05	0.14	0.10	0.10	0.64	0.47
Recipients as proportion of base accounts (%)	3.20	3.31	3.27	1.23	1.18	1.21	2.28	2.78	2.55

E = electricity; G = gas

²⁶ British Gas cut its gas prices by an average of 10 per cent on 22 February 2009. Scottish and Southern Energy cut its standard prices by an average of 9.0 per cent for electricity and 4.0 per cent for gas on 30 March 2009.

5.3 The social element of the StayWarm tariff

As noted in section 2.7, E.ON UK's StayWarm tariff is sometimes characterised as a social tariff, although by neither the company nor Consumer Focus. As with the autumn 2007 evaluation, it is not possible to assess the social element of the StayWarm tariff on a like-for-like basis with the social tariffs offered by other suppliers.

E.ON UK stated that 25,019 electricity and 23,572 gas accounts benefited from the social element of the StayWarm tariff at 31 March 2009. The company calculated the value of this commitment at £15.6m over the year. This equates to an average benefit of £321 per account; these figures were used for the assessment. This compared with a commitment of £4.4m (reported by the supplier) across 10,373 vulnerable consumers served on a dual fuel basis in autumn 2007.

5.4 Rebates

Four of the six suppliers offered rebates on bills of a total value of just under £9.9m to just over 250,000 recipients in the year ending 31 March 2009:

- E.ON UK's Age Concern cold weather payment offered a total reduction of £3.6m to nearly 160,000 gas accounts. The vast majority of these accounts (96 per cent) were served on a dual fuel basis by the company. The average benefit of the rebate was £22.88 per account and equivalent to £0.46 per meter supplied and 0.08 per cent of electricity and gas turnover
- Scottish and Southern Energy offered a series of rebates, under the schemes DSS fuel direct, Energyplus care, Special needs marker and monthly payers, to around 15,000 accounts. Additionally it backdated the transfer of 36,705 consumer accounts to its Energyplus care social tariff through rebating bills. The combined cost of these rebates was £1.69m, worth an average £32.50 per benefitting consumer. This is equivalent to £0.20 per electricity and gas meter supplied and 0.04 per cent of electricity and gas turnover
- RWE npower's Direct debit winter bonus provided a rebate worth £25 to some 6,012 accounts at a cost of £0.15m. This was equivalent to £0.02 per account supplied or 0.004 per cent of gas and electricity supply turnover
- Scottish Power's Carefree winter and Fuel direct debt assistance rebates offered a benefit worth an average £122 per account to some 36,066 accounts at a cost of £4.4m. This cost was equivalent to £0.86 per meter supplied and 0.15 per cent of gas and electricity supply turnover

For the autumn 2007 assessment the total value of rebates was assessed at £2.1m or £12.44 per account. The majority of this funding at £1.6m was again provided by E.ON UK for its Age Concern cold weather payment, worth at that time £10 per account. The £0.5m balance was provided approximately equally by Scottish Power, and Scottish and Southern Energy.

5.5 Social packages

The research found that the six major suppliers collectively committed £164.6m to social tariffs, waived price increases, the social element of StayWarm, and bill rebates over the year preceding 31 March 2009, as Table 5:8 shows. This compared with £22.1m at autumn 2007. The updated assessment consists of:

- £69.2m (42 per cent) to social tariffs (autumn 2007 assessment of £21.6m)
- £69.9m (42 per cent) in waived price increases (autumn 2007 assessment of £0)
- £15.6m (nine per cent) from E.ON UK for the social element of StayWarm (autumn 2007 assessment of £4.4m)
- £9.9m (six per cent) in bill rebates (autumn 2007 assessment of £2.1m)

The combined contribution of the six suppliers was equivalent to 0.57 per cent of their turnover and £3.35 per meter supplied. In total, 2.45 per cent, or nearly one in 40, of the meters they supplied benefited from a social package of some form.

The following findings are of particular note:

