

# Making an impact



**energywatch**

Annual Report  
and Accounts

2006–2007



# energywatch Annual Report and Accounts 2006-2007

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# Seven years of achievement



**Ed Gallagher**  
Chair

This is likely to be the penultimate Annual Report from energywatch. The Queen's Speech on 15 November 2006 announced that the government would introduce a bill to create new arrangements for consumer advocacy. That bill – the Consumer, Estate Agents and Redress Bill – would see energywatch merge with the National Consumer Council and Postwatch and our services to individual consumers divided between advice and redress bodies.

Despite inevitable uncertainty for our staff, last year we helped 720,000 people and secured £7.4 million in compensation or bill reductions for energy consumers. Furthermore, the year finished with the key issues we have taken the lead on – the need for social tariffs to help tackle fuel poverty, better billing and smarter meters to allow consumers to know about the energy they are using, and accreditation of green tariffs to give consumers confidence – all becoming a focus for the 2007 Energy White Paper.

That is not to say that energywatch has achieved everything it needs to for consumers. In the last month of this annual report period – March 2007 – energywatch received more than 35,000 new cases with 15,000 from just one supplier: British Gas. The highest number for any single supplier in any single month since energywatch was formed in 2000. We have a critical task over the next year to improve dramatically the level of customer service from energy companies before energywatch, and the support we provide, disappears.

Success in driving forward policy changes to benefit consumers, the effective monitoring of customer service from energy companies, and the provision of advice and support to individuals is all down to the quality and commitment of the staff at energywatch.

I am extremely proud that throughout this period of uncertainty energywatch staff have kept the interests of consumers as their focus. The test of the new consumer advocacy arrangements must be the achievement of better outcomes for consumers than we have been able to deliver. However, as the detail in this report shows, energywatch staff have set the bar very high.

In this annual report we have used the opportunity to look back over the last seven years of energywatch to assess the impact of the organisation.

And impact is the right word. Since we were created, energywatch has confronted issues like disconnections, mis-selling and fuel poverty head on and have put consumers in a much stronger position than they would have been on their own. Our challenge is to continue that impact right up to the end and to assist the new consumer bodies to achieve even more.

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 formerly 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.



**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, he was responsible for the economic regulation of gas and electricity transmission. A barrister and solicitor, Allan Asher 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.



**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** is the chair of the energywatch Welsh Committee. Julian Salisbury 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 in October 2005.

# The energywatch story



Allan Asher  
Chief Executive

**Six years ago energywatch was pitched into a turbulent energy marketplace with the instruction: guard the interests of consumers. It seemed like a very tall order for a very small watchdog.**

We faced a pack of competing energy suppliers hungry for market share, and this obsession for new customers was blinding them to the dismal experiences of the customers they already had. Our resilience was tested; more than a million consumers were contacting energywatch every year for help and we were determined to educate the companies to provide value and service to consumers. We also set out to arm people with the kind of information they needed to help themselves.

At times it has seemed like a Herculean task, largely because the companies were not queuing up to be educated and Ofgem – the regulator with the power to change their behaviour – was focused, for the most part, on the economics of the market. The newly liberalised energy market had one big early success: prices dropped. This was good news for 47 million consumers in Britain; unfortunately, there was also some bad news and it was all over the media thanks, in large part, to energywatch.

## Stop now

In their eagerness to sign up new customers the companies employed agents willing to lie, cheat and forge signatures. Many people were left no longer sure who was supplying their energy. Our 2002 *Stop Now!* media campaign exposed what was happening and persuaded companies to develop the *Energy Sure* guidelines, pay compensation and put their salespeople through mandatory training before they could sell anything. Suppliers also introduced the AES (Association of Energy Suppliers) Code, which, among other things, introduced compensation for consumers of £250 if signatures were proven to be forged on new contracts. Between 2003 and 2004 complaints about selling issues had dropped by 87 per cent.



energywatch's Stop Now! campaign

*The watchdog had barked, and won, by gaining support from the public, Parliament, the regulator and the media*

During our first year, almost half of all the complaints we received (41 per cent between 2001 and 2002) were from consumers who were trying to transfer from one company to another – the very essence of competition. Jointly with Ofgem and energy suppliers, we set about producing a voluntary code of practice which came into full effect in 2002. As part of our duty to protect consumers energywatch also initiated 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. Later, working with suppliers, we participated in the *Customer Transfer Programme* to improve the whole transfer process. As a result, erroneous transfers fell by 60 per cent and by 2004 complaints about transfers had fallen by 58 per cent.

The watchdog had barked, and won, by gaining support from the public, Parliament, the regulator and the media. We searched for and found the technical and regulatory tools to sort out behavioural problems. Over the next four years we were to use a similar strategy to bring intransigent companies round to our consumer focused way of thinking on a number of issues.



