

energywatch

Annual Report and Accounts

2007–2008

energywatch Annual Report and Accounts 2007-2008

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Chair's Statement



Ed Gallagher
Chair

It seems since I became Chair of energywatch in 2004 that every year has been a crunch year for energy consumers.

Unrelenting price rises, policy initiatives designed to achieve carbon reduction and fuel poverty targets, and regular spikes of customer service failure have put energy consumers at the heart of the news and the public policy agendas.

However, throughout these four years, energywatch has been able to help consumers deal with the practical challenges that they have faced.

Last year out of almost 600,000 consumers who contacted energywatch, almost half needed more help than just simple guidance and information. We were able to recover £9,700,000 in compensation and reductions in bills for them.

Almost without exception, the trend in the number of the difficult cases that we handle and the amount of compensation that we recover has increased year on year. Since I became Chair of energywatch, we have provided this complex level of support for over 1 million consumers and we have recovered almost £30 million in compensation for them.

This level of practical advocacy has also been an effective catalyst for change in policy, and has led to generic changes beneficial to consumers across all energy companies.

Energy companies are aware that there is a cost for ignoring their customers. But, in the resolution of individual problems and in sorting out the root cause of those problems, energywatch has had to be dogged and determined to make all companies face up to their responsibilities.

Over recent years consumers have become more confident about engaging with the energy market, whether to improve the level of service they receive or to get a better deal. energywatch has led the way in helping consumers who can switch to

do so effectively. We have also pushed hard to improve the opportunity for others less able to do so, including those on prepayment tariffs.

As energywatch comes to an end, other bodies will take over our role. It will be a matter of regret for many in energywatch that a body, whose sole focus is on the needs of energy consumers, will disappear.

In all our work, from our inception in 2001 we have been fortunate to have exceptional Council Members who have been well supported by our Lay Committees. We have formed many effective partnerships with a wide range of stakeholders and have had, from our point of view productive, if not always settled, relationships with the energy companies.

All this has been driven by an energetic and committed Chief Executive, backed up by exceptionally well qualified and professional staff. It is to them that we owe our special thanks. Most of them will move to pastures new but I am confident that the competence and care that they showed here will be deployed as effectively as it was at energywatch, wherever they choose to go.

Our thanks and good wishes to them, and to everyone who has worked with us over the past seven years.

A handwritten signature in black ink, appearing to read 'Ed Gallagher'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Ed Gallagher
Chair

energywatch Council



Professor Ed Gallagher (chair) joined energywatch on 1st April 2004. He was the chief executive of the Environment Agency, which he created by the merger in 1995 of the National Rivers Authority, HM Inspectorate of Pollution and the local authority waste management functions – involving 86 organisations and 10,500 employees. Prior to this he was chief executive of the National Rivers Authority and held various board level directorships and senior management roles at Amersham International and Black and Decker, amongst others. He has considerable experience in executive and non-executive roles in both the private and public sectors, including chairman of Envirofresh Plc, chairing the Envision charity and as a civil service commissioner. In November 2007 Ed Gallagher was appointed Chairman of the Renewable Fuels Agency. Ed is also a Board member of the new National Consumer Council.



Allan Asher (Chief Executive) joined energywatch from the Consumers' Association where he was director of campaigns and communications. Previously as deputy chairman of Australia's competition and consumer protection agency, the ACCC, Allan was responsible for the economic regulation of gas and electricity transmission. A barrister and solicitor, Allan has held director posts in consumer protection bodies for 20 years and has extensive experience in the promotion of the economic interests of consumers in developing countries.

Andrew Horsler has been a council member since 2000 and acted as chair between January and March 2004. With a background in the coal industry, he now works as a consultant on coal and energy matters and has an extensive knowledge of energy market issues. He is an energywatch appointee on the Balancing and Settlements Code Panel for the electricity industry.



Sharon Darcy has been a council member since 2000. She has previously worked for the National Audit Office, Consumers International and the Consumers' Association. She is a non executive director of a large housing association, a Primary Care Trust, TrustMark and the Thames Committee for the Consumer Council for Water. Sharon has been appointed to the Board of the new National Consumer Council.



Brian Saunders has very extensive senior management experience in the electricity industry, most recently as chief executive of ELEXON, and previously with Powergen and the CEGB. He has particular experience of complex industry issues and the challenges facing industrial and commercial customers.



Tim Cole has been a council member since 2000. He is an independent business consultant, and has extensive experience in energy consumer representation, as well as an understanding of small business and rural issues.

Charles Coulthard is the chair of the energywatch Scottish Committee. He previously held senior posts with OFGEM, where he was director for Scotland, and OFREG. He has extensive experience of energy consumer issues from a regulatory perspective, and has recently been involved in charities dealing with fuel poverty and energy efficiency in Scotland.



Krishna Sarda has been chief executive officer of the Ethnic Minority Foundation since 2002. Previously, he was director of diversity at the London Borough of Camden from 1993-2002 and was the director responsible for management of legal services and advocacy at the UK Immigrants Advisory Service from 1990-92. He has also held board positions and worked with the Terrance Higgins Trust and the NCVO. He was recently awarded an honorary doctorate for his work on poverty and social justice.



Julian Salisbury chairs the energywatch Welsh Committee. Julian has energy industry experience with Swalec and Wales Gas, and has also worked in the engineering industry and local government since 1993. He was a member of the Cardiff Community Health Council between 2000 and 2006.



John Howard is a consumer broadcaster and journalist (he presented the Radio 4 programme You and Yours between 1983-97). He served on the Mortgage Code Compliance Board and was appointed chair of the Financial Services Consumer Panel from 2005 to 2008. He is a non-executive Director of Financial Ombudsman Services.

Chief Executive Statement



Allan Asher
Chief Executive

Energy consumers are about to lose their watchdog. In September we hand over parts of our role to the new National Consumer Council, Consumer Direct and a statutory Ombudsman scheme. While there is much that energywatch would still like to achieve, the Government has decided that a dedicated watchdog for consumers in the energy market is no longer required.

energywatch has spoken up for energy consumers for seven years and campaigned to bring social responsibility into the UK energy market. My hope is that energywatch will be remembered as a friend to those with the right intentions and a thorough pain to those who only see consumers as a source of income or nuisances to be ignored.

What happens when energywatch has gone will be a test for the Government and succeeding agencies. A lot will depend on energy companies. Will the industry slip back into bad practice or set an enlightened course of genuine competition, customer care and corporate social responsibility?

The first thing most consumers will notice is that they can no longer pick up the 'phone and ask energywatch to sort out an apparently intractable problem with an energy supplier. This part of our work will go nowhere. Effectively, and with the exception of vulnerable consumers, most energy users will be left to fend for themselves if a supplier ignores their enquiries and complaints.

We are in a position now in Britain where we believe the economies of scale and the market power of the Big Six have become mutually reinforcing.

Our campaign for greater competition has finally produced two investigations: one by the House of Commons Business and Enterprise select committee and the other by Ofgem. We have responded to both. In addition, Ofgem has launched a review of the 20-year-old regime governing the regulation of the gas and electricity networks. The true

benefits of competition only really flow from sustained regulatory scrutiny combined with public, media and political pressure.

As a parting measure we offer some advice to consumers and their representatives on what still needs fixing and what will indicate that the market is becoming more competitive and socially responsible.

Challenges for Government

Fuel poverty was decreasing until the recent price hikes; now over 4 million families face the choice of either eating or heating. Already there is speculation of even more price hikes later this year which will make matters even worse. The Government seems unlikely to meet its 2010 statutory target to end fuel poverty. Consumers should now be asking:

- when will we get mandated social tariffs where suppliers are obligated to make their lowest prices available to the most vulnerable consumers?
- when will smarter metering be available to everyone so that real time energy consumption can be monitored and managed by householders?
- when will we see some action to help rural consumers and those who depend on heating oil or liquid petroleum gas to heat their homes?
- when will fuel poverty be eradicated in the world's fifth largest economy?

“Dramatic improvements by a number of suppliers have shown what can be done”

Challenges for the Regulator

Ofgem needs to rebalance its role so that consumers can be more confident that it is on their side. It needs to:

- get serious about improving the dire state of energy company complaint handling;
- take prompt action to investigate complaints about anti-competitive effects such as uniform and excessive pricing;
- require that industry behaviour does not penalise the poor and vulnerable as it currently does with extra charges for fuel poor prepayment meter customers;
- compel companies above a certain size with both generation/production interests to disclose disaggregated information so that the real trading volumes and prices are more visible;
- simplify market rules and entry requirements so that smaller, low-carbon operators are able to access markets and consumers;
- oversee effective voluntary or mandatory best practice standards for complaint handling, billing, customer service systems, redress and protection of vulnerable consumers;
- improve the information needed for making good choices particularly in terms of transparency of energy labelling and transparency of marketing green energy.

Challenges for the companies

The six major companies in the UK market have worked hard for their shareholders, but too often have paid insufficient regard to their customers. Dramatic improvements by a number of suppliers have shown what can be done. Customers will know that they have decent energy suppliers when:

- all the companies sign up to and meet best practice standards;
- the reasons for consumers to complain, reduce;
- complaints are dealt with swiftly and redress is automatic;
- there is a genuine choice of price and service quality and it is possible to make that choice with out much effort;
- customers get extra help when it is needed;
- information on the fuel mix of every tariff is provided to business and households to improve accuracy, transparency and consistency of information about electricity especially when it is described as ‘low carbon’, ‘green’ or ‘renewable’;
- low carbon policies are genuinely at the heart of their businesses and do not rely on external incentives such as through the mandated Carbon Emissions Reduction Target.

Challenges for the new NCC

energywatch's approach has been to identify problems and solutions and apply pressure to achieve change. The role of energy consumer champion will now pass to the new NCC. It must take on a wide brief if it is to make a difference to energy users, make an impact on fuel poverty and the responsiveness of companies to their customers. I hope they will:

- continue the campaign to persuade consumers to switch suppliers to stimulate competition in the market;
- ensure market participants receive very clear messages about what is expected of them and the consequences of failing to meet those expectations;
- develop a scoreboard to include indicators such as redress and enforcement systems, consumer empowerment, consumer satisfaction and transparency of information to detect signs of market malfunctioning;
- provide access to comparative price information so consumers can make informed choices about suppliers;
- ensure that consumer rights are the cornerstone of a fair and competitive energy market.

And finally...

When energywatch came into the energy market mis-selling and disconnections were rife. Many campaigns later, we can take comfort in the fact that complaints overall are reducing and companies have improved their systems and their attitudes to consumers. There are now a number of industry guidelines and standards to help regulate how these businesses conduct themselves. The AES (Association of Energy Suppliers) Code, for instance, introduced compensation for victims of mis-selling and between 2003 and 2004 complaints about selling issues dropped by 87 per cent.

“energywatch’s approach has been to identify problems and solutions and apply pressure to achieve change”

energywatch also prompted the voluntary scheme of The Erroneous Transfer Customer Charter that requires energy firms to pay customers £20 compensation if they do not respond to letters within 20 working days. We participated in the Customer Transfer Programme to improve the whole transfer process and by 2004 complaints about transfers had fallen by 58 per cent.

Practices which disproportionately affected the poor, such as debt blocking, back charging and most especially disconnection, have been reformed. Companies have been persuaded to promote Priority Services to the vulnerable and make more effort to find out why people were in debt to their suppliers. Poor billing practices still remain the number one headache for consumers and in 2005 energywatch submitted a Supercomplaint to Ofgem demanding decisive action to improve billing. As a result, suppliers were given a year to end back-billing, and ordered to improve consumer contracts and set up an independent ombudsman scheme to investigate and resolve billing errors. We pioneered a Billing Standard and a Complaint Handling Standard and contributed to the drafting of BS ISO 10002:2004 and the ISO 10000 series.

Our latest campaign is to get recognition for a set of rights for energy consumers. We have contributed to the drafting of a European Charter of Rights for Energy Consumers and we are pressing for the rights to be incorporated in the third legislative energy package currently being voted on in the European Parliament. On an international scale, we have teamed up with Consumer International to incorporate the rights in the UN Guidelines for Consumer Protection and to develop an ISO Standard Guidelines for the assessment and improvement of energy services to users.

“A rights charter is the chance to set out some key goals by which the success of liberalised energy markets can be measured”

A Charter of Rights offers a singular opportunity to put pressure on regulators, law enforcers and suppliers to meet consumer needs as a priority and go beyond compliance with the law and law enforcement. It is the chance to set out some key goals by which the success of liberalised energy markets can be measured. Success in this context should be based not just on more active engagement of consumers in the market, but in the equality of partnership that consumers enjoy with suppliers who are well resourced and influential. ‘Who controls the market?’ will be a good question to ask in two years time.



Allan Asher
Chief Executive

Advocacy and redress

Business as usual

Although 2007–08 was the last full year of operation for energywatch, there was no let-up in the number of consumers contacting us, no shortage of companies who fail to provide decent service and no slackening in the determination of energywatch staff to support those consumers who need our help.

No let-up in consumers coming to energywatch

With high prices and often poor levels of customer service, the energy market continues to generate high levels of consumer dissatisfaction.

Over the course of 2007–08, 598,681 consumers contacted energywatch. While this is a reduction on 2006–07 contacts, it is a significant increase on previous years. Despite the uncertainty created by the establishment of new consumer advocacy arrangements, energywatch staff met the challenge of supporting all consumers who came to us for help.

Contacts to energywatch

2005–06 – 488,000 contacts
2006–07 – 720,000 contacts
2007–08 – 598,681 contacts

Caseload dip – but still show an upward trend

In 2007 energywatch changed the way in which we reported on our caseload. It began to classify and report cases as either an Enquiry, an Empowered Complaint or as an Investigated Complaint. The change was to give a better picture of the number of consumers who had come to energywatch with a problem with their company and how we helped them.

Some suppliers have used the reduction in numbers of Investigated Complaints as evidence for a material improvement in standards of customer service. Sadly the experience of 2007–08 does not support such an optimistic perspective.

Out of almost 600,000 contacts, we recorded a total of 295,651 new cases. The welcome reduction in British Gas cases was reflected in an 11 per cent

energywatch case categories

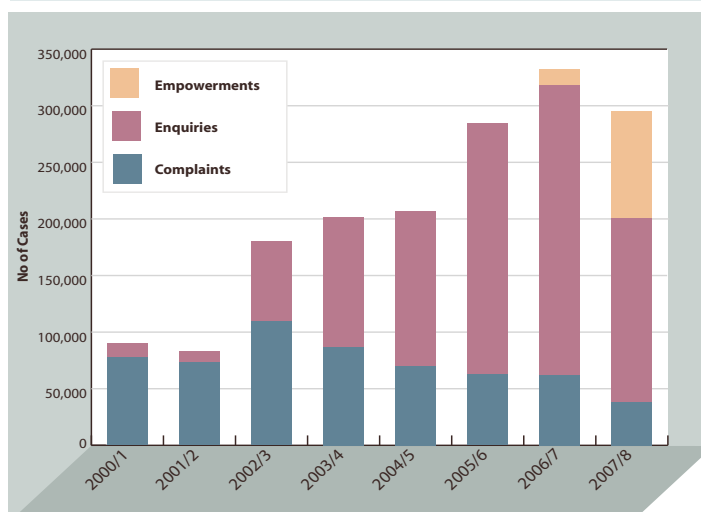
Enquiry – when a consumer is provided with the information and advice to understand and resolve the problem themselves

Empowered Complaint – when a consumer is provided with advice and transferred to a specialist team within their supplier able to take action

Investigated Complaint – when an energywatch Consumer Adviser investigates the problem and intervenes directly with the supplier

caseload reduction on the previous year. However, just as overall contacts have increased over recent years, case numbers also show a 45 per cent increase on 2004–05.

| | | |
|-------------|----------------|-------------------------|
| Total cases | 2007–08 | |
| | 162,367 | Enquiries |
| | 95,256 | Empowered Complaints |
| | 38,028 | Investigated Complaints |



'Empowering' more consumers

Last year energywatch introduced a scheme of empowering consumers to resolve problems themselves.