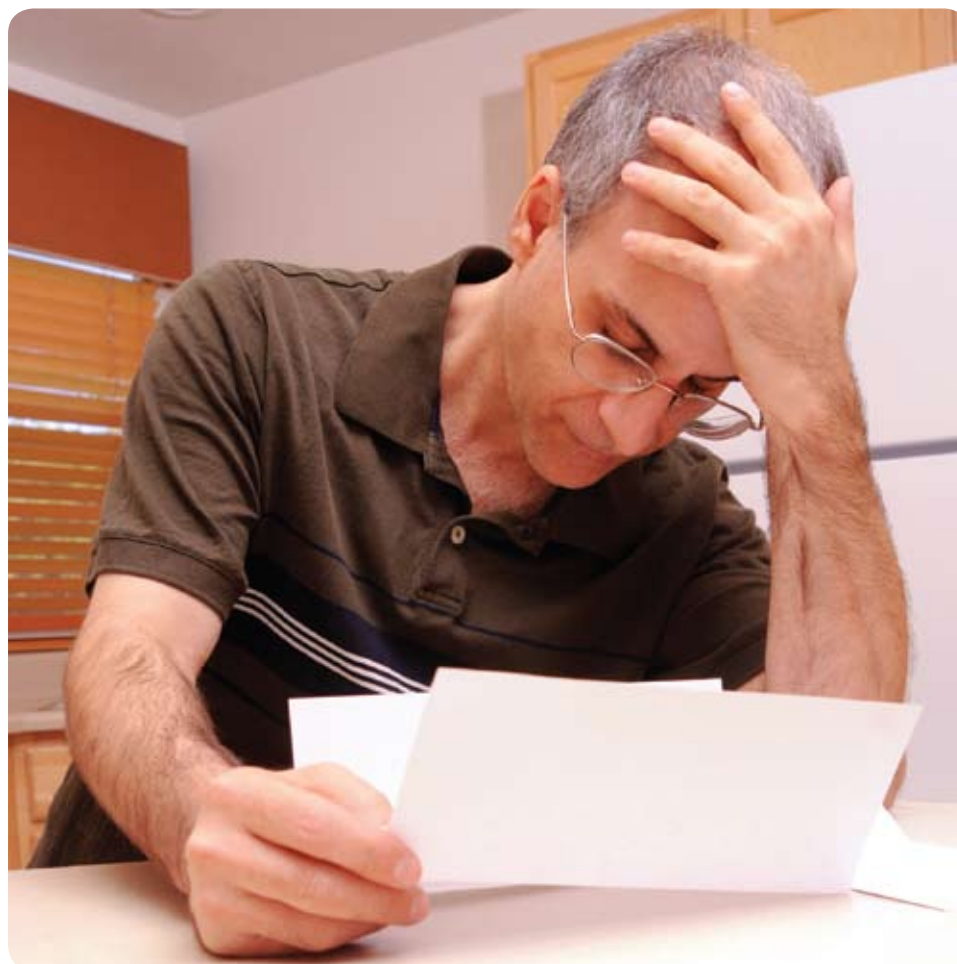
- British Gas contributed the majority of funds to social packages at £90.7m of £164.6m (55 per cent of total supplier funds). It also supported the most accounts at 516,279 (43 per cent of all social package accounts). The most significant element of British Gas's contribution was £65.4m in waived price increases, which accounted for 72 per cent of its commitment and 40 per cent of the collective commitment from all six suppliers. The vast majority of this figure was accounted for by £61.7m in waived gas price increases. British Gas also registered the highest commitment to social packages on the basis of cost per meter supplied (£5.74 per meter), cost as a proportion of turnover (0.88 per cent), and recipients as a proportion of its account base (3.27 per cent)
- E.ON UK's commitment was the second highest in financial terms at £19.6m (17 per cent of the commitment from all suppliers), as a proportion of turnover (0.44 per cent) and also as a cost per meter supplied (£2.49 per meter). By proportion of consumers served, the supplier ranked third of six at 2.69 per cent of accounts. The company provided the second-highest element of support to bill rebates at £3.6m (37 per cent) of the £9.9m. The commitment to the social element of StayWarm contributed 80 per cent of E.ON UK's total contribution
- EDF Energy's contribution was the third highest on the measure of meters supplied at £2.30 per meter, proportion of turnover (0.43 per cent) but second highest for the proportion of all meters supplied (2.78 per cent). The contribution was entirely accounted for by the £12m it spent on its Energy assist social tariff, targeted at just over 145,000 accounts. The company supported around 12 per cent of all benefitting accounts, with its financial contribution representing seven per cent of the total from the group of suppliers
- RWE npower's overall commitment was the fourth highest of the six suppliers in absolute terms at £14.8m (nine per cent of the total supplier commitment). The vast majority of this figure, some £14.6m (99 per cent), was accounted for by its social tariff offers, with the balance supporting bill rebates. The company served 119,848 benefitting accounts (10 per cent of all consumer benefitting accounts and 1.82 per cent of its own consumer base) at a cost equivalent to 0.39 per cent of turnover and £2.24 per meter supplied. The amount received per dual fuel beneficiary was the highest at £256.78
- Scottish and Southern Energy's contribution of £18m (11 per cent of the total supplier commitment) was the third highest of the six suppliers in absolute terms. It also supported the third highest number of benefitting accounts at 154,955 (13 per cent of the total supplier commitment). £11.7m of its financial contribution was spent on social tariffs (65 per cent), £4.6m (25 per cent) on its summer 2008 price increase waiving, and £1.9m (nine per cent) on bill rebates to vulnerable consumers. The supplier's commitment to its social package represented 0.38 per cent of turnover and £2.11 per meter supplied. This represented 1.82 per cent of all accounts
- Scottish Power committed £9.7m to its social package (nine per cent of the total supplier commitment). This consisted of £5.3m for social tariffs (55 per cent) and £4.4m for bill rebates (45 per cent). The supplier provided the highest contribution to bill rebates, accounting for 45 per cent of all supplier spend on this item. At 107,281, the supplier served nine per cent of total benefitting accounts and 2.09 per cent of its own customer base. Its financial commitment was equivalent to 0.33 per cent of its turnover and £1.89 per meter supplied²⁷

Table 5:8 summarises the 31 March 2009 commitments to social packages by the six major suppliers.

²⁷ It should be noted that Scottish Power considers its Trust Fund (see Annex for more details) an important element of its 'social spend'. Several other suppliers have also set up Trust Funds, although these have a different remit to the Scottish Power Energy People Trust. Trust funds are outside the scope of this analysis.