## Consumer rights

Consumers have power in competitive markets but they don't always use it. There are many reasons for this but the most pervasive is lack of confidence. While energywatch lacked statutory powers we sought to redress the balance by the confident assertion of consumer rights. Consumer bodies in this situation can become think tanks: identifiers of problems and advisers of action to be taken by someone else. At times this has been the right thing to do and we've certainly behaved in this way: urging the government and then the European Commission to investigate energy wholesale markets for instance. Much of the time, though, we've either led action or forced others to do so. Our challenge has been to draw power and information from consumers, and use it to punch above our weight. Instead of setting priorities that concentrated on small, immediate changes which may have allowed us to chip away at problems, we have dug in for the long term to achieve significant victories for consumers.

We have always been determined to make an impact on fuel poverty. The facts are that there are currently in excess of three million households in fuel poverty in Britain. These households need to spend more than 10 per cent of their income on energy.

## Debt and disconnection

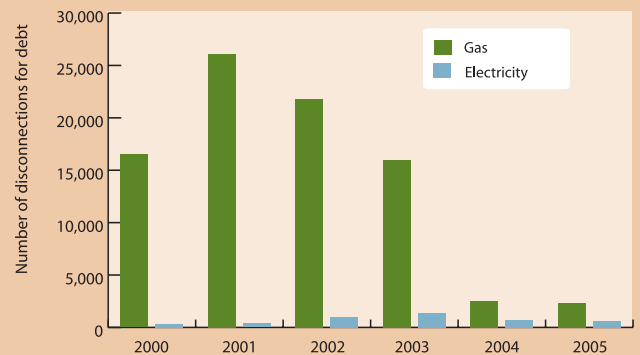
Latest figures<sup>1</sup> show that 1.3 million electricity and 0.9 million gas customers are in debt to their energy supplier, and two of every three prepayment meters installed between January and September 2006 were installed to recover debt. This level of debt does not indicate a matching level of irresponsibility by consumers; most of it has been caused by supplier incompetence and rising prices.

In one year, 2001, more than 26,000 households had their energy supply cut off because of debt or because of company error. Many disconnections were achieved through forced entry into homes. In numerous instances it was clear that energy suppliers neither knew nor understood the circumstances of their customers. Without energywatch, and a shocking discovery, this appalling situation would have continued. An elderly and frail South London couple were found dead in their home having, at some point, been disconnected by their energy supplier British Gas. Whilst it will never be known if the couple died before or after the disconnection, this terrible case led us to redouble our efforts to force disconnections onto the political agenda.

energywatch triggered a House of Commons Trade and Industry Select Committee inquiry in 2004 where we argued that those on low incomes, and households with young children, should have advice on how to pay rather than be disconnected, that no-one should be disconnected during winter and that no-one should be disconnected until the supplier has acquired knowledge of a household's

### Disconnections for debt

(source: Ofgem website)



circumstances. Moreover, companies should have to demonstrate that they had pursued every other means before being granted a warrant to enter property for the purpose of disconnection. The committee produced robust recommendations with the industry being given little option but to introduce a series of guidelines. Better practice and a 90 per cent fall in the number of disconnections have been the result.

energywatch, despite its lack of enforcement powers, has changed behaviours. In the case of the companies we give them the consumer experience and help them develop better and best practice. In the case of Ofgem we provided evidence and ideas to enable it to discharge its duties for consumer protection.

In the case of consumers we tried to rebuild their confidence in the market and help them to act for themselves. Independent price comparison sheets for each region, and information on each company's performance, have encouraged people to switch suppliers – more than a million switched from British Gas in 2006, for example. Switching has produced new online price comparison services which are currently being monitored under an energywatch code of practice, the Confidence Code.



Price comparison information

<sup>1</sup> September 2006, Ofgem

## Building partnerships against the poor paying more

Last autumn energywatch also joined forces with a group of national charities including Age Concern, Citizens Advice, Child Poverty Action Group, Help the Aged, Disability Alliance, Save the Children and National Energy Action to press suppliers to reduce their charges for prepayment customers. We also stood alongside Citizens Advice to expose the practice of 'back charging', whereby certain electricity suppliers showed themselves incapable of recalibrating token meters to reflect price changes within a reasonable period of time. Token meter users were being forced into unexpected debt as these suppliers 'back charged' their price rises in a bid to claw back revenue. In instances where recalibration had not taken place for a year or more debt frequently ran into hundreds of pounds and consumers faced the added shock of an overnight price rise. Following the energywatch and Citizens Advice campaign British Gas stopped this practice and the remaining three suppliers that back charged are being monitored by Ofgem. Continued pressure has also forced companies to reduce the cost difference between prepayment meters and standard credit on average from 35 per cent to 10 per cent.