'Empowerment' works by identifying a consumer who has a problem that should be resolved quickly and effectively by their supplier, without energywatch intervention. If the consumer agrees, we provide advice and transfer them directly to a specialist team within their supplier. For consumers and companies, this can be the quickest way to resolve a problem.

In 2007-08 we dealt with 95,256 Empowered Complaints – a significant increase on the 40,000 in the previous year. This change helped us reduce the number of Investigated Complaints while maintaining excellent results for consumers.

Business suppliers and distribution companies have been brought into Empowerment. Also, we have begun to adapt Empowerment so that other support agencies can use the model to help their clients get quicker resolution from energy companies.

Since energywatch was established in 2000 we have recovered £35,045,361 in compensation and bill reductions for consumers!



Neil Avery, energywatch
Director of Consumer Services

"To exceed all key operational targets, in a year of such uncertainty and challenge, is a tribute to the commitment and professionalism of our teams"

Standards of service improve – all performance targets met

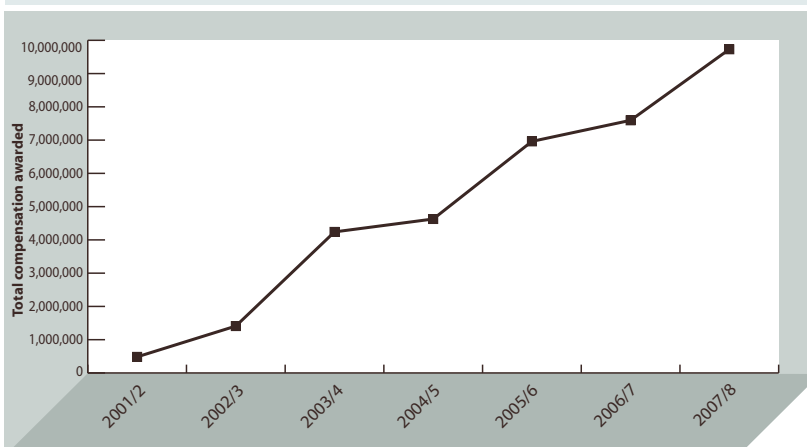
We have been determined that consumers should receive an exceptional service from energywatch regardless of any uncertainty caused by our abolition.

Managers, Team Leaders and our front line Consumer Advisers have maintained a level of purpose and determination that has delivered for consumers. Consequently in 2007-08 we outperformed all of our operational performance targets on customer service, speed of complaint resolution and customer satisfaction.

energywatch continued to increase the amount of compensation recovered for consumers. In 2007-08 we recovered a record £9,729,616 in compensation and bill reductions. That works out as an average of £114 for every complaint that we resolved during the year.

Our customer satisfaction rating on complaint handling stood at 83 per cent of consumers satisfied or very satisfied with the service from energywatch by the end of the year. This is 3 per cent down on the previous year but represents a significant achievement as we prepared to hand over responsibilities to new consumer advocacy bodies.

Compensation and bill reduction



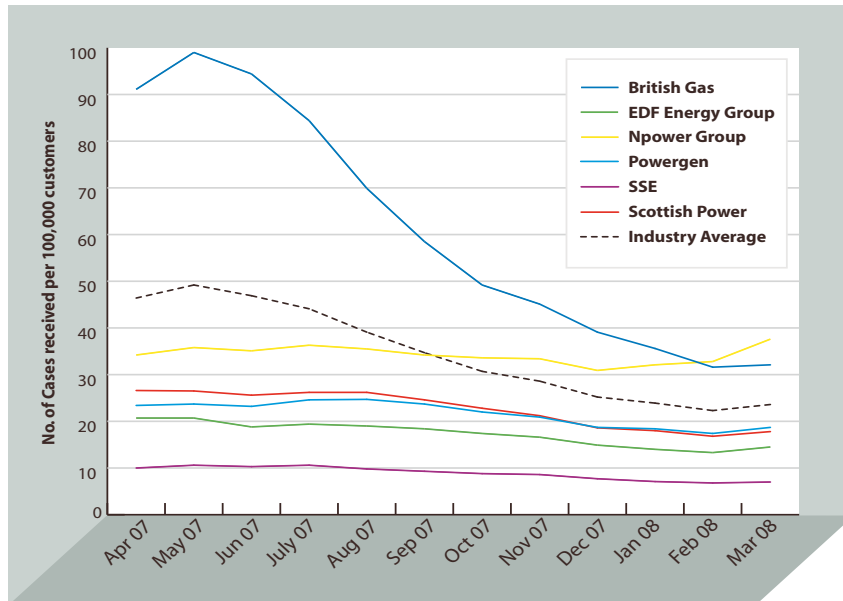
New functions on the website

A 'complaint wizard' will now take you through the process of making an effective complaint to your energy supplier.

Consumers can now sign up to a new alert service so that every time prices change an email will update your chosen data and let you keep up with the market.

You can link directly to accredited online price comparison websites. Almost 90,000 consumers have already done so.

Domestic cases received by energywatch 2007/08 per 100,000 customers (3 month rolling average)



Better use of the Web

energywatch has always used the internet so consumers can take advantage of our services. Over the year our website had over 850,000 unique visitors, over 3 million hits, including almost 850,000 on our advice pages and 149,000 on the 'best deals' page. A further 225,881 consumers used our comprehensive 'ask a question' service.

The health of customer service

During 2007-08 there were the signs of a customer service recovery by British Gas, but a significant relapse for npower. During this time all other suppliers saw their performance either slightly improve or stand still.

In April 2007 British Gas was just over the peak of its customer service problems. 36 per cent of all the cases we received were in the first three months of the year and 66 per cent concerned British Gas. At the end of the first quarter of the year energywatch had received 96,036

new British Gas cases, 31 per cent higher than the same period in the previous year. That corresponded to the total number of British Gas cases received being double the number for all of the other domestic suppliers put together.

Throughout the early part of the year we continued to work with British Gas to focus on key elements of their recovery plan; telephone answering, speed of resolution, number of consumers calling back because promised actions had not been carried out.

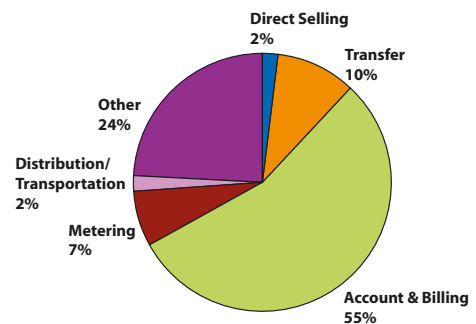
We received 78,121 new cases against British Gas in the second quarter of the year. That number had fallen to 61,085 by the end of the third quarter and continued to fall toward the end of the year.

However by this time the number of cases against npower had steadily increased and by the end of the year npower had overtaken British Gas in the number of cases against it.

Same old story – but an unwelcome twist

As in previous years a large proportion of cases – 57 per cent – were about the poor quality of account management and billing. Customers of both npower and British Gas suffered particularly as their suppliers migrated customer data to new billing systems.

All cases received by energywatch 2007/08 by complaint category



Most worrying among the problems experienced by npower customers was the return of large-scale doorstep mis-selling. In February 2008, 97 consumers contacted us about npower's sales activity. By March we had referred npower's marketing activity to Ofgem for investigation with details of 400 cases of mis-selling across Britain.

The following month npower direct sales activity became the subject of an Ofgem investigation.

Preparing for transition

Throughout 2007–08 energywatch staff have been heavily involved in ensuring that the transition to the new consumer advocacy bodies happens with the minimum disruption or inconvenience to consumers.

Supporting stakeholders

As part of the transition from energywatch to the new National Consumer Council, the energywatch Priority Consumer Team carried out a Stakeholder Information Project with 560 organisations who work with and represent vulnerable consumers. The aim was to discover which types of information and training that they would find beneficial in the run up to energywatch closure. Over 260 questionnaires have been completed and feedback has been incorporated into our transition plans.

responses from stakeholders

- 89 per cent have requested better support from suppliers
- 75 per cent would like face to face training
- 77 per cent wanted a printed A-Z Energy Manual
- 74 per cent would like access to an Energy Manual Online

Two npower sales agents knocked on the door of a consumer in South Wales. One agent said that British Gas were illegally charging consumers for part of the bill that the government should pay. The agent asked to see a bill, pointed to a standing charge amount and confirmed that the consumer was being overcharged by British Gas. The consumer refused to answer any more questions when the agent began to fill out a form and asked for bank details. The agent wrote void over the form, and went next door to try again.

Spring 2008

Face to face training is underway and 30 sessions have already taken place. This information has been used to inform the new National Consumer Council on what they and suppliers need to provide to ensure partner agencies are given the best possible support.

Cutting over to a new system

One of the biggest challenges remaining for energywatch is to manage the change from energywatch services to those of the new consumer bodies. The 600,000 consumers who contacted energywatch last year will be supported by Consumer Direct, the energy suppliers, a new statutory Ombudsman service and, in certain cases, by the new National Consumer Council.

Preparations have been made to transfer the energywatch customer contact centre into the Consumer Direct operation. A team based in our Bournemouth office will manage outstanding and complex cases for a period after October 2008, while the new Extra Help Unit of the new National Consumer Council will use the skills and expertise of staff from our Glasgow office to make sure that the most vulnerable consumers are properly supported.

Other Key functions have been prepared to move into a new home. This has involved refining the delivery of price comparison sheets, the accreditation of online comparison services through the confidence code, ways of working with vulnerable consumers or those at risk of disconnection and the expansion of Empowerment.

Detailed preparation in 2007–08 will have made sure that consumers experience a smooth transition to the new services.

Supporting the transition

To make the changes as smooth as possible, energywatch has seconded key staff to work with the transitional team establishing the new National Consumer Council. energywatch staff have played a leading role in establishing IT needs for the new body, putting human resource processes in place, ensuring that internal communications work across the project, scoping out the policy issues to maintain effective consumer advocacy throughout their transition and importantly we have led the work that will deliver effective complaint handling once energywatch has gone.

This represents an intensive programme of work so that energywatch delivers a positive legacy to the organisations that come after us.

Getting the right standards in place

Companies required to sharpen up on complaint handling

The Consumers, Estate Agent and Redress Act (CEAR) became law in July 2007. Not only did it confirm that energywatch would merge with Postwatch and the National Consumer Council, the Act recognised that energy suppliers need more than gentle encouragement to get complaint handling right.

energywatch had argued that the Act should not only establish a statutory Ombudsman scheme for when things go wrong, but also proper complaint handling standards so that things went wrong less often.

A statutory basis for good complaint handling represents the best chance for the new consumer advocacy arrangements to be a success. The energywatch Company Performance and Public Affairs teams fought hard for these provisions to be included in the Act.

Research from our Company Performance Team has confirmed how badly this was needed.

Multiply the problem by seven

Between July and November 2007 we surveyed a random sample of 1,124 consumers who called us for help. We asked them what their experience had been with their energy supplier prior to calling us. The results surprised even the energywatch Company Performance Team, well used to the standards of complaint handling from some energy suppliers.

The survey results showed that consumers tend to come to energywatch when suppliers have failed to resolve problems, have broken promises or have not taken the complaint seriously.

The development of a performance standard that delivers decent levels of complaint handling was a priority across energywatch. We have produced compelling evidence to Government, Parliament, suppliers and Ofgem on the purpose and design of such standards. Well attended energywatch events in Glasgow and London helped stakeholders consider their own response to this major new element of consumer protection.

The launch of a campaign in January 2008 to help consumers make more effective complaints not only gave consumers effective tools to get problems resolved first time, it pinpointed just how much energy suppliers have to change before energywatch disappears.

The Consumer experience of complaining

| | |
|---|-------------|
| Average number of times consumers contacted their supplier about their problem, prior to contacting energywatch | 7 times |
| Average number of months the consumers' problems had been outstanding, prior to contacting energywatch | 7 months |
| Percentage of consumers who said that their supplier had failed to deliver upon its promised actions (e.g. resolve problem to their satisfaction) | 97 per cent |
| Average number of opportunities consumers gave their supplier to resolve their problem, prior to contacting energywatch | 5 times |
| Percentage of consumers who said they successfully escalated their problem with the supplier | 29 per cent |
| Percentage of consumers who said they would feel confident in raising a problem with their supplier in the future | 15 per cent |
| Percentage of consumers who felt confident that their supplier would successfully resolve a future problem once it had been raised with them | 14 per cent |
| Percentage of consumers who felt confident that their supplier would successfully resolve a future problem once it had been raised with them | 1 per cent |

Source: *Getting serious about energy complaints and customer service*

Standard for handling complaints

(1) A regulator must by regulations prescribe standards for the handling by its regulated providers of consumer complaints made to them

Consumers, Estate Agents and Redress Act 2007 – clause 43 (1)



Audrey Gallagher, Head of energywatch Company Performance Team

"Some companies need to take a long hard look at the obstacles they put in the way of consumers with legitimate problems. Smart companies know that achieving the best standards of complaint handling will work in their interests and those of their customers."

Throughout the year the Company Performance Team has promoted the need for energy companies to adopt best practice standards on customer service and complaint handling. The team also urged Ofgem and suppliers to look beyond their own experience and learn from other sectors such as the financial services where companies are required to inform all consumers about the escalation stages and timescales in their complaint handling process and record all complaints received.

what consumers want when they complain

- To know who to contact and what type of service they can expect in return;
- Acknowledgement that their complaint will be treated seriously and handled by someone with the ability to resolve it;
- To know how long it will take to be resolved and updates on progress;
- A fair outcome to their complaint that reflects the inconvenience suffered and ensures they do not suffer undue financial penalty;
- To understand how companies perform against each other; and
- Reassurance that the complaints data supplied by companies is accurate.

For when the supplier fails

We are proud of our performance in resolving problems for consumers. We want that quality of service to be equalled if not bettered by a statutory redress scheme when energywatch disappears.

We have encouraged the current voluntary Energy Supply Ombudsman to improve the ease of access to its service and to achieve better handling times and outcomes for consumers. Regular meetings between Allan Asher and Elizabeth France, the Ombudsman, have enabled energywatch to express concerns and make recommendations at the most senior level.

energywatch has also pushed for and achieved some major improvements to the plans for a statutory scheme. These improvements will make it quicker for consumers to access the scheme, make it open to more small businesses, subject it to periodic review and, most importantly, make it more likely that consumers will get the right outcomes.

We have had to improve our own service as well. Over the year we have provided much clearer information to consumers about the Ombudsman service. For many of the 3,561 consumers who we signposted to the scheme, we offered a return to energywatch if they needed more help. In 64 cases, many involving vulnerable consumers, we have been authorised to act as the consumer's agent while their case is before the Ombudsman.

Enforce the rules

Just as important as helping individual consumers with their problem, is making sure the root cause of the problem is addressed.