Table 5:8: Social packages – estimated annualised costs to suppliers at 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Social tariffs (£m)	25.3	12.0	0.3	14.6	5.3	11.7	69.2
Waived price increases (£m)	65.4	0.0	0.0	0.0	0.0	4.6	69.9
Social element of StayWarm (£m)	0.0	0.0	15.6	0.0	0.0	0.0	15.6
Rebates (£m)	0.0	0.0	3.6	0.2	4.4	1.7	9.9
Total costs (£m)	90.7	12.0	19.5	14.8	9.7	18.0	164.6
Consumer benefiting accounts	516,279	145,012	162,501	119,848	107,281	154,955	1,205,876
Meters supplied (m)	15.8	5.2	7.8	6.6	5.1	8.5	49.1
Estimated turnover (£m)	10,292	2,786	4,414	3,813	2,940	4,741	28,986
Cost £/all meters supplied	5.74	2.30	2.49	2.24	1.89	2.11	3.35
Rank	1	3	2	4	6	5	
Costs as proportion of turnover (%)	0.88	0.43	0.44	0.39	0.33	0.38	0.57
Rank	1	3	2	4	6	5	
Recipients as proportion of base accounts (%)	3.27	2.78	2.07	1.82	2.09	1.82	2.46
Rank	1	2	4	6	3	5	



6 Summary findings and comment

This chapter sets out the changes in suppliers' contributions on four measures:

- changes in contribution since the autumn 2007 assessment
- commitments relative to market share
- the assessments of standard and social tariff prices
- commitments relative to the agreement between the major suppliers and the Government

6.1 Changes since autumn 2007

As a result of the voluntary agreement with the Government, the suppliers' total contribution of £21.7m in autumn 2007 rose to £164.6m by 31 March 2009. Just over 40 per cent of suppliers' social spend (£69.2m) consisted of spending on social tariffs. The rest consisted of bill rebates worth £9.9m and waived price increase by two companies, British Gas, and Scottish and Southern Energy, worth £65.4m and £4.6m respectively. The following summarises the changes between autumn 2007 and 31 March 2009:

- British Gas increased its spend on social packages from £16.6m (59 per cent of total funds) to £90.7m (£25.3m on social tariffs and £65.4m on waived price increases). Once again, British Gas contributed the majority of supplier spend on social packages (55 per cent of total funds). The company also supported the most consumer accounts at 516,279 (43 per cent of all social package accounts). In autumn 2007 British Gas supported 280,000 consumer accounts (54 per cent of all social package accounts). The drop from 54 per cent to 43 per cent reflects the increased commitment from the other suppliers
- EDF Energy more than tripled its total contribution from £3.8m (16 per cent of the total) to £12m (eight per cent of the total), all of which was spent on social tariffs. It increased the number of benefiting accounts from nearly 60,000 accounts (12 per cent of the total) to just over 145,000 accounts (12 per cent of the total)
- RWE npower increased its contribution of £0.1m (less than one per cent of the total) to £14.8m (10 per cent of the total). This consisted of £14.6m on social tariffs and £0.2m on bill rebates. It increased the number of benefiting accounts from around 2,500 (less than one per cent) to nearly 120,000 (10 per cent of the total)
- Scottish and Southern Energy increased its £1.3m contribution (five per cent of the total) to £18m (12 per cent of the total). This consisted of £5.3m on social tariffs, £4.6m on price waivers and £1.7m on bill rebates. It increased the number of benefiting accounts from just over 13,500 (three per cent of the total) to 154,955 (13 per cent of the total)
- Scottish Power increased its commitment substantially from £0.3m (one per cent of the total) to £8.1m (five per cent of the total). The number of benefiting accounts rose from 5,400 (one per cent of the total) to 103,850 (nine per cent of the total)
- E.ON UK more than doubled its contribution from £1.6m (seven per cent of the total) to £3.9m (three per cent of the total), with the number of benefiting accounts remaining at around 160,000. This meant that the proportion of beneficiary accounts supported by the company declined from 31 per cent to 14 per cent

Table 6:1 is a headline comparison of the suppliers' voluntary commitments to their social packages at 31 March 2009, compared with the autumn 2007 evaluation.

Table 6:1: Social packages – contributions at 31 March 2009 and autumn 2007

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Autumn 2007 value (£m)	16.6	3.8	6.0	0.1	0.3	1.3	23.7
31 March 2009 value (£m)	90.7	12.0	19.5	14.8	9.7	18.0	164.6
Change (£m)	74.1	8.2	13.5	14.6	9.4	16.7	141.0
Autumn 2007 benefiting accounts	280,000	59,979	180,746	2,457	5,400	13,521	521,357
31 March 2009 benefiting accounts	516,279	145,012	211,092	119,848	107,281	154,955	1,254,467
Change	236,279	85,033	30,346	117,391	101,881	141,434	733,110

6.2 Contributions by market share

Using market share data from Ofgem's October 2008 Initial Supply Probe report, Table 6.2 shows the number of gas and electricity meters served by each major supplier. These figures were added together to give the combined share of the household gas and electricity market for each supplier.