## Small businesses suffer

It is easy to forget in a market with so many domestic problems that failures in customer care can have other casualties. We found that small businesses were suffering many of the problems experienced by householders; our partnership with the Federation of Small Businesses on the *Make the Connection Campaign* is now improving the balance of power in the business market.

## Competition

In the past few years spiralling energy prices have coincided with a substantial reduction in the number of suppliers in the energy market. energywatch has campaigned in Britain and Europe to highlight the detrimental effect this has on consumers. We proposed a change to the market rules which gave buyers more information on how much gas was available on the wholesale market. Despite protests from the big North Sea gas producers, our proposal was implemented, and the combination of improved information and an increase in the amount of gas flowing into Britain led to a reduction in prices. According to Ofgem the change could save consumers anything up to £122 million.

What competition does not deliver by default is a socially responsible market sensitive to the needs of its customers. Strong and responsive regulation can bridge the gap between competition and customer care, but the better option is to get suppliers to do it themselves. That way we

could have avoided the considerable misery connected with poor billing, poor practices such as repeated estimation of bills and lamentable complaint handling systems.

## Billing complaints top the league

Billing complaints consistently top the heap at energywatch. Many are due to suppliers' failure to record information accurately or at all. Bills are often difficult to understand and to check for accuracy; in many instances customers who have not received a bill for years have then received a huge demand often followed in quick succession by a disconnection notice. In 2003 we launched a *Better Billing* campaign to force the industry to improve its practices and we continue to push for smarter metering to give households the accurate information they need to regulate and understand their own consumption and to eliminate the industry's reliance on estimated bills. In 2005 energywatch submitted a Supercomplaint to Ofgem evidencing the need for decisive action to be taken to improve billing. As a result Ofgem told suppliers to improve their billing or face tough regulatory action. They were given a year to end back-billing<sup>2</sup>, and ordered to improve consumer contracts and set up an independent ombudsman scheme to investigate and resolve billing errors.

We regard this as a partial success: part of our campaign has been to work with the British Standards Institute to develop a billing standard. Ofgem was not persuaded that the companies should be required to adopt this but instead should be given the right to decide for themselves.<sup>3</sup> Some, to their credit, have done so.



energywatch's Better Billing Campaign

*Billing complaints consistently top the heap at energywatch. Many are due to suppliers' failure to record information accurately or at all*

<sup>2</sup> Failing to issue a bill to new customers only to make a large payment demand later.

<sup>3</sup> Ofgem's response to the Supercomplaint on billing processes made by the Gas and Electricity Consumer Council (energywatch').

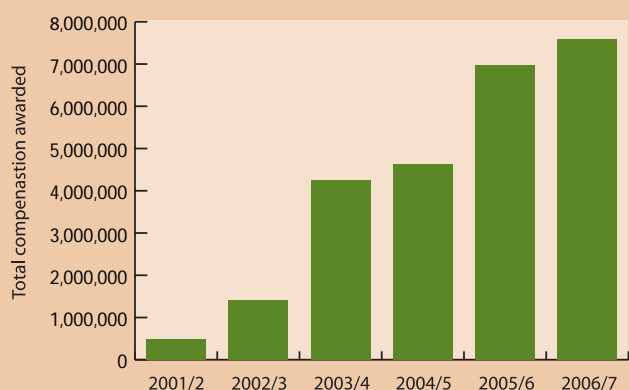
*The latest good news is that the government will require the companies to install smart meters in every home by 2018*

## Industry standards

energywatch has championed the case for standards and the industry now has its own Customer Services Standard. energywatch has used the lessons coming out of the British experience to develop an Energy Customers' Charter, which attempts to define the rights *and* responsibilities of consumers, regulators and suppliers. In the past year we have pushed for guidelines for green energy to ensure that consumers who want to make a choice don't get hoodwinked by unprincipled suppliers. The latest good news is that the government will require the companies to install smart meters in every home by 2018: householders and suppliers will have up to date information on how much energy they are consuming and get an indication their carbon emissions. One of the effects should be to move suppliers on from simply selling more energy to selling more and better energy services.

In 2006-07 energywatch secured £7.4 million for consumers in compensation and reduced bills, our tally to date is £ 25.3 million. Next year we're hoping that this is one area in which we don't do nearly so well – because it will indicate that the market is beginning to get the message.

### Compensation and reduced bills



## energywatch's unique knowledge

energywatch has unique knowledge of what has gone wrong for thousands of people who have tried to make fairly simple transactions in the energy marketplace. We have experience of how disconnections, mis-selling, delayed refunds and increased costs affect people, and how some of what happens is disproportionately detrimental to the poor. And the battle will go on as we continue to receive thousands of pleas for help every day from people who have tried to get satisfaction from their energy suppliers and failed. The companies' approach to complaint handling falls far short of what is reasonable and it is light years away from ideal, and yet a fundamental principle of the government's new Consumer Voice advocacy regime is that from 2008 suppliers must take responsibility for all aspects of their relationship with customers including servicing consumer enquiries, providing advice and resolving complaints swiftly and effectively.