Throughout the year energywatch has used case data to track problems and trends in the energy market. When it becomes clear that cases reflect a deeper problem in the market, energywatch translates that consumer intelligence into referrals to Ofgem or others to investigate breaches of consumer protection laws or the energy supply licence.

In the passage of the CEAR Act 2007, through the development of the criteria for a statutory redress scheme and in the creation of new standards for complaint handling, our Company Performance Team has ensured that the new National Consumer Council and the statutory Ombudsman scheme are able to act quickly and refer cases of general interest to the relevant enforcement agency.

Going global

energywatch has always shared our experience of a competitive energy market with colleagues from overseas.

Over the year we have hosted delegations from Turkey, Slovenia, Hungary, Austria, Sweden and, on several occasions, Russia.

energywatch staff have spoken at conferences in Sweden, Spain, Australia, Brazil, Belgium, France, Italy and Spain. In addition, Allan Asher addressed the General Assembly of BEUC, the umbrella body for European Consumer Associations, on the lessons of liberalisation in the British market. The focus for our international activity is on the development of European and Global charters for energy consumers. These charters would gather together the rights and protections that consumers require in liberalised energy markets.

As the deficiencies of continental energy markets impact on British consumers, we have been regular visitors to Brussels, meeting MEPs, Commissioners and officials to press for more competitive energy markets and minimum standards of consumer protection.

"What comes after us has to be as good if not better. It's as simple as that. Consumers need an Ombudsman that delivers!"

Allan Asher



Backing real competition

In September 2004 energywatch held a seminar on spiralling gas prices. In that seminar we called for competition authorities to investigate the structure and operation of the energy market.

Since then we have been outspoken about the disappearance of competitive pressures in the market. While many market participants and commentators have maintained the view that Britain benefited from the most competitive energy market in the world, energywatch continued to campaign for a better market that puts consumers first.

At the end of March 2008 we were still making that call. But by then many others had accepted the need for forensic scrutiny of the structure and operation of the energy market.

Five years of escalating gas and electricity prices hit new heights when five of the big six suppliers raised their prices within a five week period at the start of 2008. The sixth, Scottish and Southern Energy, joined five weeks later. Since 2003 domestic gas bills have gone up by 109 per cent while electricity bills have gone up by 70 per cent.



Throughout the year energywatch has commissioned and published work from energy commentators and academics to establish the areas where competition authorities need to focus. Our press team has kept the call for a focused response to ever-rising prices in the minds of the public, government and regulators.

Throughout the year energywatch maintained a focus on the signs of failure in the domestic energy market but also on the consequences of the indexation of wholesale gas prices to global oil prices. energywatch has called for the decoupling of a toxic link between the two commodity prices.

Probes and inquiries

On 5th February 2008 the House of Commons Business and Enterprise Select Committee announced an inquiry into whether the energy market was competitive and delivering results for consumers. On 21st February Ofgem announced its own probe into the energy supply market. Both the parliamentary committee and Ofgem said that they would consider the merits of referring aspects of the energy market to the Competition Commission.

By the end of March energywatch had submitted 112 pages of evidence to Ofgem and 147 pages of evidence to the select committee laying out the consumer case for a fundamental review of the market.

The responses are available from www.energywatch.org.uk/publications/consultations

Price rises 2008

| Supplier | Date of rise | Headline rise - gas | Headline rise - electricity |
|-------------------------------|--------------|---------------------|-----------------------------|
| Npower | 5th January | 17.2 per cent | 12.7 per cent |
| EDF | 18th January | 12.9 per cent | 7.9 per cent |
| British Gas | 18th January | 15 per cent | 15 per cent |
| Scottish Power | 2nd February | 15 per cent | 14 per cent |
| E.on | 8th February | 15 per cent | 9.75 per cent |
| EScottish and Southern Energy | 1st April | 15.8 per cent | 14.2 per cent |

10 obstacles to a competitive market

- 6 firms control over 99 per cent of the domestic supply markets and 95 per cent of the electricity business market and have done for at least 4 years.
- 2 firms – the incumbent electricity supplier and British Gas – control between 63 per cent and 89 per cent of the regional domestic electricity markets.
- There has been virtually no new entry in the 10 years since liberalisation.
- Whilst liquidity in other European markets has been improving, liquidity in the GB market has been getting worse.
- The indexation of gas prices to petroleum products means that gas and in turn electricity prices in GB do not respond effectively to changing supply or demand fundamentals.
- In 2006, the DTI estimated that oil-linked contracts accounted for between 33 per cent to 44 per cent of winter gas prices and that prices would be substantially lower if they were determined on the basis of true competition.
- The dearth of competitive pressures in the energy market has allowed discrimination against PPM consumers.
- There is strong awareness of competitor behaviour, it is costly to deviate from prevailing market behaviour and there are weak competitive constraints.
- Suppliers have been adopting similar pricing and trading policies for some time.
- Switching entails more than a simple transaction between the consumer and the chosen supplier with awareness and understanding of the market, information and access to support and redress if things go wrong often stacked against the consumer.

Evidence of failure

To support our contention that the energy market suffers from structural barriers to new entry and that the ‘fierce winds’ of competition are absent, energywatch commissioned expert commentary and analysis into the development of energy competition over recent years.

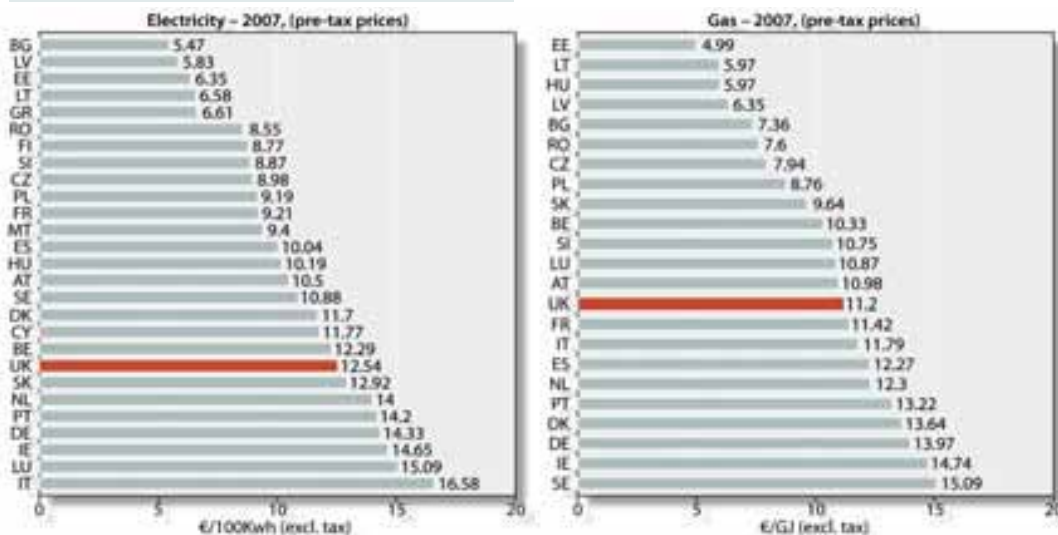
We undertook around 45 interviews with market participants such as traders, brokers, analysts, industrial energy users, economists and many others. We commissioned academics to consider the development of the competitive market and to assess its current state of health.

We commissioned the Government’s own supplier of European pricing data to show how British consumers fare with the rest of the continent.

The submission represents the most thorough presentation of the consumer case for greater competition in the energy market.

In January 2008 the European Commission published its Euro Barometer of consumer markets showing how far GB prices have risen in comparison to the rest of Europe.

Gas and electricity prices



Sources: Statistics in Focus, Environment and Energy, N°78/2007 & N°80/

Small businesses

In submissions to the Business and Enterprise Select Committee and Ofgem inquiries, energywatch highlighted the damaging position in which many small businesses find themselves as energy consumers. With the same problems of poor service and limited competition, but without the same levels of consumer protection, small businesses suffer a double blow.

In July 2007 energywatch published a substantial survey of customer satisfaction among small businesses in the energy market. energywatch has used this information to argue for a comprehensive review of the small business market by Ofgem to bring forward quick and effective remedies.

Comparing contracts

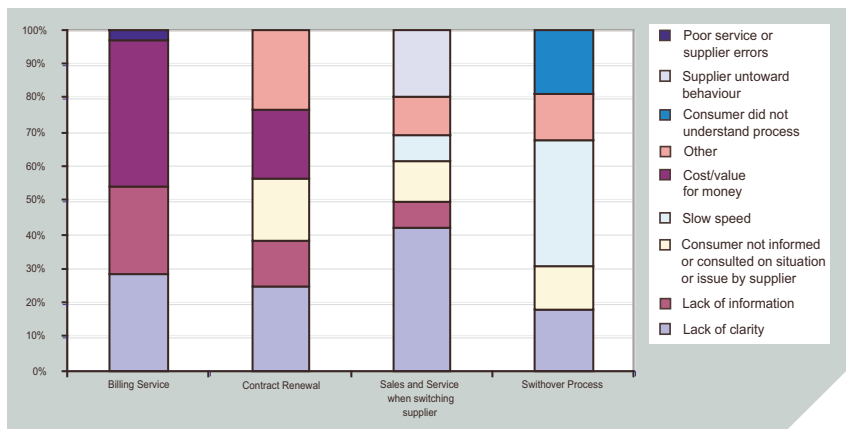
Opaque and unfair contract terms lie behind many of the problems experienced by small business consumers. Over recent months energywatch has set itself the task of reviewing all the terms and contracts in the market.

The findings have provided a powerful element in our campaign for a full review of the small business energy sector. The review has enabled our Consumer Advisers to be better informed and more able to help consumers. A legacy will be that partner organisations, concerned with improving the lot of small business consumers in the energy market, will be able to access a comprehensive picture of contract issues from small businesses.

The difference between a small business and households

| Protection | Households | Small businesses |
|---|------------|------------------|
| Cooling off period on contract signature | ✓ | ✗ |
| Access to accredited price comparison services | ✓ | ✗ |
| 30 day rolling contracts – provides opportunity to change supplier at short notice | ✓ | ✗ |
| Obligation to offer terms and conditions for supply if requested | ✓ | ✗ |
| Codes of practice for sales and marketing, disconnections, billing and back billing | ✓ | ✗ |

Breakdown of major issues identified in Customer Satisfaction Survey 2007



A consumer complained to energywatch that his supplier had, unknown to him, rolled over his contract for a further three years and that he had not received a renewal notification. The supplier had applied charges which the consumer calculated were approximately 75 per cent more than his previous contract. The consumer refused to pay these charges and was threatened with disconnection. After energywatch intervened the supplier offered to reduce the charges but the consumer still refused, stating he had not received the notification promised in the contract and so should not be rolled over for another term. The supplier will not allow the consumer to transfer and the consumer is refusing to pay what he sees as exorbitant charges – disconnection is imminent which could result in his business closing.

Helping small suppliers

As well as publishing customer satisfaction research about the main business suppliers, energywatch has worked very closely with Opus and Bizz, two of the smaller suppliers working in the energy market.

Small suppliers can perform an important function in the energy market providing alternative and sometimes niche services to businesses. However, standards of service to consumers remain just as important for these firms as for the more dominant suppliers.

Over the year customers of Bizz and Opus complained to energywatch about problems that suggested that service issues had slipped down their agendas. In both cases energywatch took a positive course of action and agreed a set of recovery actions with the suppliers and helped them monitor the impact.

For both suppliers we saw an improvement in the level of service and a reduction in the number of complaints coming through to energywatch. Evidence again of the success that energywatch can bring by working closely with suppliers to identify and implement remedies.

Andrew Don, Editor of SalonFocus, told energywatch:

"Hair and beauty salons face ongoing frustration at the lack of transparency in the energy markets because of what I can only conclude is deliberate obfuscation by gas and electricity providers. Sometimes it seems as if the energy companies live in the Dark Ages when it comes to fair play with existing and prospective small business customers."

Choice of supplier

The role of price comparison websites has grown enormously over recent years. The energywatch Confidence Code has kept pace with them.

energywatch reviewed the code to further strengthen consumer confidence. Twenty four organisations, including comparison websites, energy suppliers and others, responded to our consultation and, by the end of the year, we were preparing to publish the decision document.

However, not everyone is able to search the internet. energywatch produces printed price comparison sheets that can be ordered over the phone. Last year we started to update these sheets in real time instead of monthly and posted over 13,000 sheets to consumers with the very latest pricing data included.

energywatch
Confidence Code 

Money Expert

 Confused.com

 HOME
Home Energy Services

 helpline.com

 uSwitch.com

ENERGYLINK

 Saveonyourbills.co.uk
Helping you save money

Switch with
which?

 UNRAVELIT
Simplifying energy choice

 UK Power.co.uk

 moneysupermarket.com
The price comparison site

 TheEnergyShop.com

YouGov research for energywatch

- 71 per cent of consumers felt confident with the information provided by price comparison sites
- 81 per cent said they were more confident using a price comparison site endorsed by an independent consumer watchdog

No news for dynamic teleswitching meters

Competition is a distant reality for those consumers in Britain with dynamic teleswitching meters (DTS). This is a particular problem in Scotland where approximately 268,000 consumers have DTS meters and therefore no option but to remain with their incumbent supplier. Six years since price controls were lifted there has been little progress in ensuring these consumers have a real choice in the market place.

As part of Ofgem's probe, energywatch has argued that they should undertake and publish detailed analysis of the prices offered to DTS consumers compared to the nearest equivalent tariffs. We also called for the regulator to undertake and publish regular DTS pricing analysis to ensure these consumers pay a competitive price where they are unable to access the competitive market. energywatch believes it may prove necessary to reintroduce price protection for these consumers where there is evidence of consumer detriment.

DTS issues

- Approximately 268,000 Scottish consumers trapped on DTS meters
- No action in the 6 years since energywatch referred to Ofgem in 2002
- Technology prevents consumers switching
- Despite 10 years of competition no supplier actively markets to this group
- Little analysis of the pricing trends for consumers stuck on DTS meters

Electricity prices in Wales

Research by energywatch revealed that consumers in Wales are charged around £19 million more for their electricity than consumers in England. The findings showed that consumers in South Wales are the worst hit, paying 5 per cent more for electricity than consumers in North Wales and 10 per cent more than those in England and Scotland.

The research, which was undertaken in March 2008, looked at whether the cost of supplying electricity to homes in Wales differs from the costs to supplying other areas in Great Britain.

After ten years of competition, many suppliers typically charge consumers in their original monopoly area more than those in other regions. In North Wales Scottish Power charges its original standard credit customers up to 12 per cent more than other suppliers in the area. We have recommended the Welsh Assembly Government examine this issue more closely and encourage the Westminster government and Ofgem to investigate the impact of higher prices on Welsh consumers.



Wendy Davies,
National Director, Wales

"The research confirms what we have suspected for some time, that consumers in Wales are being charged more for their electricity than consumers in Scotland and England and for no good reason."

Achieving affordable energy

Relentless price rises from 2003 onwards have left 4.5 million households in fuel poverty.