Table 6:2: Shares of the supply market at June 2008

	Gas		Electricity		Electricity and Gas	
	Meters	Share %	Meters	Share %	Meters	Share %
British Gas	9,762,950	44	6,038,464	22	15,801,414	32
EDF Energy	1,602,369	7	3,605,090	13	5,207,459	1
E.ON UK	2,913,408	13	4,922,100	18	7,835,508	16
RWE npower	2,553,340	12	4,047,200	15	6,600,540	13
Scottish & Southern Energy	3,255,123	15	5,255,087	19	8,510,210	17
Scottish Power	1,919,852	9	3,217,808	12	5,137,660	10
Others	7,479	0	82,100	0	89,579	0
Total	22,014,521	100	27,167,849	100	49,182,370	100

Figure 6:1 compares the six suppliers' market shares with their commitments to social packages. It shows that British Gas' contribution to its social package was proportionately higher than its market share, with contributions proportionately lower for the other suppliers. While this is an important finding, the observation should be qualified because it does not take account of the relative level of prices, for both standard and social tariffs, between the various suppliers. As Tables 6:3 and 6:4 show, British Gas' offline standard rates tend to be at or above average levels for the six suppliers assessed in this survey.

Figure 6:1: Shares of the household energy supply market and voluntary commitments to social packages

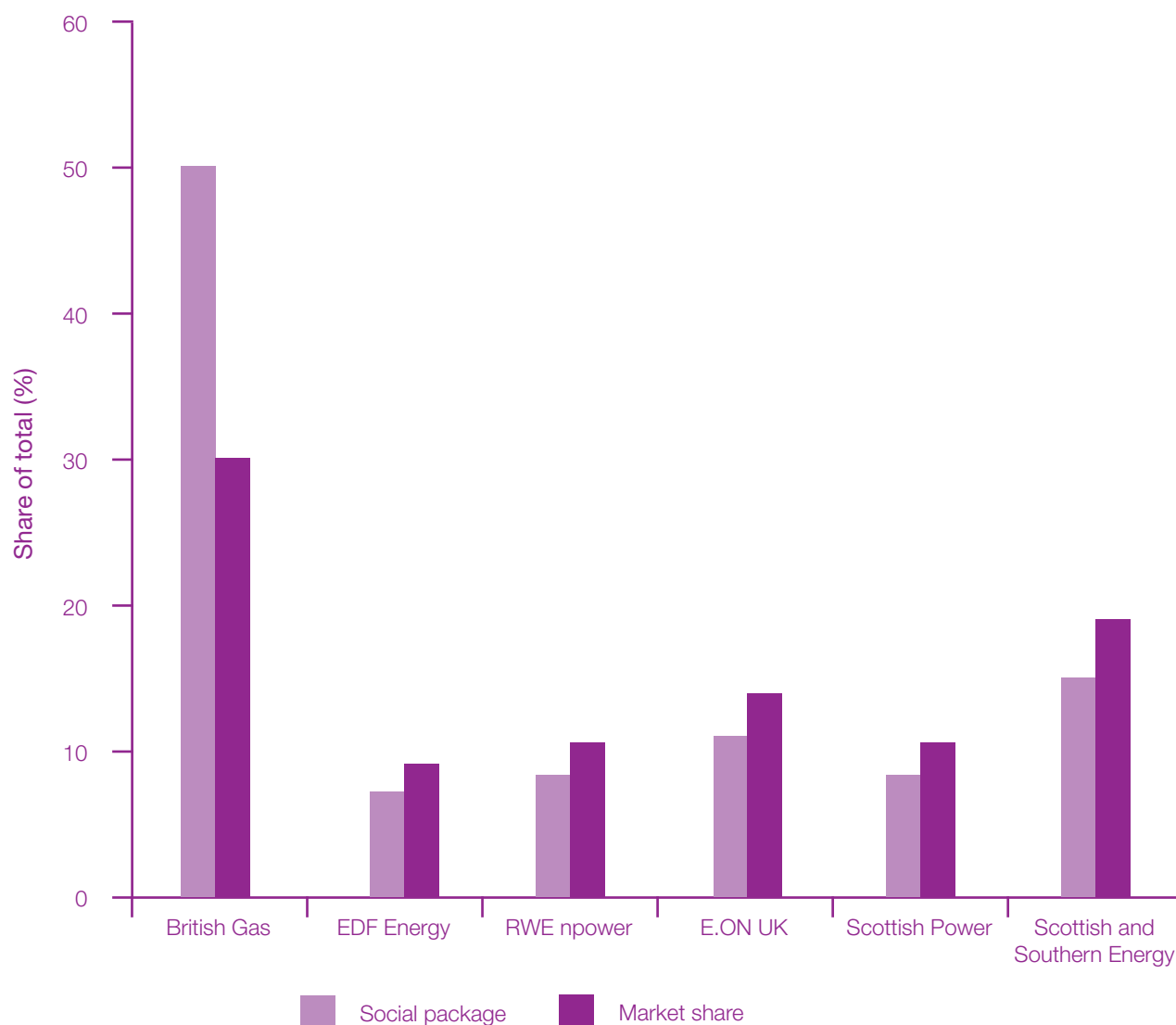


Table 6:3: Suppliers' annual social and standard electricity prices at 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Direct debit (£)	421	421	423	437	403	423	421
Standard credit (£)	461	429	450	458	467	450	452
Prepayment meter (£)	461	429	450	458	438	450	447
Online direct debit (£)	375	367	394	365	399	394	382
Social tariff including waived price increase (£)	394	362	382	326	399	317	364

Source: Averaged regional Consumer Focus pricing data for a medium user at 3 April 2009

Table 6:4: Suppliers' annual social and standard gas prices at 31 March 2009

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Direct debit (£)	764	776	760	776	764	737	763
Standard credit (£)	799	793	809	797	905	776	813
Prepayment meter (£)	831	803	809	797	826	789	809
Online direct debit (£)	685	706	684	762	713	672	704
Social tariff including waived price increase (£)	588	672	688	665	713	499	638

Source: Averaged regional Consumer Focus pricing data for a medium user at 3 April 2009

6.3 Contributions compared with the agreement with the Government

In 2008, the Government and the six major suppliers reached an agreement that the suppliers would collectively spend £100m on voluntary social measures in 2008-09. This spend was to be borne according to the suppliers' share of the home energy market, as outlined in section 4.1. This research has found that the overall value of suppliers' contribution for the year preceding 31 March 2009 was £164.6m. This suggests that the six suppliers exceeded the £100m target by a substantial margin.