We wholeheartedly agree with this but what will it mean for their customers? Where will they go when the companies fail to live up to expectations and they cannot pick up the phone to energywatch? We will be working hard over the next 12 months to transfer our knowledge and experience to the new National Consumer Council (NCC) which is set to take over our remit in 2008. The NCC will not, however, have the complaint handling role of energywatch although it will have the power to investigate complaints made by vulnerable consumers and complaints relating to disconnection of gas or electricity. Consumer Direct will deal with consumer enquiries and simple complaints and new ombudsman schemes will be available for resolving complaints that cannot be resolved with suppliers. Our concern is that some people will, nevertheless, become stranded between these new sources of help so we will be continuing to campaign for adequate protection for energy consumers.

Our work plan for the year ahead is challenging and no-nonsense and we will be hard on the heels of those who fail to look after consumers both now and in the future.

*In 2006-07 energywatch secured £7.4 million for consumers in compensation and reduced bills, our tally to date is £ 25.3 million*

## ... making life better for vulnerable consumers

### Fuel poverty – the big picture

People who spend more than 10 per cent of their income on energy are living in fuel poverty. The government has a target of eliminating fuel poverty in all vulnerable households by 2010.

Until 2003, progress was being made in reducing the number of fuel poor households in Britain. In the five-year period leading up to the publication of the UK Fuel Poverty Strategy there were substantial reductions. Government figures indicate that between 1996 and 2002, fuel poverty in England fell by 60 per cent from 5.1 million households to 1.4 million households, of which 1.2 million were considered to be vulnerable. In Scotland, in the same period the number fell from 700,000 to 300,000 households and in Wales, fuel poor households fell from 400,000 to 200,000.

These reductions coincided with low energy costs – in 2001 energy bills were at their lowest level since 1974 (having fallen by 18 per cent for gas and 23 per cent for electricity in the period 1996-2001).

But prices started to rise from 2003. By the end of 2006 gas prices had increased by 90 per cent, electricity prices by 64 per cent and the number of households in fuel poverty in Britain rose to over three million. Soaring price rises put many low income or vulnerable consumers at greater risk than ever and have put the government's fuel poverty targets in serious jeopardy. By Spring 2007 prices had started to come down but not enough to make a significant dent in the level of fuel poverty in Britain.

Much of energywatch's campaigning has been aimed at getting people out of fuel poverty – we describe later how we have campaigned to get a better deal for people on prepayment meters and, for the fuel poor to be charged affordable tariffs. We worked hard to persuade suppliers to focus on preventing consumers getting into serious problems by helping them manage any debt that might build up.

But we are also involved in one-to-one contact with consumers who are the most vulnerable. By making sure they receive the right information and support we have been able to help them become more energy efficient, obtain energy grants, free services from their supplier and help with switching and managing their bills to avoid debt.

### Helping everyone get a good deal

700,000 switches of energy supplier are made every month but nine million customers are still missing out on more than £1 billion worth of savings a year. Many of those, especially older people, have told us they feel daunted by the process of switching even though they know they could save money.

### Helping older consumers

Around 30 per cent of lone pensioners and seven per cent of older couples are fuel poor. But while the overall switching rate is more than 50 per cent, only 37 per cent of pensioners have changed gas supplier and only 41 per cent have switched to a different electricity supplier.

Last year (2006), in face-to-face interviews around the country, our Priority Consumer Team identified many older consumers on basic state pensions who could not afford to heat and power their homes but were reluctant to switch

**FACT** *Nine million consumers, particularly older people, are still missing out on more than £1 billion worth of savings a year by not switching supplier*



energy supplier. Some of these consumers were paying too much for their energy and a number believed they were still being supplied by the long defunct gas and electricity boards. One of the barriers that prevented older people from switching was that they mistrusted supplier information and were totally confused by pricing information.

That's why in November 2006 we launched a media led campaign *Are You Missing Out?* – designed to encourage older people to consider switching supplier. It also gave them information and advice about a range of grants, free services and benefits.

The campaign was rolled out across the country via radio, TV and press. A CD and DVD featuring older people and their families who had contacted energywatch and saved a lot of money by switching, helped get the message across.

To tackle this problem, for the duration of the campaign, energywatch introduced a new dedicated telephone advice line – SWAT (Switching Without Any Trouble) – which enabled older people to speak directly to a member of the Priority Consumer Team. The aim of the campaign was to make it as easy as possible for older people to switch and to save money.