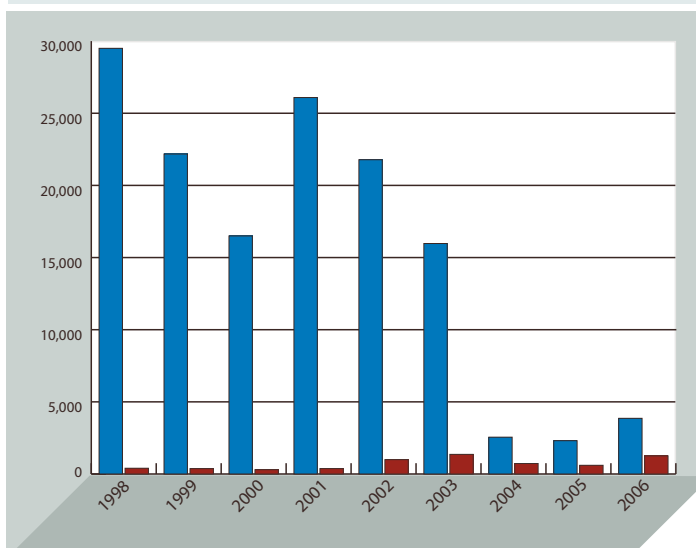
energywatch stepped up our programme of support to vulnerable consumers, continued to identify positive measures to improve the operation of the market for vulnerable consumers and intensified our campaign for a proportionate and coherent strategy to eradicate fuel poverty.

Individual help for vulnerable consumers

energywatch has made a priority of supporting vulnerable consumers since our establishment. Over the past 12 months we have intervened in over 20,000 cases where it had been clear that the consumer was vulnerable or at risk of disconnection.

Ofgem data is expected to show that disconnections have increased from 5,117 in 2006 to over 9,000 in 2007. In theory none of these consumers should have been 'vulnerable', in line with the energy industry's code of practice on disconnections. However, energywatch continues to deal with cases where consumers who are clearly vulnerable are threatened with disconnection by their energy supplier.

Number of disconnections for debt over time



The Castle Vale pilot

Prepayment meter (PPM) users pay, on average, £200 more for the same amount of energy as someone paying with an online tariff. This unacceptable premium levied on some of the poorest consumers was the driver for energywatch to explore practical ways to help PPM consumers switch to a fairer, more affordable, tariff.

In 2007-08 energywatch created the Castle Vale project to build on the approach taken by the 2006-07 'Are you Missing Out?' campaign which provided intensive switching support to older consumers.

Castle Vale Housing Association

- Castle Vale is Birmingham's largest 60s built housing estate
- Population is approximately 9,000
- The Housing Association covers 2.5 square kilometres
- There are 3,786 homes in Castle Vale

The National Housing Federation found that:

- Of those housing association properties with access to gas 41 per cent pay for this by PPM
- 43 per cent of housing association households have an electricity PPM (808,400 households)
- Over a million housing association tenants live on £80 a week - any unfair premium on energy reduces their income
- 14 per cent of gas prepayment meter customers have 'self disconnected' over the last year because they cannot afford to top up their meter

Establishing a pilot with the Castle Vale Housing Association in Birmingham gave us access to tenants, the majority of whom were on PPMs. The purpose was to help them switch to cheaper energy tariffs and at the same time take up any issues they had with their energy supplier. The lessons that we learned on the way will help other housing associations and advice groups to develop mechanisms in helping this group of consumers.

In phase one we held 15 advice sessions. It became very clear, very quickly, that convincing these consumers to actively engage in the energy market was not going to be easy and that the best way to help hard to reach consumers is through the people they trust the most.

Initially only 19 people switched supplier. However, we uncovered 26 cases needing our attention. These cases illustrated the real obstacles for consumers on PPMs to make informed choices to save money.

The pilot continues into 2008–09. energywatch will publish the outcomes by September 2008.

Working with agencies

Last year energywatch's Priority Consumer Team set up an initiative between oxygen companies and energy distributors to provide oxygen-dependent patients across Scotland, Wales and England with life-saving support in times of energy emergencies. Those patients who register on to the scheme will be provided with emergency supply and support during power cuts. In many instances this will allow the patient to remain in their own home instead of having to be admitted to hospital. Approximately 50,000 patients could benefit from this partnership initiative and the scheme is currently being rolled out across the country. To date 11,000 patients have been registered.

Following on from the 'Are You Missing Out' switching campaign, the Priority Consumer Team made calls to consumers who had wanted to switch but had not taken action. The final outcome saw 40 per cent of consumers switch. The campaign demonstrated, by providing individual information based on the consumer's personal needs and a real person to speak to, you can encourage and help older people engage in the energy market.

The Priority Consumer Team undertook an online campaign aimed primarily at consumers living with a disability. The aim of the campaign was to find out what their main energy issues are and what information would be helpful to them in the future. The online campaign was supported by organisations that represent and work with people who have a disability. The results will help to inform a closer partnership between disability organisations and consumer advocates.

Results to date

- Main issues were disputed bills and poor service
- Average time to resolve an issue was 6-8 weeks
- 71 per cent of people had switched supplier with 61 per cent stating they switched with no problems
- Over 50 per cent would contact energywatch, 38 per cent would ask a family/friend and 32 per cent would contact their supplier to help resolve an issue
- 72 per cent stated they would like an organisation to take up an energy issue on their behalf and 60 per cent wanted to have access to online information to enable them to resolve the issue



David Mason, Strategic Development Adviser who is leading the Castle Vale project

"Even with savings available, there are many consumers so detached or obstructed from the energy market, that switching is just not a viable solution"

Making positive proposals for change

Understanding the potential and limitations of switching

energywatch does more than most to promote effective switching for vulnerable consumers. However, the experience of helping people overcome the obstacles to switching has given us a special insight into the limitations of switching for many consumers.

In December 2007 energywatch presented a paper at Ofgem's Social Action Plan Review group which set out the barriers that consumers face, especially those on PPMs, and set out a challenge to understand how switching could be an easier option for many more consumers.

These proposals will help Ofgem and others to provide better advice and support for vulnerable consumers who might benefit from changing supplier or payment method.

Orb research for energywatch

- 46 per cent of PPM consumers "sometimes find that they run out of credit and are left with emergency credit or without energy"
- 58 per cent did not believe that PPMs are more expensive than direct debit
- 64 per cent did not believe that PPM tariffs are more expensive than quarterly cash/cheque
- 16 per cent thought PPMs were cheaper

Improvements in debt management

In 2003 Ofgem and energywatch jointly published good practice guidelines for suppliers on preventing debt and disconnection. A review in 2005 by Sohn Associates indicated some positive improvements had been made.

In 2007, working with Ofgem, we assessed the progress made by suppliers since that 2005 review. energywatch helped Ofgem to assess all suppliers and to single out npower as the company that had made the least progress since the 2005 review.

Following up on Ofgem's review, the Company Performance Team produced reports on each supplier's performance and graded them against best practice indicators to identify areas for improvement.

What makes for good debt management

The top 10 elements that every suppliers' process should include:

- 1) Ensure customer service staff use every contact opportunity to collect or update essential customer contact details such as telephone numbers, dates of birth, etc.
- 2) A coordinated approach to credit management that includes a specialist team to provide the specialist advice and assistance that vulnerable customers will need.
- 3) Ensure that the accounts of all known vulnerable customers are flagged on all relevant databases and distinguish between different types of vulnerability, e.g. special medical requirements, age, eligible for social tariff, etc.
- 4) Debt correspondence and debt recovery processes should be tailored and based on the customer's previous payment history and/or vulnerability. A one size fits all process is neither appropriate nor effective.
- 5) Early outbound calls to consumers in debt in order to set up a payment arrangement and avoid the problem of debts building up.
- 6) Use meter readers to report information about potentially vulnerable customers and to provide energy efficiency advice directly or tell the customer that their supplier can provide follow-up help and advice.
- 7) Employ or utilise a specialist outreach team to make home visits, where appropriate, to provide additional advice and support to vulnerable customers from energy efficiency advice to benefit checks.
- 8) Develop partnerships and referral arrangements with a range of national and local stakeholder agencies. Suppliers are still perceived as unsympathetic by many consumers. Providing trusted agencies with direct routes into the credit management team should encourage the harder-to-reach consumers to make contact.
- 9) Have robust controls in place and require senior management signoff before a disconnection takes place. Suppliers should also monitor how many disconnection visits were cancelled due to a consumer's confirmed or suspected vulnerability and use the results to strengthen their pre-disconnection processes.
- 10) Ensure that there is early follow-up contact with the residents of properties that have been disconnected or where a prepayment meter has been force-fitted. This will ensure the consumer is not at risk and, if relevant, that they understand how their prepayment meter works.

Clear standards for social tariffs

Since energywatch began to campaign for social tariffs, the concept has developed into a widely supported mechanism to ensure the poorest consumers can access the best rates in the market.

Following consultation with the full range of interested parties, energywatch published *A Social Responsibility* in April 2007. This ground breaking report established the basis for a coherent programme of social tariffs.

Throughout the year energywatch has worked with suppliers to develop their own schemes while campaigning alongside a formidable group of partners for accepted standards across the market.

In January 2008 we published the first in-depth review on the value of the existing social tariffs that suppliers had developed voluntarily. This showed the disparity that existed between the various schemes that go under the name of a social tariff.

social tariff compared to cheapest tariff from supplier:

| | |
|------------------------------|--------------------|
| EDF Energy | £151 cheaper |
| Scottish and Southern Energy | £71 cheaper |
| Scotttish Power | £19 more expensive |
| Npower | £26 more expensive |
| British Gas | £96 more expensive |
| E.ON UK Powergen | not applicable |

social tariffs offered as proportion of company customer base (if and when suppliers fulfil their voluntary commitments):

| | |
|------------------------------|-------------------------|
| British Gas | 4.67 per cent (750,000) |
| E.ON UK Powergen | 2.28 per cent (180,746) |
| ScotttishPower | 1.32 per cent (68,328) |
| EDF Energy | 1.14 per cent (59,979) |
| Npower | 0.79 per cent (54,350) |
| Scottish and Southern Energy | 0.34 per cent (26,000) |

Ian Pearson MP, Minister for State at Defra, discussed the impact of the Energy White Paper on vulnerable consumers at a seminar held at energywatch. The minister stayed to have a frank discussion with campaigners and others about the steps needed to tackle fuel poverty.

Despite energywatch pressure, the Government decided not to take a power in the Energy Bill that would have allowed it to mandate social tariffs. However, in the 2008 budget the Chancellor did announce that the money spent on social tariffs would need to rise to £150 million a year by 2011. By the end of the year there was acceptance from Government, Ofgem and energy suppliers that effective social tariffs, based on clear guidelines, were an important element in the fight against fuel poverty.



Ian Pearson MP discussing Government fuel poverty strategy

A coherent and proportionate response

Rising energy prices have derailed the Government's Fuel Poverty strategy. In particular the element that targets the cost of energy for the fuel poor has been neglected. While everyone wants to see the eradication of fuel poverty in Britain, it has not proved possible to arrive at a coherent and proportionate strategy to achieve this common goal. energywatch has been at the forefront of campaigns to bring Government, Ofgem and energy suppliers to accept a meaningful strategy to tackle the problem.

Allan Asher made clear to the House of Commons Public Bill Committee considering the Energy Bill just what such a strategy would need to address. Essential to the strategy should be action to reform PPM prices and for social tariffs delivered by all companies that adhere to clear minimum standards.

A powerful coalition emerges

Over the year we have worked closely with a powerful coalition of organisations to persuade government and others to take the necessary measures so every household in Britain can afford to keep warm in winter.

energywatch and our coalition partners have made sure fuel poverty is at the centre of the political agenda.



- Mandatory standards for social tariffs
- End to exploitative prepayment rates
- Reversal of the cut to the warm front budget
- Increased winter fuel payments and similar support for households eligible for cold weather payments



Allan Asher

"I fear that for the Committee, this is one of the last chances. If Parliament says to suppliers, 'We think that two doing something and one doing a little bit is enough', the good social tariffs that we see in the market will soon disappear. Companies will get the view that all is okay, and they can go home until next time."

Energy Bill committee 5 February 2008

Promoting sustainable choices

The ability to make sustainable choices either in energy use or in choice of supplier has become ever more important to consumers, but not significantly easier.

Ulla Galn - Green Tupperware Heroine

One example from the audit was Ulla Galn, the 'switch to a green energy supplier' party organiser, from Germany. In early 2006 Ulla changed to a green power supplier and, in order to motivate others to do the same, she organised 'switch to green power' parties. From humble beginnings in her kitchen, the idea quickly became a nationwide movement hiring convert halls for her parties. In August 2007, Ulla was awarded the German Climate Protection Prize for her extraordinary commitment and achievements.

Global audit

Domestic consumers are responsible for more than 40 per cent of CO2 emissions in the UK. Last year energywatch wanted to understand how consumers could be engaged at the beginning of carbon reduction programmes and not just at the end - as an afterthought.

energywatch commissioned Breaking Trends™ to undertake fieldwork and analysis in Asia, Europe and the US, including over 50 interviews with a wide range of experts and policy analysts. The aim was to pull together a spectrum of initiatives that consumers, governments and utilities are undertaking to promote behaviour change in relation to using energy more efficiently.

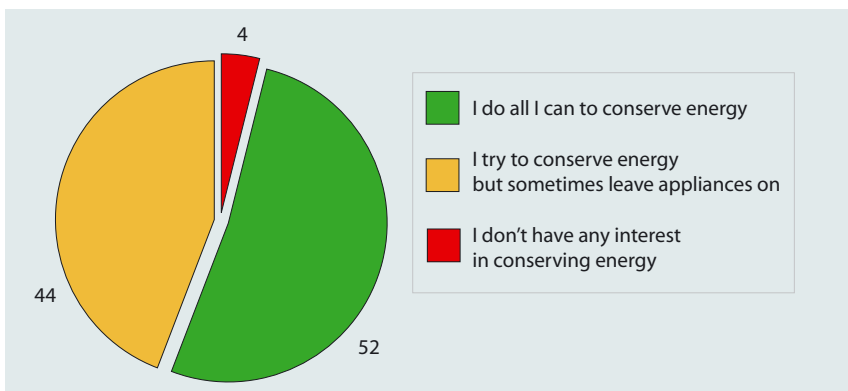
The film that resulted will enable other agencies to draw on lessons from some of the most innovative schemes across the planet.

Research commissioned by energywatch from Orb found that by far the majority of consumers wanted to conserve energy but were likely to be overestimating what they were achieving and underestimating what they could achieve. Fifty-two per cent thought they were doing all that they could to conserve energy.

Giving people smarter options

In 2004 energywatch ignited the debate on smarter metering, arguing that new metering technology was an essential element in solutions for better customer service, fairer prepayment tariffs and for consumers to be in control of their energy use.

Consumers want to make sustainable choices



Source: Orb research for energywatch 2007



As the debate moved on, energywatch commissioned an assessment of the benefits of smarter metering to consumers. The results suggested that smarter meters would clearly benefit consumers, suppliers and Government carbon emission targets.

Over the last twelve months energywatch has won the consumer argument for smarter metering. Uniquely energywatch, Utility Week and the Energy Retail Association joined forces in a Look Smart campaign to get the smart meter rollout, rolling. In quick succession the Prime Minister and two secretaries of state supported the introduction of smarter metering in all homes.

Ask consumers what they want

Over the year we have pored over cost benefit analyses, tested economic models, calculated the benefits to consumers and debated the vehicles for implementation. At every stage we have been driven by what would benefit consumers.

In December energywatch received the first results from a MORI research to investigate the impact of smarter metering, particularly on vulnerable groups.