However, the assessment includes the £69.9m spent by two of the suppliers on waived price increases. Without these possible 'one-offs', suppliers would have fallen just short of the £100m target at £94.7m. A similar conclusion could be reached using Ofgem's analysis, even when the wider criteria for 'social spend' allowed under Ofgem's assessment is taken into account:

- Ofgem's criteria suggest that supplier spend on all social programmes was £157.3m – 11 per cent higher than supplier spend on social packages alone (which does not include spend on trust funds and other initiatives) at £140.4m (see Table 1.3)
- our research has found that suppliers spent £69.2m on social tariffs and £69.9m on waived price increases: £139.1m in total. The two elements were of roughly similar magnitude
- Ofgem did not distinguish between spend on 'waived price increases' and total spend on 'social tariffs'. Ofgem found that suppliers spent £114.9m on social tariffs, including waived price increases (see Table 1.3). Assuming the same split in our research, this would suggest £57.2m on 'social tariffs' and £57.7m on waived price increases
- thus, the full breakdown according to Ofgem's methodology plus the breakdown of social tariff spend into its two constituent elements, is £15.6m on StayWarm, £9.9m on bill rebates, £11m on trust funds, £5.9m on 'other', £57.2m on social tariffs and £57.7m on waived price increases
- supplier spend on all social programmes according to Ofgem's methodology is, therefore, £99.6m, if 'waived price increases' are not included

If the price waivers prove to be one-offs, suppliers will need to significantly improve their social packages if they are to collectively meet the £125m agreed with the Government for 2009-10.

As Table 6:5 shows, one supplier, British Gas, registered a share of the group's total financial contribution in excess of its market share²⁸.

²⁸ As the agreement with the Government is based on actual spend by suppliers, there can be a read across between percentage market share figures and the commitments to the social packages in millions of pounds. This is because the suppliers would have prepared their commitments in isolation from each other in the expectation that if they pitched them in this way, their competitors would probably aim to do the same and thus ensure all six fulfilled their parts of the overall agreement. In the event, a decision by one supplier, British Gas, to waive its summer 2008 standard price increases for social tariffs meant that the annualised assessments for 31 March 2009 considerably exceeded £100m.

Table 6:5: Suppliers' social packages and market shares 2008-09

	British Gas	EDF Energy	E.ON UK	RWE npower	Scottish Power	Scottish and Southern Energy	Supplier group
Social package value (£m)	90.7	12.0	19.5	14.8	9.7	18.0	164.6
Proportion of collective supplier spend (%)	55	7	12	9	6	11	100
Energy market share (%)	32	11	16	13	10	17	100

6.4 Commentary

The assessment shows that energy suppliers exceeded their agreement with the Government to collectively commit £100m in 2008-09 to voluntary measures to support vulnerable customers, if waived price increases are included in the assessment. The waived price increases from only two suppliers accounted for almost 40 per cent of suppliers' spend on social packages. Without these, suppliers would have fallen slightly short of the £100m target. Since they are likely to be 'one-offs', the assessment suggests that suppliers will need to significantly improve their social packages if they are to collectively meet the £125m agreement with Government for 2009-10.

The following points are also of note:

- the assessment approach of this research used annualised contributions at 31 March 2009 based on standardised profiles and costings to minimise complexity. Ofgem, by contrast, assessed suppliers' actual contributions for the year ending on that date. As expected, the annualised assessments were close to Ofgem's actual measurements, although they were higher for those suppliers that increased the number of consumers signed to their social tariffs significantly during 2008-09
- suppliers have considerable discretion in delivering the annual totals to which they have collectively committed. This is most obvious when considering the 'breadth' (the number of consumers benefiting) and 'depth' (the amount of saving each individual consumer receives). For example, British Gas supports the greatest number of accounts of the six suppliers (516,279 of 1,202,445). Before considering the one-off price waivers, accounts that benefited from British Gas's social tariffs received the lowest average amount at £97.11 for dual fuel against a range of £170.39 to £256.78 for the other five suppliers
- suppliers also have considerable discretion over who is eligible for their social packages. Some only make packages available to pensioners, while others operate a broader range of criteria. The qualifying period for which social tariff consumers need to have bought energy from suppliers also varies between suppliers
- the StayWarm tariff, E.ON UK's major contribution to the agreement, is very different to other suppliers' social packages and is difficult to compare with other suppliers' offers
- suppliers have taken different approaches to the internal quotas they set for numbers of benefiting accounts of social packages. British Gas stopped accepting new entrants onto its Essentials tariff in October 2008 because it had reached an internal quota; while other companies, like EDF Energy, continued to accept new consumers onto their tariffs even after internal quotas were reached