Once consumers had contacted the team we sourced the best possible deals by looking at what consumption they used over a period of a year. We then looked at every tariff to see where savings could be made. We then wrote to them with the top three best savings. This allowed them to make an informed choice, based on independent information, in their own time. If the consumer was already with the cheapest supplier we looked at other ways they could save energy.

It became very obvious during the campaign that many consumers did not know about the various services and the support they were entitled to such as energy grants, free services from their supplier and benefit entitlement checks.

Head of energywatch's Priority Consumer Team, Carlene Golightly, said:

*'We were concerned that many older people were unable to heat their homes due to cost. We wanted to help them make an informed choice and by providing a dedicated line, they could talk to a real person who would spend time with them on the phone, and help them get the best deals most suited to their personal needs.'*

## Case study

Mrs Exley's daughter-in-law contacted energywatch after hearing about the *Are You Missing Out?* campaign. Mrs Exley is in her eighties and lives in a one-bedroom bungalow. She was anxious because her monthly direct debit from Staywarm – Powergen had increased from £48 to £149 per month.

energywatch's Priority Consumer Team contacted Staywarm and was told she had been using a lot of energy. Staywarm had written to Mrs Exley but they had not visited her.

energywatch investigated and found that Mrs. Exley couldn't operate her digitally controlled system and the heating had been on 24 hours a day. energywatch pushed for a fairer result for Mrs Exley. Staywarm admitted that they should have provided a home visit and agreed to cut her monthly payments from £149 to £59.

Mrs. Exley said: *'I could not believe it. I thought it was some kind of mistake. The prospect of going from £48 per month to £149 scared me as I did not think I would be able to pay and I thought I was going to be cut off straight away. That's why I contacted energywatch, and I am very grateful that they have been able to resolve this issue.'*

<b>Are you missing out? campaign</b>	<b>Nov 2006 – Mar 2007</b>
<b>Average saving of those who transferred</b>	<b>£180</b>
<b>Numbers of consumers who benefited from other types of support – priority service registrations, energy grants and energy efficiency and benefit checks advice</b>	<b>1,000</b>

In addition to the consumers helped via the 'Are You Missing Out?' campaign, the Priority Consumer Team registered approximately 5,000 people for free services via their supplier between April 2006 and March 2007. Approximately 8,000 vulnerable consumers received direct support by being referred on for energy grants and funding support, energy audits and benefit checks.

## Frank Cooper, President of the National Pensioners Convention (NPC):

*'Pensioners need to look after their money, and with the recent increases in fuel bills, it's become even more important for them to make some savings. The NPC knows that the Priority Consumer Team will offer our members impartial and expert advice about how to cut energy bills. We're backing the Are You Missing Out campaign and encourage others to do the same.'*

## The cruellest cut

One of the most distressing things that can happen to people already living on low incomes is having their energy supply cut off. People who find it hardest to cope – those on low incomes, people who are already in debt or lone parents – are likely to be threatened with disconnection.

energywatch has always campaigned hard on this issue and between 2001 and 2005, the number of people disconnected each year due to debt fell from 26,000 to fewer than 3,000. Despite this we carried on trying to reduce the numbers of disconnections and drafted guidance for magistrates in England and Wales to help them in dealing with applications from energy suppliers for warrants to disconnect supply. This guidance has provided magistrates with the right questions to ask suppliers before granting a warrant, providing a more thorough process and forcing suppliers to find out who lives in a property and to understand their individual circumstances before cutting them off.

Despite this, disconnections are rising again – there were 5,117 in 2006 – and we are following this up by returning to the Trade and Industry Select Committee and asking them to revisit this issue and see why disconnections are rising.

## Case study

### Fatuma Kayemba gets £1,400 to help clear bills:

*'Because I and three of my four children have sickle cell anaemia, we need to keep warm all the time. I had built up a large debt with my supplier and my sickle cell clinic referred me to energywatch.'*



*'The energywatch adviser suggested we apply to an energy trust for money to clear my debt. Because English is not my first language, filling in the form was difficult for me but energywatch helped me to do it. I was very pleased to get almost £1,400 granted to clear my bills, and with advice on energy saving from energywatch, I hope I can now manage my budget much better.'*



energywatch provides information in several different languages

## ... stopping the poor paying more

Every year since it was founded, energywatch has campaigned for a better service for energy consumers.

### Prepayment meters

Prepayment customers are often charged more by suppliers. A high proportion of prepayment consumers are low income households, lone parents or households on benefits using prepayment to stretch a tight budget. For many consumers these meters are a way of avoiding debt by using energy on a 'pay as you go' basis.

At the start of 2006, around 40 per cent of all electricity prepayment meters (PPMs) in Britain were old style token meters. That meant that around 1.45 million households had meters that needed to be manually reset each time energy prices changed. Just over a million of those customers were at risk of falling into debt because their supplier failed to reset their meter quickly after a price rise and then back charged them.