Smarter metering costs and benefits

| Consumer Benefit | Average £/meter/year | |
|---|----------------------|--------------|
| | Electricity | Gas |
| Direct – energy saving | £6.3 - £12.6 | £8.6 - £17.4 |
| - time of use tariff | £14.5 | - |
| - avoiding PPM penalty 1 | £6.3 | £6.3 |
| - improved billing and customer transfer * | £1.3 | £1.3 |
| - import/export facilities *1 | £2.3 | - |
| - reduced meter reads * | £0.5 | £0.5 |
| Indirect from Energy Supplier & Distributor | £5.0 | £5.0 |
| Social Cost of Carbon | £4.2 | £8.8 |

What became clear was that a one size solution will not deliver the same results for consumers with different priorities and concerns. However, most participants wanted transparent information which did not lead to a loss in control over their energy supply, but rather empowered them to alter their consumption as they saw fit.

The next stage of that research will see what consumers who can experience smart meters in operation say about whether they have transformed the way they use energy.

Consumers want better information on energy use.

A guy rings me up, he says, read your meter. I said, oh fine, it's 772776. He said, oh very good. Great. I'm none the bloody wiser to be quite honest.

London

It just cuts out the guessing game, doesn't it, really?

Manchester

The problem we've been discussing is the fact that we don't understand either what we're spending or what we're spending it on.

London

The greening of the energy market

Green claims are an ever growing element of marketing. In the energy market, companies have marketed green tariffs to consumers who are keen to make sustainable choices.

However, consumers are faced with a lack of consistent information about what can be described as 'green', 'low carbon' or 'renewable.' energywatch has argued for straight forward information on bills and marketing materials that would give consumers vital details of the fuel mix of their tariff – what percentage of their electricity supply had been generated from renewable, fossil or nuclear fuel. This fuel mix information would allow those consumers who want greener choices to put pressure on suppliers to improve the renewable content of their energy supply.

orb research

Research for energywatch by Orb market research showed that while a third of consumers claim to be aware that some energy suppliers offer 'green tariffs' it is clear that very few know what they entail. Most commonly people assume that a 'green tariff' involves the provision of energy from renewable sources but almost half are happy to admit they know nothing about them.

Categories of green tariff

a **green electricity supply tariff** where the supplier guarantees that the electricity it sells is covered by the electricity it buys from renewable sources, backed by the necessary contractual evidence.

a **green energy fund tariff** where the supplier invests the premium consumers pay into renewable energy or other environmental projects. In some cases the company matches its customers' contributions.

a **carbon offset tariff** where the supplier offers to offset the CO2 emitted by the consumer's electricity and gas supply – by planting trees or by investing in other CO2 - reducing projects in the UK or developing countries.

Getting rid of the greenwash

In October 2007 energywatch and the National Consumer Council revealed just how difficult it was to track down the 'greenness' of green tariffs. It was impossible for consumers to discover if green tariff premiums actually resulted in additional renewable energy being sourced. energywatch and the NCC demanded independent accreditation for green tariffs.

energywatch produced a guide to all the green tariffs currently available. As there is no independent accreditation the guide did not evaluate a tariff's 'greenness' but it did provide useful and comparable information about each tariff, helping to show the gap between green hype and brown reality.

energywatch has worked with the Energy Saving Trust, Renewable Energy Association and the National Consumer Council to compel energy companies to provide consumers with information about the renewable and carbon content of their electricity supply. This would bring clarity for all consumers, not just those of 'green tariffs'.



William Baker, Strategic Development Manager

"Some green tariffs do what they say. Others get close to a con. But it's not enough to expose the fraudulent. Consumers need clear guidance to be confident in making 'green' choices."

We have also commissioned Futerra Sustainability Communications to produce a 'greenwash guide' to suppliers' marketing claims. The report is expected to help consumers critically evaluate suppliers' claims, provide advice to suppliers on how to improve the accuracy of their advertising and make recommendations for improved regulation from Ofgem and bodies such as the Advertising Standards Authority.

Linking innovation to vulnerable households

Feed-in tariff research

In Germany, feed-in tariffs to support renewable energy have led to a dramatic growth in renewable electricity generation, particularly from domestic consumers. Indeed 90 per cent of investment in renewable generation in Germany now comes from outside the energy industry.

energywatch has joined forces with the Renewable Energy Association and Friends of the Earth to campaign for the introduction of a small scale feed in tariff to the British energy market. energywatch has highlighted how the tariff could potentially play a valuable role in tackling fuel poverty. For example, energywatch has worked with housing associations to show how the initiative could, in the words of one association, "*revolutionise the sector's ability to deliver renewables and tackle fuel poverty/reduce carbon.*" Small scale renewables, together with solid wall insulation, represent the only physical solution to tackling fuel poverty among households living in 'hard to treat' housing off the gas network and/or built with solid walls.

To support this work energywatch commissioned work into the feasibility of a feed-in tariff to support small scale renewables in Britain. The study, a joint project with Friends of the Earth, focused on the implications of feed-in tariffs for consumers, particularly those on low incomes unable to afford the capital investment required to install micro-generation. It will report in summer 2008.

Supplier Obligation

energywatch joined an 'expert group', coordinated by the Government's Sustainable Development Commission, to work up proposals on the Supplier Obligation which will replace the Energy Efficiency Commitment in 2011.

The Commission will 'test' the proposals on consumers to gauge initial reactions and then use the findings to help shape Defra's proposals on the Obligation. We were able to persuade the Commission to make 'equity' one of the key criteria for assessing proposals.

Making a difference in Wales

Welsh Assembly elections in May 2007 presented another opportunity for energywatch Wales to build on the success of our Power to Change publication and push for the Welsh Assembly Government to engage on the key issues for Welsh energy consumers.

Fuel poverty

Unsurprisingly, the Welsh Assembly Government's publication of their Living in Wales data showed that fuel poverty in Wales had almost doubled between 2004–2006. energywatch successfully pressed the Assembly Government to develop a formula for calculating the impact of price rises on fuel poverty similar to the systems used in England and Scotland. The Living in Wales report stated that a 10 per cent price increase would push an extra 48,000 homes into fuel poverty.

In light of the report, energywatch Wales supported a second Assembly debate on fuel poverty to keep the issue firmly on the political agenda. National Director Wendy Davies gave evidence to the Welsh Assembly's Sustainability Committee inquiry on energy efficiency and fuel poverty in October and was invited to appear before the committee again in April 2008.

Price and switching

As in the rest of Great Britain, spiralling energy prices dominated debates on the welfare of energy consumers in Wales. energywatch Wales ran three effective campaigns among stakeholders and in the media to ram home the consequences of high energy prices.

energywatch Wales – key data

Number of cases received – 14,903
Total compensation – £503,213
Average annual energy bill in Wales – £1072 in 2008 risen from £572 in 2003
Households in fuel poverty:
2004 – 130,000
2006 – 250,000
2008 – 300,000 (estimated)

Prepayment Meter (PPM) differentials

The revelation that the greatest price difference between prepayment and online tariffs in Wales was **£306** was greeted with incredulity. energywatch Wales worked closely with cross party Assembly Members to table a Statement of Opinion condemning the practice of making significant excess revenue each year from some of the most low income consumers. They were also supportive in raising awareness of the price differentials in the local and national media to alert PPM customers to the price premium levied on them.

Switching campaign

Minister for Sustainability, Environment and Housing, Jane Davidson AM, launched an energywatch Wales campaign to encourage Welsh consumers to make savings by switching supplier and, where possible, payment method away from using expensive PPMs to a cheaper payment method. energywatch Wales used regional data to target consumers in North and South Wales and provide them with up to date, accurate pricing information to help them switch to the cheapest deal.

The Welsh Assembly Government's Keep Well this Winter road shows provided a great opportunity to get advice on reducing energy bills out to thousands of consumers and alert them to grants and help available to bring down their bills and make their homes more energy efficient.

Electricity prices in Wales

Independent research commissioned by energywatch Wales into high electricity prices exposed the significant premium paid by Welsh consumers compared with English consumers. The report showed that Welsh consumers are paying £19 million more for their electricity.

Average price differences in Wales at March 2008

Difference between

Online direct debit and PPM - £219

Difference between

Direct debit and PPM - £135

Difference between

Standard Credit and PPM - £51



Responding to change in Scotland

In May 2007 the political landscape in Scotland changed dramatically.

A practical consequence was that parliamentary committees were less preoccupied with legislative scrutiny and more willing to look at issues that impact on Scottish consumers. As in Wales and England the impact of higher energy prices was a significant topic for debate.

Shaping the fuel poverty debate

Fuel Poverty Inquiry

Working with partners, we persuaded the Local Government and Communities Committee to undertake an inquiry into fuel poverty in Scotland. In evidence to the Committee we were able to highlight issues of particular relevance to consumers in Scotland that needed to be reflected in a national fuel poverty strategy.

The fuel poverty conditions in Scotland

- high energy prices
- third of homes off the gas network
- third of homes with solid walls
- climatic issues

energywatch participated in a formal roundtable discussion to help develop the work plan of the Economy, Energy and Tourism committee. As a result the Committee undertook to carry out a broader inquiry into energy in Scotland including issues such as

micro-generation, smarter metering and energy efficiency.

Throughout the year we have ensured that Members of the Scottish Parliament and MP's engage with issues that affect energy consumers. Motions were set down in the Scottish Parliament highlighting the benefits of smart meters and criticising the differential between Prepayment meter tariffs and online tariffs. We have had a key role in engaging MP's in debates at Westminster on social tariffs, smart meters and the future of complaint handling

Affecting change through partnership

energywatch Scotland continued to work with others to bring about improvements in the welfare of Scottish energy consumers. In particular:

- Working with members of the old Fuel Poverty Forum to re-establish an independently chaired forum to advise Government on the development of fuel poverty policy.
- Supporting the establishment of a children's fuel poverty coalition who have been pressing Government to target the central heating programme at low income families with no heating.
- Becoming members of the steering group for the Energy Efficiency and Microgeneration Bill. energywatch worked with the sponsor Sarah Boyack MSP to ensure that the promotion of microgeneration technologies benefit those living on low incomes, in hard to treat homes and in fuel poverty.

Delivering service in partnership

energywatch works with other groups to establish strong referral pathways and disseminate energy advice to specific groups of consumers. In the context of energywatch closing in 2008 this has been a growing part of energywatch Scotland work over the year.

A focus for this work was a Stakeholder Information Day in November which provided an opportunity to hear directly from partners how energywatch could best share expertise in the lead up to closure. The feedback was valuable to help agencies and the new Scottish Consumer Council prepare for October 2008 in a way that strengthens the partnerships between consumer advocates and other organisations in Scotland's civil society.

energywatch Scotland has worked with:

- West of Scotland Seniors forum
- Energy Efficiency Advice Centres
- Care & Repair
- SCARF
- Pension Service
- Deaf Connections
- North Ayrshire & East Kilbride Disability forums
- Glasgow Housing Association Open Day for the Elderly
- Easterhouse Silver Deal Open Day
- Older Persons Empowerment Network Open Day
- Age Concern Roadshow

Key Performance Indicators

| Key Performance Indicator | Target | Achieved |
|--|---------------|-----------------|
| Consumers satisfied or very satisfied with our service | 80% | 83% |
| Complaints resolved within 35 working days of receipt | 80% | 84% |
| Complaints resolved within 66 working days of receipt | 90% | 95% |
| Enquiries resolved within 10 working days | 95% | 98% |
| Telephone calls answered | 90% | 93% |
| Telephone calls answered within 30 seconds | 85% | 87% |

Other areas of performance, which are not captured as Key Performance indicators, compare well against those for 2006–07.

| Non-KPI indicators | 2006-07 | 2007-08 |
|---|----------------|----------------|
| Compensation and bill reductions | £7,594,477 | £9,729,616 |
| Average compensation per complaint resolved | £119 | £114 |
| Cases against energywatch | 476 | 288 |
| Cases against energywatch replied in 10 working days | 100% | 100% |
| Number of answers viewed on our online 'ask a question' | 212,000 | 225,881 |
| Number of unique visitors to energywatch.org.uk | 663,335 | 858,295* |

* only from May 2007 due to change in reporting software.

Gas and Electricity Consumer Council

(energywatch)

Accounts for the period

1 April 2007 to 31 March 2008

Accounting Officer's Report

These accounts have been prepared in a form directed by the Secretary of State for Business, Enterprise and Regulatory Reform with the approval of the Treasury and in accordance with paragraph 8(2), Schedule 2 of the Utilities Act 2000.

About energywatch

The Gas and Electricity Consumer Council (energywatch) was established on 7 November 2000 by the Utilities Act 2000 to protect and promote the interests of all gas and electricity consumers in England, Scotland and Wales.

energywatch is an executive Non Departmental Public Body (NDPB) and is supported by grant-in-aid from the Department for Business, Enterprise and Regulatory Reform (BERR). This grant-in-aid is funded through the licence fees collected by Ofgem and paid by energy suppliers, shippers, distributors, gas transporters and the electricity transmission licence holders.

These accounts for the period 1 April 2007 to 31 March 2008 mark the seventh statutory accounts to be produced by energywatch.

energywatch is separate from the energy regulator, Ofgem. However, energywatch has a formal agreement with Ofgem to share an open, constructive and effective relationship. This agreement is contained in a Memorandum of Understanding between the two organisations.

energywatch's pension liabilities are detailed in the accounting policy notes as well as the remuneration report section of the accounts.

There are no significant interests declared by Board members with management responsibilities.

energywatch did not make any charitable donations during the year.

Role of energywatch

energywatch is the independent gas and electricity consumer watchdog, set up by Parliament in November 2000. It provides free, impartial information and advice and takes up complaints on behalf of consumers who have been unable to resolve problems directly with their energy companies. In addition, it works with energy companies, the regulator and policy makers to deal with the underlying causes of consumer complaints.

Under the Utilities Act 2000, energywatch has a statutory duty to protect and promote the interests of current and future energy consumers in England, Scotland and Wales. It also has a specific duty to 'have regard' to the interests of consumers who are of pensionable age, living with disabilities, chronically sick, on low-incomes, or residing in rural areas.

Principal Activities

The principal activities are discussed in the annual report.

External Auditors

The Comptroller and Auditor General (C&AG) audits energywatch's annual accounts. An audit fee of £40K has been proposed for the 2007-2008 external audit. The audit services provided by the C&AG's staff in the National Audit Office related only to statutory audit work.

- So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and
- The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of this information.

Internal Auditors

Detailed below is a table of the internal audit work undertaken in 2007/08 and a summary of the opinion given.

| Audits assignments | Level of assurance that risks material to the achievement of the system's objectives are adequately managed and controlled. | | | |
|--|---|-------------|----------|---------|
| | Audit Type | Substantial | Adequate | Limited |
| Fixed Assets | Assurance | ✓ | | |
| Core Financial Controls | Assurance | ✓ | | |
| Corporate Governance & Risks Management | Assurance | ✓ | | |
| Financial Management & Budgetary Control | Assurance | ✓ | | |
| Payroll & Pensions | Assurance | ✓ | | |
| Human Resources – Staff Retention | Assurance | | ✓ | |

The above table shows our success rate at the end of the year with five substantial and one adequate assurance. energywatch has received an overall recommendation classified as 'GOOD' following the successful implementation of 91 per cent of its audit recommendations while 9 per cent of its recommendations had been superseded. The Internal Auditor's report noted that although energywatch is nearing closure, it has retained a sound internal control system, particularly in relation to risk management, corporate governance, payroll and key finance systems.

Office structure

energywatch operates an Office structure that enables the organisation to respond to the needs of energy consumers throughout Great Britain.

It operates from offices in London, Birmingham, Newcastle and Bournemouth and national offices for Scotland (Glasgow) and Wales (Cardiff). The Head office is in London.