- levels of commitment to social tariffs effectively vary over time as suppliers move in and out of competitiveness and change the balance of prices between different payment methods. The latter has been a key area of activity since Ofgem issued its Energy supply probe – Initial findings report in October 2008. Reflecting concerns from the regulator on cost reflectiveness and fairness of pricing, suppliers have made changes to several of their tariffs since October 2008:
 - British Gas cut its prepayment prices on 18 December 2008²⁹
 - E.ON UK said it would cut its in-area (Eastern, East Midlands and North West) electricity prices for non-gas customers by £14 per year on 4 December 2008³⁰
 - EDF Energy cut prices for its residential electricity-only customers in its home areas (London, the South East and the South West) without gas by up to £24 a year on 10 December 2008³¹
 - RWE npower reduced its gas pre-payment prices on 8 December 2008 so that they matched standard credit levels, representing a typical fall of £30 per year,³² and also cut prices for its residential electricity-only customers in its home areas (the Midlands, Yorkshire and Northern regions) without gas by up to £20
- the decisions by British Gas, and Scottish and Southern Energy to waive their summer 2008 price increases until after 31 March 2009 brought considerable benefits to benefiting consumers. Assessed at £69.9m, the value of the waived discounts accounted for nearly half of the total £164.6m supplier contribution to social packages in 2008-09
- presenting costs of social packages as a proportion of overall supply turnover may understate their impact on suppliers and the wider market. Typical gross retail supply margins from the household sector are said by City analysts to be around five per cent. The cost of the six suppliers' social packages was assessed at 0.57 per cent of turnover in 2008-09, or more than a tenth of reported supply margins
- with the level of support set to rise by £25m each year for the next two years, the burden on suppliers of funding these arrangements is likely to increase
- suppliers will seek to recover a proportion (possibly 100 per cent) of the costs of voluntary social packages from their wider market prices. The cost of these packages was assessed as equivalent to £3.35 per meter supplied at 31 March 2009, or £6.70 per year for householders with both gas and electricity supplies, if suppliers pass on costs in full

²⁹ See www.centrica.com/index.asp?pageid=39&newsid=1699

³⁰ See <http://pressreleases.eon-UK.com/blogs/eonUKpressreleases/archive/2008/12/04/1319.aspx>

³¹ See www.edfenergy.com/media-centre/press-news/EDF-Energy-addresses-Ofgem-concerns-101208.shtml

³² See www.npowermediacentre.com/Content/Detail.asp?ReleaseID=2314&NewsAreaID=2

Annex: summary of information received from suppliers

British Gas

British Gas reported two important changes to its social package:

- on 30 July 2008, the company launched Essentials extra, promoted as an enhancement to its existing Essentials offering. The new offering involved the waiving until April 2009 of standard price increases averaging nine per cent for electricity and 35 per cent for gas for the 340,000 accounts then served by Essentials plus other energy audit and efficiency measures. British Gas said the move would yield savings of up to £214³³
- on 18 January 2008, British Gas committed to waiving the 15 per cent increases in its standard gas and power prices effective from that date on 312,000 Essentials accounts until 1 March 2008. Price rises were also waived until 1 March 2008 for around 25,000 Price promise accounts³⁴

Centrica's 2008 Corporate responsibility report reported that 526,000 customer accounts were supplied on the Essentials tariff by the end of 2008, up from 2007's 340,000³⁵. British Gas closed its Essentials tariff to all new consumers in October 2008. The company stated that this was because it had reached its internal quota for 2008. A revised social tariff that met Ofgem's tighter social tariff definition was launched in May 2009.

Additional information from the supplier

British Gas told us that it had relaunched Essentials in May 2009 this year as a suite of measures dependant upon customer's individual circumstances rather than as a stand-alone social tariff. The company has defined three key segments for support with a clear differentiation between vulnerability: customers whose health will be at risk if they cannot get continuous access to energy; and low income: those with a household income under £15,000 a year. The package consists of tariff relief, energy efficiency, specific services and advice as appropriate for each of the three groups:

- Essentials Combined targeted at vulnerable consumers on low incomes
- Essentials Safe and Sound for vulnerable consumers only
- Essentials Support for low-income only customers

The social tariff element has been restructured to meet Ofgem's revised definition with rates 15 per cent lower than standard tariffs.

³³ More information is at: www.centrica.com/index.asp?pageid=39&newsid=1618

³⁴ More information is at: www.centrica.com/index.asp?pageid=39&newsid=1176

³⁵ More information is at: www.centrica.co.UK/index.asp?pageid=382

Customers previously on Essentials extra have been transferred directly onto Essentials Combined. The new criteria apply to all new applicants. Essentials extra was launched to coincide with the July 2008 standard price rises. The new package delayed any price rise for Essentials customers until May 2009 and offered existing Essentials customers a benefits health-check, a free home energy audit, and energy efficiency measures.

The Essentials advance initiative offered free energy efficiency measures and a £50 rebate once measures were installed. The company said it was in line with the Government's approach to energy efficiency.

Price promise customers were identified through a shared initiative between British Gas and Help the Aged. They were initially placed on a tariff equal to direct debit levels during 2004 and then benefited from a price freeze until 2007.

Price promise was closed in 2006 when a cap of 25,000 customer accounts was met. In 2007, prices were increased for Price promise consumers, as with other customers by 15 per cent, but they were delayed from January until March. British Gas reported that Price promise consumers were on a lower price than Essentials customers because they had only had one price increase since 2004. At the launch, these customers were offered capped energy prices until 1 October 2007, free home insulation, free low energy light bulbs, a free benefits health check assessment and free access to the British Gas Energy Care scheme.