In 2006 energywatch and Citizens Advice launched a campaign calling for suppliers to end this unfair practice and only apply a price rise from the day the meter was reset. In December 2006, more than 140 MPs joined the campaign and signed a motion reprimanding suppliers who pushed consumers into debt. British Gas listened and joined EDF Energy and, Scottish and Southern Energy in not back charging their customers.

The remaining suppliers Scottish Power, Powergen and npower made commitments to increase the replacement of the meters but energywatch and Citizens Advice will continue to put pressure on the companies and the regulator to stop back charging.

### Case study

A Northumberland Citizens Advice Bureau client fell into arrears of £250 because his token prepayment meter was not updated following price rises.

The client, who is in receipt of Jobseeker's Allowance and Housing Benefit, is unhappy that he is paying a higher tariff for his PPM and yet has still managed to end up falling into debt. The arrears will be repaid at £3 per week but the client is frustrated with this situation (which he found himself in through no fault of his own) as he was intending to switch supplier but will now have to wait until his debt is less than £100 – in about one year's time! In the meantime, the client will have to pay higher costs for his electricity as he will not be able to switch to a cheaper tariff offered by another supplier.

**FACT** *140 MPs signed a House of Commons motion reprimanding suppliers following an energywatch and Citizens Advice prepayment meter back charging campaign*

## The poor pay more

Last autumn energywatch joined forces with a group of charities including Age Concern, Citizens Advice, Child Poverty Action Group, Help the Aged, Disability Alliance, Save the Children and National Energy Action to press suppliers to reduce their charges for prepayment customers. One supplier, Scottish and Southern Energy, responded immediately and agreed not to charge prepayment electricity customers more than those who paid quarterly. That meant that four companies were charging prepayment electricity customers the same as quarterly bill payers, with British Gas doing the same for gas pre payment customers. At the time this left only one company, npower, charging their PPM customers more for both gas and electricity.

In November 2006, energywatch and some of the charities from the same group made an appeal to the Chancellor of the Exchequer to extend winter fuel payments to people under 60 who were particularly vulnerable to the cold, and who received means-tested benefits. They included people with a long-term illness or disability, and parents with young or disabled children.

In March 2007, we followed this up by urging the government to take action to raise the incomes of the poorest people in society. Fuel poverty is caused by high prices, insufficiently insulated housing and low incomes. energywatch will continue to press government to include measures to tackle low incomes as part of its fuel poverty strategy.

## Case study

A token meter consumer in Glasgow contacted energywatch after receiving a statement from her supplier stating that she owed £245, which had accrued since 2001. The consumer did not understand how the debt had been built up as she uses a prepayment meter. The supplier had attempted to collect the debt at £6 a week, which the consumer could not afford as she is on benefits. After energywatch took up her complaint the supplier agreed to write off the debt.



Coalition letter to suppliers and government



## ... empowering consumers

When energywatch was first set up, many consumers felt worried about the recent changes in the energy market. They didn't know who to trust. Our mission was to empower consumers through information and advice, to help them resolve complaints, to build their confidence and, through these actions, force the energy companies to improve their service to their customers.

In 2006 – 07 the energywatch website had 663,335 unique visitors. There were 613,758 pieces of advice and information downloaded – an increase of 38 per cent on the previous year. More than 212,000 answers were given through our on line 'ask a question' facility.

Some consumers need to contact our advisers. energywatch advisers give consumers information and advice on the telephone or face-to-face, but most important of all, they give them time and personal attention and stay the course until they have done everything that they can to help solve their problems.

In 2006 energywatch implemented new extended empowerment procedures that have enabled our advisers to cut through barriers which prevented the resolution of consumer problems. Under the new arrangements our advisers can offer the option of linking consumers directly to people at their energy supplier who can really help. Transferring 40,000 calls to specialist teams voluntarily set up by the suppliers after discussions with energywatch meant that we could devote more time to consumers with complex or more difficult problems.

This year there were 720,000 new or follow up contacts to energywatch. The new contacts resulted in our advisers investigating 62,033 new complaints and helping consumers with another 270,064 new enquiries either by providing information, advice or referring cases through our empowerment initiative. Since 2000, the majority of complaints we received have been about billing. Yet again in 2006 – 07 most complaints were from consumers concerned about their bills.

### Consumer advocate

energywatch campaigns constantly to put pressure on suppliers to keep prices low. But all too often inaccurate bills compound the issue of high prices. Consumers find they are being charged for energy they have not used and can find it difficult to argue their case against large companies. That is where energywatch can provide support.