Principal Office

4th Floor Artillery House
Artillery Row
London SW1P 1RT

Better Payment Practice

energywatch complies with the Better Payment Practice Code in its treatment of suppliers. The key principles are to settle the terms of payment with suppliers when agreeing the transaction, to settle disputes on invoices without delay and to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment. Ninety five percent of suppliers' invoices were paid within 30 days of the invoice date (2006/07 Ninety five percent) while five percent were paid outside 30 days.

Future events

The Government undertook a period of public consultation from January to April 2006 on the future provision of consumer representation and redress. The outcome was to recommend the consolidation of energywatch, Postwatch and the National Consumer Council (NCC) into a new consumer advocacy body. The Consumers, Estate Agents and Redress Act, which gives legislative effect to that decision, received Royal Assent in July 2007. Consequently new consumer advocacy arrangements will replace energywatch and its functions from 1 October 2008.

Until energywatch closes its future development will also be guided by the delivery of the four key goals set out in the Corporate Plan 2004-2008. The goals are: providing services to consumers; championing the interests of

consumers, particularly the vulnerable; promoting markets that work well for all consumers; and improving value and impact.

Each year a Work Plan is agreed that supports the Corporate Plan and sets out the work programme, outputs and resources for the year. In November 2007 the energywatch Council approved an extension to the existing 2007-08 Work Plan. The revised Work Plan will drive forward our Corporate Plan objectives until 30 September 2008.

Governance

The energywatch Council is the governing body of the organisation and is responsible for the setting of energywatch policy, for the discharge of its statutory duties and responsibilities and for overseeing the sound financial management of the organisation. Council members are appointed by the Secretary of State for Business, Enterprise and Regulatory Reform.

There were seven Council meetings, four Audit Committee meetings and two Remuneration Committee meetings during the year.

energywatch Audit Committee

In accordance with best practice and Treasury requirements, energywatch appointed an Audit Committee in December 2000. Positions on the Audit Committee are held by non-executive Council members.

The Audit Committee members for the year were:

Sharon Darcy (Chair)
Brian Saunders
Charles Coulthard
Krishna Sarda

Council members are listed on page 53.

Management Commentary

energywatch has a duty to investigate complaints from energy consumers and also responds to requests for advice or information. New contacts from consumers are received by telephone, fax, letter, email, through the website and in person at one of our offices. Services are delivered through an outsourced call centre and 6 operational offices in England, Scotland and Wales. Where possible, consumers are empowered to enable them to resolve their own problem directly with their supplier. In other cases, energywatch will deal with the relevant company on behalf of the consumer and seek to ensure that the problem is resolved, including where appropriate payment of compensation to the consumer.

A comprehensive performance management framework is in place to measure performance in complaint and enquiry handling. Key performance indicators include:

- % of complaints resolved in 35 working days
- % of complaints resolved in 66 working days
- % of enquires resolved in 10 working days
- % of responses to complaints against energywatch within 10 working days
- % of telephone calls answered
- % of telephone calls answered in 30 seconds
- Customer satisfaction.

There have been no major organisational changes in the 12 months to 31st March 2008, but we have sought to improve the efficiency and effectiveness of the operation by:

- Increasing the proportion of cases handled by the outsourced call centre
- Extending the use of the Extended Empowerment arrangements to allow more cases to be resolved directly by the energy company
- Where appropriate referring unresolved cases to the Energy Supply Ombudsman
- Continuing the previously established arrangements with two suppliers for the secondment of staff to energywatch operational offices.

Ongoing problems with British Gas customer service caused the upward trend in the number of new cases received to continue into April and May. Numbers have subsequently fallen back to the levels experienced in 2005/6 as the Service Recovery Programme agreed with British Gas has taken effect. More than 32 per cent of all cases received are now resolved through the Extended Empowerment arrangements, which has reduced the number of new cases that need to be handled as investigated complaints.

In the 12 months to 31st March 2008, we received 38,028 investigated complaints, 95,256 empowered complaints and 162,367 enquiries. The forecast for the final 6 months of energywatch operation in 2008/9 is 10,000 investigated complaints, 40,000 empowered complaints and 70,000 enquiries.

At 31st March 2008, average number of staff employed was 219 (207.5 full time equivalents) of which 142.5 were based in the 6 operational offices and wholly engaged on the delivery of complaint handling services to consumers. There were also 24 full time equivalents at the outsourced call centre.

The Consumer, Estate Agents and Redress Act has confirmed the arrangements for the closure of energywatch at the end of September 2008 and for transfer of responsibilities for complaint and enquiry handling to successor bodies.

Detailed transition plans are being developed in conjunction with BERR, the new National Consumer Council, Consumer Direct, Ofgem and the energy industry.

The energywatch risk register details the impact, probability and exposure to key risks. Each risk has an allocated owner who is responsible for ensuring appropriate mitigating actions are in place. The register is reviewed by the Management Board and endorsed by the Audit Committee. Key risks include the impact of the closure plans and loss of staff leading to an imbalance between workload and resources.

energywatch maintains close relationships with all major participants in the industry, including suppliers, distributors, Ofgem, the Energy Supply Ombudsman and other bodies. energywatch uses Dataforce for the outsourced call centre and the contract has been extended to 30th September 2008.

KPIs

- Complaints (35 Working Days & 66 Working Days) and Enquiries (10 Working Days) – data is taken from the service mail system and expresses the number of cases resolved within the target as a percentage of complaints or enquiries received.
- Telephones – data is taken from the energywatch telephone system, to show the percentage of the total calls received by energywatch offices which were answered by an agent and the percentage of these calls which were answered within 30 seconds. For 2008/09, data will be taken from the reports produced by the energywatch call centre.
- Customer satisfaction – data is taken from monthly outbound telephone surveys conducted by Dataforce, to show the percentage of domestic consumers who were satisfied or very satisfied, with the service received from energywatch following an investigation into their complaint.
- Complaints against energywatch – data is taken from escalated complaints handled by the centralised team in London, to show the percentage of cases where a response (including an interim reply) was provided within 10 working days.

Performance

| | 06/07 | 06/07 | 07/08 | 07/08 | 08/09 |
|------------------------------------|--------|--------|--------|--------|--------|
| | target | result | target | result | target |
| | % | % | % | % | % |
| Complaints – 35WD* | 80 | 83 | 80 | 84 | 80 |
| Complaints – 66WD* | 95 | 94 | 90 | 95 | 90 |
| Enquiries – 10WD | 95 | 94 | 95 | 98 | 95 |
| Customer Satisfaction | 90 | 86 | 80 | 83 | – |
| Telephones % answered** | 95 | 93 | 90 | 93 | 90 |
| Telephones % answered in 30 secs | 90 | 89 | 85 | 87 | – |
| Telephones % answered in 20 secs** | – | – | – | – | 80 |
| Complaints against EW*** | 100 | 95 | 100 | 100 | 100 |

* Performance for the two complaints KPIs exclude empowerment cases which are mostly resolved on the day of receipt by call transfer to the supplier.

** For 2008/9, the two Telephones KPIs will be calculated based on calls answered at the energywatch call centre.

*** Complaints against energywatch replied within 10 working days.

Financial Events

energywatch was allocated grant-in-aid by BERR of £11,105K in 2007/08 of which £500K was transferred from 2006/07. In addition, further grant-in-aid (for closure related activities) of £178K was received, making total grant-in-aid of £11,283K.

Fixed assets additions during the year totalled £22K.

Results for the year

The deficit for the year amounted to £10,645K; in 2006/07 the deficit was £11,590K.

Staffing and Equal Opportunities

energywatch is committed to supporting the principle of equal opportunities and opposes all forms of unlawful or unfair discrimination on the grounds of colour, race, nationality, ethnic origin, sex, marital status, disability, age, sexual orientation, religion or belief, or trade union membership.

Our aim is to recruit and develop the best person for the job and to create a working environment free from unlawful discrimination, victimisation and harassment and in which staff are treated with dignity and respect.

Staff are regularly consulted on issues regarding health, safety and welfare, which are taken into account in future operations.

Race, Disability and Gender Equality

energywatch, as a grant-aided public body, is committed to race equality and diversity. We regard unfair treatment and any form of discrimination as unacceptable, and we believe that it is in the best interest of our staff and the communities we serve for diversity to be valued and celebrated. We employ staff from a wide mix of UK society and we believe that the positive benefit that accrues from this is a working environment that is free from discrimination or harassment.

Our equality scheme builds on our Race Equality Scheme, extending our commitment to promote race equality to include the promotion of disability equality and equality of opportunity between men and women.

Sustainability policy

The sustainability policy and action plan sets out how we will deliver environmentally and socially responsible, operational practice and has helped improve our environmental performance and role on a cost-effective basis.

Going Concern

The accounts show a deficit on the Income and Expenditure account of £10,645K and negative taxpayers' equity of £2,065K as at 31 March 2008.

Negative taxpayers' equity is due largely to the existence of provisions for onerous leases, early retirement and pension costs reflecting obligations incurred in relation to the transfer of functions from legacy organisations.

The BERR has confirmed that there is no reason to believe that the Department's future sponsorship will not be forthcoming within the capital and resources budgets set by Spending Review Settlements. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Future Annual Accounts

Arrangements have been made for the Accounting Officer of the New National Consumer Council to publish the energywatch final accounts for the period 1 April 2008 to 30 September 2008 with the first set of accounts for the NewNCC in 2009.



Allan Asher
Accounting Officer
energywatch

17th July 2008

Remuneration Report

The purpose of the Remuneration Committee is to:

- Advise the Council on the appointment, remuneration terms and performance objectives of the Chief Executive;
- Monitor and evaluate the performance of the Chief Executive, and make recommendations to the Council;
- Receive and review at suitable intervals, not less than once a year, a report by the Chief Executive on the performance of senior executives reporting directly to him in order to give appropriate advice;
- Advise, upon request from the Chief Executive, on all matters relating to energywatch human resources policies and practice.

Membership

The Committee comprises 3 non-executive Council Members one of whom is appointed as Chair. Allan Asher, the Chief Executive, is invited to attend committee meetings. He is not involved in recommendations concerning his remuneration.

During 2007/08 Tim Cole chaired the Committee and its other members were John Howard and Julian Salisbury. The Committee has detailed written terms of reference that it and the Council review annually. These may be viewed on the organisation's website, www.energywatch.org.uk. The Committee met twice for the period ending 31 March 2008.

Statement of energywatch's policy on directors' remuneration

The Remuneration Committee advises the Council on the remuneration package for the Chief Executive. To ensure that energywatch can attract and retain executives who are expected to meet challenging performance criteria, the Council's policy is to ensure that the remuneration package for directors aligns with the rewards available to comparators. Such comparators are identified from independently compiled remuneration research.

In designing the schemes and in preparing this report the Council and the Committee have complied with the provisions of the Companies Act 1985.

Directors' contracts

The Directors are permanent employees and therefore potential beneficiaries of the Principal Civil Service Compensation Scheme.

In the case of the Chief Executive and Director of Resources they may receive a 10 per cent bonus in addition to their basic salary subject to attainment of agreed objectives. The Chief Executive, Director of Campaigns and Director of Consumer Services are permanent employees subject to 3 months notice period and the Director of Resources one month notice.

The following sections provide details of salary, pension and compensation information of the Chief Executive and Directors of energywatch and have been audited.

| Remuneration | 2007/08 | | 2006/07 | |
|---|-----------|---------------------------------------|----------|---------------------------------------|
| | Salary | Benefits in kind (to nearest £100) | Salary | Benefits in kind (to nearest £100) |
| | £'000 | | £'000 | |
| Chief Executive Allan Asher | (105-110) | N/A | (95-100) | N/A |
| Director of Resources Keith Tolladay | (60-65) | N/A | (65-70) | N/A |
| Director of Campaigns Adam Scorer | (70-75) | N/A | (60-65) | N/A |
| Director of Consumer Services Neil Avery <i>(From 1 November 2007)</i> | (30-35) | N/A | N/A | N/A |

The Chief Executive, Allan Asher, was the highest paid employee during the period. He is a member of the Principal Premium Pension Scheme.

Disclosure of Salary, Pension and Compensation Information (Civil Service) 12 months ended 31 March 2008

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-----------------|-----------------|---------------|---------------------------------|----------------------------------|----------------------|-----------------------|----------------------------|----------------------------|---|---|
| Name of Officer | Start Date (SD) | End Date (ED) | Real increase in pension (£) | Real increase in lump sum (£) | Pension at ED (£) | Lump sum at ED (£) | CETV at SD (nearest £K) | CETV at ED (nearest £K) | Employee contributions and transfers-in. (£) | Real increase in CETV as funded by employer (nearest £K) |
| Allan Asher | 31/03/07 | 31/03/08 | 2.5-5 | n/a | 5-10 | n/a | 128 | 194 | 3612 | 46 |
| Keith Tolladay | 31/03/07 | 31/03/08 | 2.5-5 | (112.5-115) | 45-50 | 15-20 | 1024 | 1036 | 433 | (62) |
| Adam Scorer | 31/03/07 | 31/03/08 | 0-2.5 | n/a | 5-10 | n/a | 35 | 67 | 2739 | 23 |
| Neil Avery | 01/11/07 | 31/03/08 | 0-2.5 | n/a | 0-5 | n/a | 32 | 72 | 10452 | (32) |

“Due to certain factors being incorrect in last year’s CETV calculator there may be a slight difference between the final period CETV reported for 2006/07 and the start of period CETV reported for 2007/08”.

notes

Neil Avery has paid added years of £7923.34 equivalent to £56K in added pension during the year which has meant there is a negative real increase in the CETV.

Keith Tolladay – based on last year’s advice from the Cabinet Office, the CETV values are based on final after formal awards immediately before 1/11/07 and at 31/03/08. The CETV figure at 31/03/07 includes the lump sum payment of £120-125K which was paid in June 06. The CETV figure at 31/03/08 does not include the lump sum as it has already been paid.

Salary

‘Salary’ includes gross salary; performance pay or bonuses; (up to a maximum of 10 per cent of base salary) overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality ‘money purchase’ stakeholder pension with a significant employer contribution (Partnership pension account).

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a ‘final salary’ scheme (Classic, Premium and Classic Plus); or a ‘whole career’ scheme (Nuvos). These statutory arrangements are unfunded with the cost benefits met by

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for Classic and 3.5 per cent for Premium and Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike

Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits in respects of service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 calculated as in Premium. In Nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The Partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

Further details about the Civil Service Pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

The Cash Equivalent Transfer Values

A Cash Equivalent Transfer Values (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to

the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue & Customs as a taxable emolument. No benefits in kind were received or receivable by energywatch employees.

Compensation for loss of office

No compensation for loss of office was received or receivable by energywatch employees.



Allan Asher
Accounting Officer
energywatch

17 July 2008

Statement of Accounting Officer's Responsibilities

Under paragraph 8(2), Schedule 2 of the Utilities Act 2000, the Secretary of State with the approval of the Treasury, has directed energywatch to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of energywatch's state of affairs at the year-end and of its income and expenditure and recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirement of the Government Financial Reporting Manual (FRM) and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume energywatch will continue in operation.

The Accounting Officer for the BERR has appointed the Chief Executive as Accounting Officer of energywatch. His relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding energywatch's assets are set out in the Accounting Officers' Memorandum issued by the Treasury and published in 'Managing Public Money'.