E.ON UK

E.ON UK launched a new social product called Warm Assist, effective from 1 December 2008. It would offer the company's 'most vulnerable fuel poor customers (defined as those aged 60 or above and in receipt of pension credit), a 15 per cent discount on its standard electricity and gas prices' as well as access to energy efficiency services.³⁶

Additional information from the supplier

E.ON UK reported two social products of relevance, the social elements of StayWarm and Warm Assist. The company also stated that it would 'not be referring to the social element of StayWarm or Warm Assist as a social tariff; these are social products designed specifically for those vulnerable customers most in need'. Ofgem states: 'For a supplier's tariff to qualify as a social tariff it must be at least as good as the lowest tariff offered by that supplier to a customer in that region on an enduring basis. This is regardless of that customer's payment method and includes online tariffs.' The company also told us: 'Over the long term we cannot commit to Ofgem's restrictive definition of a social tariff. Warm Assist, within percentage points, will be our cheapest tariff, and together with the additional support offered, will be the best package for this vulnerable group.' E.ON UK stated that for reporting purposes to Ofgem, it intended to 'report social spend on the social element of StayWarm and Warm Assist as discounted tariffs.'

StayWarm charges its customer a fixed amount each year based on the size and occupancy of their house and usage levels (high, medium and standard) over time. The social element of StayWarm ensured that medium or high users, who were on benefits, have special needs or special circumstances, paid the standard StayWarm price for their occupancy, number of bedrooms and region irrespective of their energy usage. E.ON UK stated that the social element of StayWarm was 'well targeted and provide[d] very substantial support of around £400/customer (medium user £260, high user £600).' At the end of March 2008 there were 26,833 customers on this tariff.

Eligibility criteria for the social element of StayWarm targeted households with four or fewer occupants, three or fewer bedrooms and where the account holder was:

- aged 80 or above, 60 or above and in receipt of means tested benefits, 60 or above and energy dependent for health reasons
- with above average energy needs
- a dual fuel customer paying by monthly direct debit

E.ON UK stated that Warm Assist was introduced as part of its commitment to helping the government tackle fuel poverty. It would offer a 'group of our most vulnerable customers' a 15 per cent discount on standard electricity and gas prices, with additional support for energy savings and benefit checks. It was targeted at customers in

³⁶ More information is at <http://pressreleases.eon-UK.com/blogs/eonUKpressreleases/archive/2008/11/27/1316.aspx>

receipt of Pension Credit who had been supplied by E.ON UK for at least 12 months and with annual energy bills of more than 10 per cent of Pension Credit benefit levels (it would continue to be available to customers whose usage fell after they took up energy efficiency measures). The product would also be available to low-income customers aged 60 and over who were medically dependent on energy, eg the long term sick or disabled people. Initially it would only be available to customers paying on receipt of a quarterly bill or by direct debit but a prepayment version would follow. E.ON UK said: 'As we believe the long-term solution to fuel poverty is improvements to the thermal efficiency of properties we are asking customers to work with us by agreeing to have loft and cavity wall insulation measures installed where it is possible.'

E.ON UK offered a guaranteed cold weather payment to gas customers on its Age Concern product of a minimum of £10, if they were aged between 60 and 79, or £20, if they were 80 or over.

EDF Energy

On 25 July 2008 EDF Energy announced that it was adding more than 30,000 customers to its Energy assist social tariff, bringing the total to more than 100,000 customers. It also stated that it expected to spend £11m in the year to March 2009 'on targeted help for the most in need'³⁷.

Earlier on 14 February 2008, the company committed to providing a social tariff for its most vulnerable customers until 2012. Initially the existing Energy assist tariff would be extended until 31 March 2009.³⁸

Additional information from the supplier

EDF Energy reported that to meet the qualification criteria for Energy assist, a customer must either spend more than 10 per cent of their total net annual household income on household energy costs or be in receipt of Income Support or Pension Credit. Once on the tariff, customers have been able to remain on it for as long as they meet the eligibility criteria. The majority of Energy assist customers were standard credit and the company estimated that the average annual dual fuel benefit offered by the tariff was £188, consisting of £86 for electricity and £102 for gas.

RWE npower

RWE npower's 2008 Corporate responsibility report stated that approximately 84,000 customer accounts were registered on its Spreading warmth social tariff. This exceeded the initial target of 75,000 customer accounts. The report also states that around 150,000 customers had received help from its Spreading warmth programme in the year³⁹.

On 30 May 2008, RWE npower announced its plans to launch a new social tariff (Spreading warmth) from Autumn 2008. It would be available to vulnerable customers, those over 60, people with a disability or suffering from a chronic illness or families with a child under 16, with household income less than £13,500 per year. These eligibility criteria were developed in partnership with National Energy Action and energywatch (now Consumer Focus). It would offer a £125 per fuel discount regardless of their payment method⁴⁰.

Additional information from the supplier

RWE npower reported that it expected to spend over £50m on its voluntary commitments to supporting vulnerable customers. In 2008-09, the first year of the three-year commitment, it expected to exceed its target. At the average consumption level of each programme, RWE npower reported that both its Spreading warmth and First step (a legacy tariff no longer offered to new customers) tariffs were below online prices on average over the year for all payment methods. As of 1 April 2009, Spreading warmth has been adjusted to become the company's cheapest tariff irrespective of payment method and currently offers on average a larger discount than shown in this report. For the average customer this discount is over 20 per cent⁴¹.