We are committed to achieving the best possible outcome for the consumer. This means identifying the problem, making sure the company addresses the cause and then ensuring the supplier compensates the consumer. We do this through negotiation – using our knowledge, experience and expertise, by challenging a proposed settlement, escalating a case within the company and if necessary, by applying pressure including using the media.

We have secured considerable sums of money for consumers through compensation and reduced bills. In 2006 – 07 this was £7.4 million, an average of £119 for every complaint we dealt with. In addition to goodwill payments (recompense for expenses and disruption caused by the supplier), energywatch can often get the bill reduced because of overcharging, billing errors, incorrect estimates, wrong readings or billing delays.

Where appropriate we will also ensure that consumers receive any entitlement to statutory compensation or payments under the guaranteed standards schemes.

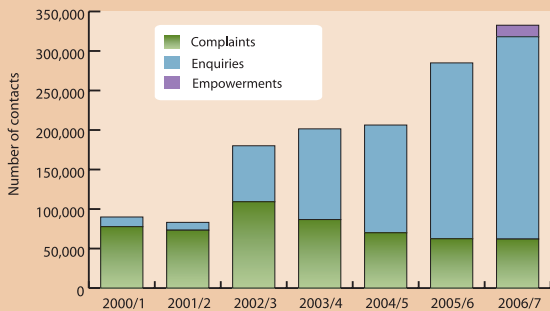
**FACT** *Between April 2006 and March 2007, energywatch handled 720,000 contacts from consumers and secured £7.4 million for consumers, both in reduced bills and in compensation – an average of £119 for every complaint that we investigated*

## Making bills better

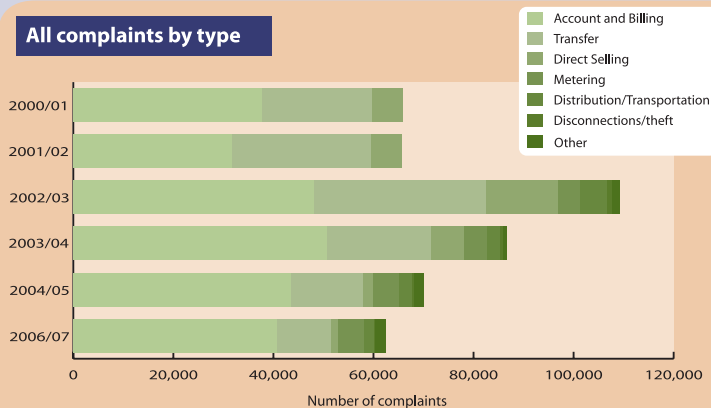
Over the years we have achieved some significant improvements in billing. In 2003 we launched a 'Better Billing' campaign to introduce new industry practices and, in 2005 energywatch submitted a Supercomplaint to Ofgem. This resulted in no backdating of bills more than two years old, led to the creation of a new Energy Supply Ombudsman and a review of energy company contract terms. More recently, a British Standards Institute (BSI) standard, under energywatch's chairmanship, on billing became a benchmark against which to measure the energy industry's own code of practice.

Campaigning over inaccurate bills, the primary source of enquiries and complaints to energywatch, has also started to bear fruit. While we have not seen a reduction in the number of billing problems, in 2006 – 07 energy companies have shown signs that they accept the need for action.

### All new contacts (business and domestic)



### All complaints by type



## Case study

Mr Wasif sought help after receiving a series of estimated bills.

*'I was completely given the run around by Powergen. No explanation was provided for the high bill they sent me, just reminders and empty promises that they would investigate. However, soon after visiting the Older People's Forum, energywatch became involved. In no time I was offered an apology, a goodwill gesture and a payment plan, which I was more than happy with. I feel sure that without energywatch's help this issue may never have been resolved.'*



energywatch Priority Consumer Adviser, Majid Hussain talks with Mr Wasif



Carole Pitkeathley, Head of Regulatory Affairs at energywatch said: *'The fact that so many consumers are switching supplier means there is an even greater need for clear bills and for suppliers to get bills right first time, every time. Regular, accurate bills can help consumers to control their energy consumption, save them money and reduce their carbon emissions.'*

## Sticking up for small businesses

Small businesses face similar problems to domestic consumers in having to deal with inadequate bills or in trying to save money and conserve energy. Yet they have none of the protection enjoyed by domestic consumers. Our 'Make the Connection' campaign, for which we teamed up with the Federation of Small Businesses, called for real improvements in the situation faced by small businesses in the energy market. The campaign has resulted in more than a million small businesses knowing where to get better information on how to choose the best energy supplier and switch to them, negotiate new contracts, deal with brokers, and where necessary, make complaints to energy companies.