Statement on the System of Internal Control

1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of organisational policies, aims and objectives as set by the Management Statement and Financial Memorandum whilst safeguarding the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

energywatch is supported by Council members who are responsible for:

- Setting the organisation's strategies and enabling frameworks;
- Monitoring performance against annual Work Plan objectives and targets;
- Identifying the central activities required to support delivery of the Corporate Plan and approving the annual budget;
- Evaluating the impact of emerging issues or significant divergences from Corporate and Work Plan delivery;

The Council is chaired by a non-executive appointee and comprises the organisation's Chief Executive, together with non-executive members. An Audit Committee has been established to support the Chief Executive through monitoring and reviewing the adequacy and effectiveness within the organisation of:

- Corporate governance arrangements;
- Processes for managing risks;
- Internal audit and related activity;
- Management responses to the recommendations resulting from internal audit work;
- Accounting Officer Statements on Internal Control.
- Financial Statements

The Chief Executive and energywatch Senior Managers meet with senior officials from within the Department for Business, Enterprise and Regulatory Reform at regular intervals. These meetings usually occur on a quarterly basis and issues discussed include performance against KPIs, financial expenditure and policy development. In addition, the energywatch Chair regularly meets with Ministers.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of organisational policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in energywatch for the twelve months ended 31 March 2008 and up to the date of approval of the annual report and accounts, and it accords with Treasury guidance.

3 Capacity to handle risk

As Accounting Officer, I also have responsibility for reviewing our capacity to handle risk. To effect this energywatch has implemented the following:

- A risk management policy reflecting the purpose and underlying approach to risk management and the role of the staff and senior management team, accessible to all staff on the intranet;
- An organisational risk register that identifies all known strategic risks assigned to individual risk owners. The risk register energywatch has implemented includes mitigating actions to eliminate or reduce each risk and is reviewed quarterly for effectiveness. All major projects on commencement are assessed for risk and resource implications and regularly reviewed over their lifecycle for changes in risk profile. Risk owners are trained to identify risks, to implement mitigating strategies and to deal with all issues that arise.

- Summaries of the top 10 high likelihood and high impact risks and risks whose level has changed are presented at each meeting of the Audit Committee.

4 The risk and control framework

The risk management framework, in addition to the organisational risk register, is informed by the following processes:

- Regular reports from risk owners and project managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects. Each budget manager is also required to provide corporate governance assurance to the Accounting Officer in respect of their management and compliance with internal controls, risk, finance and asset controls;
- Inclusion of risk management as a standing item on the Audit Committee agenda. There are regular reviews of the risk implications of operational activities;
- Establishment of key performance and risk indicators and development of the strategic risk framework;
- A Management Board which meets regularly to consider the operational plans, budgets and strategic direction of the organisation;
- Compliance with the principal recommendations from government departments such as the Cabinet Office and the Office of Government Commerce (OGC) with regards to best practice;
- Regular assessment of the risks around the energywatch closure programme.

5 Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the

internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council, the Audit Committee and measures to address weaknesses and ensure continuous improvement of the systems in place.

In maintaining and reviewing the effectiveness of the system of internal control the role of energywatch bodies which inform my review are detailed below:

The energywatch Council

The Council is the governing body of the organisation and carries responsibility for setting energywatch policy priorities and for promoting the efficient and effective use of staff and other resources whilst ensuring that it fulfils the aims and objectives of the Secretary of State. The main responsibilities of the Council are as follows:

- The Council is entrusted with public funding and therefore has a particular duty to observe the highest standards of corporate governance. This includes ensuring and demonstrating integrity and objectivity in the transactions of energywatch and, wherever possible, following a policy of openness and transparency in the dissemination of decisions.
- The Council has a duty to enable the organisation to achieve its strategic aims. This responsibility includes considering and approving the organisation's three year Corporate Plan and the Forward Work Programme and resource deployment.
- The Council regularly monitors the performance of the organisation against its planned strategies and key performance indicators.
- The Chief Executive is the Accounting Officer responsible to the BERR Principal Accounting Officer and to Parliament for ensuring value for money, regularity and propriety in deploying all the organisation's resources. The Council's financial responsibilities include ensuring the solvency of the organisation and safeguarding its assets; receiving and approving the final Annual Report and Accounts.

- The Council has oversight of the organisations arrangements for internal and external audit, as well as ensuring the existence and integrity of financial and other control systems. This responsibility is delegated to the Audit Committee.

The Audit Committee

In addition to their other activities, the Audit Committee oversees the adequacy and effectiveness of the system of internal controls as described above. It achieves this by:

- Reviewing the planned activity and results of the external and internal audit teams;
- Considering the adequacy of Management responses to issues identified by audit and other review bodies on a quarterly basis;
- Regular reports from the Chairman of the Audit Committee, to the Council, concerning internal control, risk management and corporate governance.

Internal Audit

The Internal Auditors report to the Audit Committee and agree a rolling programme of audit for each forthcoming year according to the Committee's priorities.

Regular audit reports are made, along with the end of year Annual Report, as defined by Government Internal Audit Standards. The annual report includes the professional opinion as to the level of assurance that is applicable to the internal controls within energywatch. For the 12 months ended 31 March 2008 the auditor's opinion was that energywatch had adequate and effective risk management, control and governance processes to manage achievement of the organisation's objectives.

Reviews of Core Financial Controls, Fixed Assets, Corporate Governance & Risk Management, Human Resources – Staff Retention, Payroll & Pensions, and Financial Management & Budgetary Control were undertaken. There was also a review of the recommendations made in the audits undertaken during the 2006-2007 financial year. The reviews concluded that there were adequate and effective risk management, control and governance processes in

place to manage the achievement of the organisation's objectives, with a number of instances of good practices identified. No fundamental recommendations and only one significant recommendation was made. Five of the reports concluded that substantial assurance was provided (the best category achievable) and one concluded that assurance was adequate.

A handwritten signature in black ink that reads "Allan Asher". The signature is written in a cursive style with a large initial 'A'.

Allan Asher
Accounting Officer
energywatch

17th July 2008

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Gas and Electricity Consumer Council for the year ended 31 March 2008 under the Utilities Act 2000. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having being audited.

Respective responsibilities of the Gas and Electricity Consumer Council, Accounting Officer and Auditor

The Gas and Electricity Consumer Council and the Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Utilities Act 2000 and Secretary of State for Business, Enterprise and Regulatory Reform's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Utilities Act 2000 and Secretary of State for Business, Enterprise and Regulatory Reform's directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Accounting Officer's Report and the Management

Commentary, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Gas and Electricity Consumer Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Gas and Electricity Consumer Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Gas and Electricity Consumer Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises the remaining sections of the Annual Report and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Gas and Electricity Consumer Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Gas and Electricity Consumer Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Utilities Act 2000 and directions made thereunder by the Secretary of State for Business, Enterprise and Regulatory Reform, of the state of the Gas and Electricity Consumer Council's affairs as at 31 March 2008 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Utilities Act 2000 and the Secretary of State for Business, Enterprise and Regulatory Reform's directions made thereunder; and
- the information, which comprises the Accounting Officer's Report and the Management Commentary included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

T J Burr
National Audit Office
Comptroller and Auditor General
151 Buckingham Palace Road
Victoria
London SW1W 9SS

17th July 2008

Income and Expenditure Account

12 Months ended 31 March 2008

| | Note | 2007-08 £'000 | 2006-07 £'000 |
|---|------|------------------|------------------|
| Income | | | |
| Miscellaneous income | 2 | 919 | 412 |
| | | 919 | 412 |
| Expenditure | | | |
| Staff costs | 3 | (6,983) | (6,486) |
| Administration costs & other expenditure | 4 | (4,567) | (5,306) |
| | | (11,550) | (11,792) |
| Operating (deficit) before exceptional items | | (10,631) | (11,380) |
| Reorganisation costs | 5 | (59) | (246) |
| | | (10,690) | (11,626) |
| Operating (deficit) after exceptional items | | (10,690) | (11,626) |
| Plus: | | | |
| Interest receivable | | 45 | 36 |
| Notional cost of capital credit / (charge) | 6 | 83 | 99 |
| | | (10,562) | (11,689) |
| (Deficit) on operating activities | | (83) | (99) |
| Add back notional cost of capital | | (10,645) | (11,590) |
| (Deficit) transferred to General Reserve | | (10,645) | (11,590) |

All amounts relate to continuing activities

Statement of Recognised Gains and Losses 12 months ended 31 March 2008

| | 2007-08 £'000 | 2006-07 £'000 |
|---|------------------|------------------|
| Net (Loss) on revaluation of intangible/tangible fixed assets | 0 | (3) |

The Accounting Policies and notes on pages 50-64 form part of these Accounts.

Balance Sheet

As at 31 March 2008

| | Note | As at 31 March 2008 £'000 | As at 31 March 2007 £'000 |
|--|------|------------------------------------|------------------------------------|
| Fixed Assets | | | |
| Intangible assets | 7 | 2 | 18 |
| Tangible assets | 8 | 52 | 125 |
| | | <hr/> | <hr/> |
| | | 54 | 143 |
| Current Assets | | | |
| Debtors | 9 | 310 | 763 |
| Cash at bank and in hand | 11 | 9 | 3,276 |
| | | <hr/> | <hr/> |
| | | 319 | 4,039 |
| Creditors (due within one year) | 10 | (830) | (4,810) |
| | | <hr/> | <hr/> |
| | | (830) | (4,810) |
| Net Current Liabilities | | (511) | (771) |
| Total assets less current liabilities | | (457) | (628) |
| Provision for liabilities and charges | 12 | (1,608) | (2,070) |
| | | <hr/> | <hr/> |
| Total Assets less Total Liabilities | | (2,065) | (2,698) |
| Tax payers equity: | | | |
| General reserve | 13 | (2,065) | (2,706) |
| Revaluation Reserve | 14 | 0 | 8 |
| | | <hr/> | <hr/> |
| | | (2,065) | (2,698) |



Allan Asher
Accounting Officer
energywatch

17th July 2008

The Accounting Policies and notes on pages 50-64 form part of these Accounts

Cash Flow Statement

12 Months ended 31 March 2008

| | 2007-08 | 2006-07 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Net cash outflow from Operating activities (note 23.)* | (11,389) | (11,050) |
| Returns on Investment and Servicing of Finance | | |
| Interest received | 45 | 36 |
| Capital Expenditure | | |
| Purchase of Tangible Fixed Assets | (22) | (29) |
| | _____ | _____ |
| Total Capital Expenditure | (22) | (29) |
| Financing | | |
| Grant-in-aid | 8,099 | 14,984 |
| | _____ | _____ |
| Cash Movement | (3,267) | 3,941 |

*Notes to the Reconciliation of operating cost to operating cash flows (see page 64).

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1 Statement of accounting policies

The financial statements have been prepared in accordance with the 2007-08 Government Financial Reporting Manual (FReM) issued by HM Treasury and are in accordance with the Accounts Direction issued by the Secretary of State for Business, Enterprise and Regulatory Reform. The particular accounting policies adopted by energywatch are described below. They have been consistently applied in dealing with items considered material to the financial statements.

1.1 Accounting conventions

These financial statements have been prepared under the historical cost convention, modified to include the revaluation of fixed assets at their value to the business by reference to their current costs.

1.2 Fixed assets

Expenditure on intangible and tangible fixed assets is capitalised. The minimum level for the capitalisation of tangible fixed assets is £1,000.

Assets are revalued annually using indices provided by the Office of National Statistics.

1.3 Depreciation/Amortisation

Depreciation/Amortisation is provided on all fixed assets, at rates calculated to write off the cost of valuation of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are:

| | |
|------------------------|---------|
| Furniture and fittings | 5 years |
| Computer equipment | 4 years |
| Other equipment | 4 years |
| Software Licenses | 4 years |

1.4 Provisions

energywatch makes provision for liabilities and charges where, at the balance sheet date, a legal or constructive liability exists (i.e. a present obligation from past events exist), where the transfer of economic benefits is probable and a reasonable estimate can be made.

Where the time value of money is material, energywatch discounts the provision to its present value using a discount rate of 2.2 per cent, the Government's standard rate. Provisions are calculated on the basis of estimated future cash flows.

1.5 Grants and Grants in Aid

In accordance with the Government Financial Reporting Manual (FReM) grants and grants in aid received for revenue purposes are treated as a contribution from a "controlling party" to finance the activities of an NDPB and to allow it to meet its statutory and other obligations, and as such are credited to the General Reserve.

1.6 Pension costs

The current position is as follows:

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit elements of the scheme are unfunded and are non-contributory except in respect of dependent benefits. energywatch recognises the expected cost of those elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, energywatch recognises the contributions payable for the year.

1.7 Early retirement costs

energywatch is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retired early. energywatch provides in full for this cost.

1.8 Operating leases

Rentals due under operating leases are charged to the Income and Expenditure Account over the lease terms on a straight line basis, or on the basis of actual rentals payable which fairly reflects usage.

1.9 Capital charge

A charge, reflecting the cost of capital utilised by energywatch, is included in the Income and Expenditure Account. The charge is calculated at the Government's standard rate of 3.5 per cent for 2007/08, on the average carrying value of all assets less liabilities, except for cash balances with the Office of the Paymaster General (OPG) where the charge is nil.

1.10 Research and development

Expenditure on research is written off to the Income and Expenditure Account in the year in which it is incurred.

1.11 Taxation

energywatch is not liable for corporation tax on interest earned on bank deposits.

1.12 Legal costs

energywatch bears the cost of general legal advice and the BERR bears the cost of litigation which is treated as notional costs.

1.13 Intra-Government Balances

In accordance with the Government Financial Reporting Manual, agency debtors and creditors balances have been analysed as detailed in notes 9.1 and 10.1 respectively.

1.14 Revaluation reserve

This reflects the unrealised element of the cumulative balance of indexation and the revaluation adjustment of tangible fixed assets.

2. Other income

| | 2007-08 £'000 | 2006-07 £'000 |
|--|--------------------------------|--------------------------------|
| Miscellaneous income | | |
| Rental income from sub-let of property | 127 | 89 |
| Other income (note i.) | 792 | 323 |
| | <hr/> 919 <hr/> | <hr/> 412 <hr/> |

(note i.)

Other income consists largely of: a donation from British Gas of £593K, to meet the cost of additional complaint handling caused by British Gas customer service problems; Postwatch income of £59K for IT Services; a refund from BERR for set up costs of the NewNCC of £105K; and other miscellaneous refunds.

3. Staff and related costs

| | Permanently Employed staff 2007-08 | Others 2007-08 | Total 2007-08 | Total 2006-07 |
|---|---|---------------------------|--------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Salaries and wages (note ii) | 5,528 | 66 | 5,594 | 5,225 |
| Social security costs | 440 | 0 | 440 | 400 |
| Pension costs (note i) | 949 | 0 | 949 | 861 |
| | <hr/> 6,917 <hr/> | <hr/> 66 <hr/> | <hr/> 6,983 <hr/> | <hr/> 6,486 <hr/> |
| | | | 2007-08 | 2006-07 |
| Average number of staff | | | | |
| Staff permanently employed by energywatch | | | 219 | 216 |
| Others engaged on the objectives of energywatch * | | | 3 | 4 |
| | | | <hr/> 222 <hr/> | <hr/> 220 <hr/> |

* The average staff numbers includes temporary staff but exclude secondees, and staff at the outsourced Contact Centre. During the year five staff were seconded from British Gas for six months, one seconded from Scottish Power for three months and one seconded from EDF Energy for six months.

note i.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but energywatch is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. The figures are shown in the resource accounts of the Cabinet Office: Civil Superannuation at the website www.civilservice-pensions.gov.uk.