³⁷ More information is at: www.edfenergy.com/media-centre/press-news/record-wholesale-energy-costs-lead-to-EDF-Energy-price-rise.shtml

³⁸ More information is at: www.edfenergy.com/html/showPage.do?name=edfenergy.media.news.item.til&cmsPage=/opencms/export/www.edfenergy.com/media/news/20080214a.html

³⁹ More information is at: www.rwe.com/web/cms/en/97778/rwe-mpower/more/

⁴⁰ More information is at: www.npowermediacentre.com/Content/Detail.asp?ReleaseID=1924&NewsAreaID=2

⁴¹ Based on a customer using 3,300 units of electricity per annum and 20,500 units of gas per annum, taking both gas and electricity from npower and paying by direct debit, receipt of bill or prepayment.

The company estimated that around 80 per cent of the households on Spreading warmth were fuel poor. The tariff was accessible to a range of customers with different forms of vulnerability enabling the supplier to support those most in need from a range of groups.

The Spreading warmth programme provides support beyond social tariffs through a range of assistance such as the First step scheme, which offers advice to customers who are struggling to pay their bills. RWE npower also runs the Health through warmth scheme which identifies people living in cold, damp homes and then helps them by installing energy efficiency measures and heating (including insulation and energy efficient boilers). The scheme helps people of any age regardless of whether or not they are RWE npower customers.

Scottish Power

Scottish Power announced on 15 December 2008 the launch of the Fresh start social tariff from the start of 2009. The tariff is targeted at customers aged 60 or over and in receipt of a welfare benefit. It complies with the Ofgem definition of a social tariff in that it remains equivalent or lower to the cheapest price on offer from Scottish Power in the customer's area regardless of payment type.

Earlier, on 8 February 2008, the company announced the launch of the Carefree plus social tariff. This was targeted at Carefree register customers aged 60 or over and in receipt of welfare benefits. The customer must have paid by any method other than monthly direct debit, standing order or fuel direct⁴².

Additional information from the supplier

Scottish Power reported that to access its Fresh start social tariff, a customer must be aged 60 or over and in receipt of a qualifying welfare benefit. It also stated that customers signed up to its Carefree plus social tariff were automatically transferred to Fresh start along with all other vulnerable customer groups who received a rebate in the period to ensure a holistic package of assistance for all.

Recognising the value of trust funds, income maximisation and partnership working to alleviate fuel poverty, Scottish Power invested considerably in each of these areas during 2008-09 to the value of £4.3m. Of this total funding, £2.3m was donated to the Scottish Power Energy People Trust, which was established in 2005 with the objective of providing a sustainable solution to fuel poverty. The independent trust provides funds to not-for-profit organisations and voluntary groups that work directly with those in fuel poverty. Projects that deliver energy efficiency advice, income maximisation and crisis funding as well as research projects in the area of fuel poverty are funded by the trust.

Scottish and Southern Energy

In its 2008-09 Annual report and accounts, Scottish and Southern Energy said the number of customer accounts served by Energyplus care increased by 77,000 to 103,000 in the period to 31 March 2009⁴³.

On 21 August 2008, Scottish and Southern Energy announced standard price increases of 19.2 per cent for electricity and 29.2 per cent for gas prices effective from 25 August. The company said the increases would not apply to customers on Energyplus care, its social tariff, and wanted to increase the number of customers on this tariff to 100,000 by the end of March 2009⁴⁴.

In July 2008, Scottish and Southern Energy set out a code of practice,⁴⁵ with 10 principles for dealing with fuel poor customers. Designed to ensure the company's 'voluntary programmes of assistance are coherent and credible and make a genuine difference for fuel-poor customers', it states:

- any social tariff must be the lowest-cost tariff offered by a supplier and be of a lower price than the national average direct debit dual fuel tariff
- it would review the positions of at least a third of its vulnerable consumers every year to ensure they were on the best of its tariffs and receiving energy efficiency advice

⁴² More information is at: www.scottishpower.com/PressReleases_1622.htm

⁴³ More information is at: www.scottishsouthern.co.uk/SSEInternet/uploadedFiles/Corporate_Responsibility/Our_Performance/Reports/Report_items/SSEAnnualReport2009.pdf

⁴⁴ More information is at: www.scottishsouthern.co.uk/SSEInternet/index.aspx?id=15016&TierSlicer1_TSMMenuTargetID=1364&TierSlicer1_TSMMenuTargetType=1&TierSlicer1_TSMMenuID=6

⁴⁵ More information is at: www.scottishsouthern.co.uk/SSEInternet/uploadedFiles/Corporate_Responsibility/Customer_service/ACodeOfPracticeToHelpFuelPoorCustomers110408.pdf

- it would offer a diverse range of services and work with a wide range of stakeholders reflecting the differing needs of its vulnerable customers
- it would support a 'tough and open approach to judging the efforts of all of the UK's energy suppliers to help[ing] the fuel-poor', and review its own progress against its code every year

Additional information from the supplier

Scottish and Southern Energy reported comprehensive information on its voluntary social commitments. However, the company requested that this information was kept confidential.

What's the deal?

Energy suppliers' social tariffs and rebates

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