For 2007-08, employers' contributions of £949K were payable to the PCSPS (2006-07 £861K) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and reflect past experience of the scheme.

| Earnings | | Contribution |
|-----------------|---------------------|---------------------|
| Band 1 | Up to £19,000 | 17.1% |
| Band 2 | £19,001 to £39,000 | 19.5% |
| Band 3 | £39,001, to £66,500 | 23.2% |
| Band 4 | £66,501 and over | 25.5% |

note ii. Remuneration of Council Members: (Included in Salaries & Wages)

| | 2007-08 | 2006-07 |
|----------------------|----------------|----------------|
| | £'000 | £'000 |
| Tim Cole | 5-10 | 5-10 |
| Sharon Darcy | 5-10 | 5-10 |
| Charles Coulthard | 10-15 | 10-15 |
| Ed Gallagher (Chair) | 40-45 | 40-45 |
| Andrew Horsler | 10-15 | 10-15 |
| Brian Saunders | 5-10 | 5-10 |
| John Howard | 5-10 | 5-10 |
| Julian Salisbury | 10-15 | 10-15 |
| Krishna Sarda | 5-10 | 5-10 |

Tim Cole, Sharon Darcy and Andrew Horsler were appointed by the Secretary of State on contracts from April 2005 to March 2008 and extended until September 2008. The appointments of Charles Coulthard and Julian Salisbury end on 31 March 2009, while Krishna Sarda, John Howard and Brian Saunders end on 31 December 2009. However, should energywatch be dissolved or wound up during the period of these appointments, the appointments would also cease with effect from that dissolution or such other date as is specified in any relevant legislation. The Chair was appointed on 1 April 2004 on a 36 month contract. The BERR has extended his and Sharon Darcy's contracts until March 2009.

Council member posts are non pensionable.

4. Administration costs and other expenditure

| | 2007-08 | 2006-07 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Administration costs | | |
| Office costs | 636 | 856 |
| Rent and associated costs | 1,869 | 1,929 |
| Call centre | 1,092 | 984 |
| IT (non-consultancy) costs | 436 | 608 |
| Publicity | 89 | 227 |
| Campaign & research | 166 | 725 |
| Training | 99 | 241 |
| Legal and professional | 129 | 99 |
| Depreciation/Amortisation | 100 | 149 |
| External audit fee | 40 | 40 |
| Project costs | 69 | 14 |
| Devaluation of fixed assets | 6 | 3 |
| Early retirement pensions provision (GCC and EW) | 251 | 304 |
| Effect of unwinding of the discount factor | 9 | (14) |
| Changes to existing provisions | (197) | (436) |
| Onerous leases and associated costs | (227) | (423) |
| | <hr/> | <hr/> |
| | 4,567 | 5,306 |
| | <hr/> | <hr/> |

(note i.)

There was no auditor remuneration for non-audit work.

5. Reorganisation costs

| | 2007-08 | 2006-07 |
|--------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Deferred pension provision (note 12) | 0 | 102 |
| Amounts used in the period | (50) | (43) |
| Unwinding of the discount factor | 8 | 9 |
| Changes to existing provisions | (4) | (2) |
| Redundancy payments | 105 | 132 |
| Reorganisation costs | 0 | 48 |
| | <hr/> | <hr/> |
| | 59 | 246 |
| | <hr/> | <hr/> |

6. Notional cost of capital

| | 2007-08 | 2006-07 |
|--|----------------|----------------|
| | £'000 | £'000 |
| At 3.5% on average of total assets less total liabilities for the year. (2006-07 3.5%) | 83 | 99 |

7. Intangible Fixed Assets

| | 2007-08 |
|---|----------------|
| | £'000 |
| Software Licenses | |
| As at 1 April 2007 | 64 |
| Revaluations/(Devaluation) | (2) |
| | <hr/> |
| As at 31 March 2008 | 62 |
| | <hr/> |
| Depreciation | |
| As at 1 April 2007 | 46 |
| Charge for the year | 16 |
| Revaluation/(Devaluation) of Depreciation | (2) |
| | <hr/> |
| As at 31 March 2008 | 60 |
| | <hr/> |
| NBV: As at 31 March 2008 | 2 |
| | <hr/> |
| NBV: As at 31 March 2007 | 18 |
| | <hr/> |

8. Tangible fixed assets

| Cost of valuation | Furniture & Fittings £'000 | Other Equipment £'000 | Computer Equipment £'000 | Total £'000 |
|--|---|----------------------------------|-------------------------------------|------------------------|
| As at 1 April 2007 | 582 | 833 | 695 | 2,110 |
| In-Year Adjustments | 4 | (16) | (41) | (53) |
| Additions | 0 | 0 | 22 | 22 |
| Disposals | (23) | 0 | (1) | (24) |
| Revaluations/(Devaluations) | 3 | 9 | (4) | 8 |
| As at 31 March 2008 | 566 | 826 | 671 | 2,063 |
| Depreciation | | | | |
| As at 1 April 2007 | 543 | 800 | 642 | 1,985 |
| In-Year Adjustments | 9 | (16) | (36) | (43) |
| Charge for the year | 23 | 33 | 28 | 84 |
| Disposals | (23) | 0 | (0) | (23) |
| Revaluations/(Devaluations) Of Depreciation | 3 | 8 | (3) | 8 |
| As at 31 March 2008 | 555 | 825 | 631 | 2,011 |
| NBV: As at 31 March 2008 | 11 | 1 | 40 | 52 |
| NBV: As at 31 March 2007 | 39 | 33 | 53 | 125 |

9. Debtors

| | As at 31 March 2008 £'000 | As at 31 March 2007 £'000 |
|--------------------------------------|--|--|
| Other Debtors | 88 | 61 |
| Prepayments | 193 | 671 |
| | <hr/> | <hr/> |
| | 281 | 732 |
| Debtors due after more than one year | 29 | 31 |
| | <hr/> | <hr/> |
| | 310 | 763 |
| | <hr/> | <hr/> |

Other debtors includes season ticket loans and staff advances

9.1. Intra-Government Balances

| | As at 31 March 2008 | | As at 31 March 2007 | |
|--|---|--|---|--|
| | Debtors: Amounts falling due within one year £'000 | Debtors: amounts falling due after more than one year £'000 | Debtors: amounts falling due within one year £'000 | Debtors: amounts falling due after more than one year £'000 |
| Balances with central government bodies | 64 | 0 | 14 | 0 |
| Balances with local authorities | 23 | 0 | 198 | 0 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 87 | 0 | 212 | 0 |
| Balances with bodies external to government. | 194 | 29 | 520 | 31 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| As at 31 March 08 | 281 | 29 | 732 | 31 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

10. Creditors

| | As at 31 March 2008 £'000 | As at 31 March 2007 £'000 |
|-------------------------------|--|--|
| Social Security & Other taxes | 376 | 206 |
| Accruals | 443 | 1,406 |
| Deferred Income | 11 | 14 |
| BERR Grant-in-aid | 0 | 3,184 |
| | <hr/> 830 <hr/> | <hr/> 4,810 <hr/> |

10.1. Intra-Government Balances

| | As at 31 March 2008 | As at 31 March 2007 |
|--|---|---|
| | Creditors: Amounts falling due within one year £'000 | Creditors: amounts falling due within one year £'000 |
| Balances with central government bodies | 427 | 3,431 |
| Balances with bodies external to government. | 403 | 1,379 |
| As at 31 March 08 | <hr/> 830 <hr/> | <hr/> 4,810 <hr/> |

11. Cash at bank and in hand

| | As at 31 March 2008 £'000 | As at 31 March 2007 £'000 |
|--------------------------|--|--|
| As at 1 April 07 | 3,276 | (665) |
| Cash inflow/(outflow) | (3,267) | 3,941 |
| As at 31 March 08 | 9 | 3,276 |

12. Provision for liabilities and charges

| | Onerous lease provision £'000 | Early retirement provision (GCC) £'000 | Early retirement provision (EW) £'000 | Pension provision (ECC) £'000 | Total £'000 |
|----------------------------------|--|---|--|--|------------------------|
| As at 1 April 2007 | 897 | 403 | 367 | 403 | 2,070 |
| New Provision recognised | 0 | 0 | 0 | 0 | 0 |
| Amounts Used in the Period | (142) | (201) | (50) | (24) | (417) |
| Changes to Existing Provisions | (101) | 10 | (4) | 17 | (78) |
| Unwinding of the discount factor | 16 | 9 | 8 | 0 | 33 |
| As at 31 March 2008 | 670 | 221 | 321 | 396 | 1,608 |

Onerous Lease Provision

The provision for onerous leases is in respect of the ongoing payments for properties previously occupied by legacy organisations, or by energywatch, but which are now surplus to requirements. This includes properties with leases which terminate between 2008 and 2015. The actual costs involved are not certain at the balance sheet date, being subject to revision through rent reviews, etc. Future income streams are recognised as and when sub-letting of properties is reasonably certain.

Provisions for Early retirement pensions (GCC)

The provision for early retirement reflects energywatch's ongoing obligation to make payments into the pension schemes of former employees of legacy organisations, who were made redundant on the creation of energywatch. The amount reflected above is a reasonable estimate based on the most recently available information, although the actual amount to be paid is not certain, and will be affected by factors beyond energywatch's control. The payments are funded through Grant in Aid from the BERR. The obligation would terminate in 2011.

Provisions for Early retirement pensions energywatch (EW)

The provision for early retirement reflects energywatch's ongoing obligation to make payments into the pension schemes of former employees who were made redundant. During the year a cash payment of £50K was made in respect of these obligations and similar payments will be made in future years, until the individuals reach retirement age.

The amount reflected above is a reasonable estimate based on the most recently available information, although the actual amount to be paid is not certain, and will be affected by factors beyond energywatch's control. The payments are funded through Grant in Aid from the BERR.

Pension Provision (ECC)

The pension provision relates to the ongoing payments in respect of the pension liabilities for the former chairmen of the Electricity Consumer Committees (ECC). The pension scheme for these former chairmen is analogous with the PCSPS pension scheme and a provision was shown in Ofgem accounts until 31 December 2001. The provision was taken on as an energywatch liability during 2002-03. There are uncertainties surrounding the actual payments to be made, which are currently based on actuarial estimates. The pension liability was revalued by the Government Actuary's Department (GAD) on 31 March 2008 and has been estimated to be £396K.

13. General Reserve

| | As at 31 March 2008 £'000 | As at 31 March 2007 £'000 |
|--|--|--|
| As at 1 April 07 (transfers from capital and government reserves) | (2,706) | (3,016) |
| Transfer from income and expenditure account | (10,645) | (11,590) |
| Grant in aid financing for Revenue purposes | 11,261 | 11,771 |
| Grant in aid financing for Capital purposes | 22 | 29 |
| Revaluation realised during the year | (8) | 36 |
| In-Year Assets Adjustments | 10 | 64 |
| Reserve Adjustment | 1 | 0 |
| As at 31 March 08 | (2,065) | (2,706) |

14. Revaluation reserve

| | As at 31 March 2008 £'000 | As at 31 March 2007 £'000 |
|--------------------------|--|--|
| As at 1 April 07 | 8 | 31 |
| Realised during the year | (8) | (36) |
| Arising on revaluation | 0 | 13 |
| As at 31 March 08 | 0 | 8 |

The Revaluation reserve reflects the unrealised element of the cumulative balance of indexation and the revaluation adjustments of tangible fixed assets.

15. Obligations under operating leases

The minimum lease payments to which energywatch is committed under non-cancellable operating leases for the coming year are:

| | 2007-08 | 2006-07 |
|----------------------------|--------------------------|--------------------------|
| | Total | Total |
| | £'000 | £'000 |
| Within one year | 140 | 147 |
| Between two and five years | 878 | 860 |
| After five years | 73 | 64 |
| | <hr/> 1,091 <hr/> | <hr/> 1,071 <hr/> |

16. Capital commitments

There were no capital commitments as at 31 March 2008.

17. Related party transactions

energywatch is an executive non-departmental public body sponsored by the BERR and is regarded as a related party, as are other entities sponsored by the BERR.

There was a sub-MOTO agreement between energywatch, HM Revenue & Customs and Department for Constitutional Affairs on one of the former Ofgem offices in Belgrave Road London which ended on 31 March 2008.

energywatch provides IT services to Postwatch. In addition, it sub-let part of the London office to the Welsh Assembly Government, between 1 November 2005 and 11 November 2007.

energywatch provides secondments and also let parts of the London office to the Department of Business, Enterprise and Regulatory Reform (BERR), from 12 November 2007.

None of the Council Members, key management staff or other related parties have undertaken any material transactions with energywatch during the year.

Seven of energywatch's staff members have been seconded to the New National Consumer Council on a part or and full time basis until September 2008.

Sharon Darcy, Chair of the Audit Committee and Ed Gallagher, Chair of energywatch's Council were appointed Council members of the New National Consumer Council (NNCC) from 25 January 2008.

18. Contingent Liabilities and assets

In accordance with our Management Statement and Financial Memorandum we are disclosing that as energywatch (The Gas and Electricity Consumer Council) closes on 30 September 2008, the early retirement and pension provisions, including the onerous leases provision associated with properties will transfer to the new National Consumer Council. The property leases terminate between 2008 and 2015.

19. Post balance sheet events

The Financial Statements were authorised for issue by the Accounting Officer, Allan Asher, on the same date as the Certificate and Report was signed by the Comptroller and Auditor General.

In accordance with the signed Management Agreement between the new National Consumer Council and energywatch, from 1 July 2008 energywatch staff transferred to the new NCC and will be seconded back on existing terms and conditions until 30 September 2008. Any consultation on staff redundancies will commence after staff have transferred to new NCC.

In addition, all leased properties, including property sub let to third parties, contracts, arrangements, tangible assets including furniture, fittings, stationery, IT equipment, records, rights and financial liabilities will be transferred to the new NCC on or immediately before 30 September 2008.

20. Financial targets

There were no financial targets set by the BERR during the period.

21. Financial instruments

energywatch has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It has no material deposits, and all material assets and liabilities are denominated in sterling so it is not exposed to interest rate risk or currency risk. However, as permitted under FRS 13 this disclosure excludes short term debtors and creditors which would become payable from the balance sheet date and there is no material difference between the book value and fair value of assets and liabilities at 31 March 2008.

22. Losses and Special Payments

There are no reportable losses and special payments at 31 March 2008.

23. Reconciliation of operating cost to operating cash flows

| | As at 31 March 2008 £'000 | As at 31 March 2007 £'000 |
|--|--|--|
| Operating (deficit)/surplus | (10,690) | (11,626) |
| Movements not involving cash | | |
| Depreciation | 100 | 149 |
| Permanent Diminution of Fixed Assets | 6 | 3 |
| Decrease/(Increase) in debtors | 453 | (80) |
| (Decrease)/Increase in creditors | (3,980) | 4,460 |
| BERR Grant-in-aid | 3,184 | (3,184) |
| (Decrease)/Increase in provision | (462) | (772) |
| | <hr/> | <hr/> |
| Net cash outflow from Operating activities | (11,389) | (11,050) |
| | <hr/> | <hr/> |
| Reconciliation of net cash flow to movements in net funds | | |
| energywatch funds at 1 April | 3,276 | (665) |
| Cash Movement | (3,267) | 3,941 |
| | <hr/> | <hr/> |
| energywatch funds at 31 March | 9 | 3,276 |
| | <hr/> | <hr/> |



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