While energywatch has been able to help to ensure significant reductions in cases of mis-selling for domestic consumers, it remains a major problem for small businesses. Unscrupulous energy brokers and salespeople have caused misery for numerous small businesses over many years. Calls from energywatch for energy brokers to get their house in order led directly to the creation of a trade association – the Utility Intermediaries Association – which produced a Code of Practice for brokers. Now the scheme is in place we hope standards will begin to improve and consumers will be much less likely to fall victim to unprincipled brokers and agents.

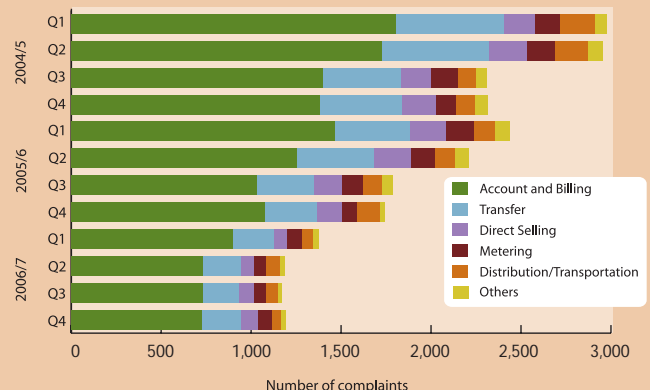
Thanks to the efforts of our Business Services Team, launched in 2004, many thousands of small businesses throughout Britain now have fairer energy contracts and better customer care. The small business team has:

- Established a team of advisers dedicated to dealing with small business consumers which has provided advice and assistance to some 60,000 small businesses since it was set up
- Developed a comprehensive online guide to help small businesses get a better deal out of the energy market
- Put the plight of small businesses on the map with consumer groups, the media, the regulator and politicians and delivered a wake-up call to suppliers that consumers would no longer suffer in silence in the face of evergreen contracts, pushy sales tactics, ambiguity over the effective date of contracts, questionable use of objections to switching supplier and uncompetitive renewal offers
- Worked with the Carbon Trust to increase access to their energy efficiency advice and services to small businesses
- Worked with public sector energy purchasers to raise awareness of the need for basic standards of customer service to be incorporated in all energy purchasing contracts.



Paul Savage, energywatch Business Services Manager said: *'Small businesses deserve a better deal. Suppliers are beginning to respond with clearer contracts and better selling practices but there is still much to be done. The quality of billing and customer service must improve and consumers must be empowered and encouraged to make informed choices. Market forces and regulation are failing to protect small businesses so they must work harder to protect themselves. There is a chronic shortage of information to help small businesses choose their supplier and energywatch is working to fill this gap.'*

Business complaints by type



## ... in Scotland and Wales

While energy policy is not a devolved matter, critical issues such as support for vulnerable consumers, fuel poverty targets and energy efficiency measures are. Our national offices in Scotland and Wales are able to work with a range of local partners to understand their needs and provide local advice and support to consumers.

They also allow us to understand the particular context for consumers in Scotland and Wales and to act effectively within the national policy environment to enhance the welfare of consumers.

## Scotland

### 'Three and Easy'

Last year energywatch Scotland launched our *Three and Easy* campaign. We called for three easy actions from suppliers, the regulator and Government that were *fair* in relation to tariffs, *smart* ensuring that every home has smarter metering and *efficient* in that more consumers, including those on low incomes, could benefit from energy efficiency and microgeneration technology. At the campaign launch in the Scottish Parliament we argued that increases in income had been outstripped by unprecedented energy price rises and much of the good work on energy efficiency had been outpaced for the same reason.



### Positive partnerships for change

Working in partnership to realise the aims of our campaigns has been a successful element of energywatch's work in Scotland. We have worked closely with the Poverty Alliance and the Scottish Local Government Forum against Poverty to call for an end to back charging. With organisations such as Save the Children and Barnardo's we have worked to push the issue of fuel poverty to the top of the political agenda. We are currently part of a broad coalition which includes Citizens Advice Scotland, Friends of the Earth and the Child Poverty Action Group calling on the new Scottish Parliament to instigate a Parliamentary inquiry into fuel poverty in Scotland. We continue to be active supporters of Age Concern Scotland's Winter Warmth campaign.

### Working with decision makers

energywatch Scotland has used its understanding of the issues faced by energy consumers to help the Scottish Executive and Scottish Parliament develop policy. We are members of the Executive's Fuel Poverty Forum and meet regularly with those taking forward the fuel poverty programme. Working closely with members of the Cross Party Parliamentary Group on Tackling Debt we secured a debate in the Scottish Parliament on energy debt. Members of the group have been central to our campaign to end the back charging of token prepayment meter customers. We have been closely involved, as members of the steering group, in the development of Sarah Boyack's MSP Private Members' Bill on energy efficiency and microgeneration. We work closely with stakeholders and decision makers to secure a Parliamentary Committee inquiry into fuel poverty in Scotland.

**FACT** *nearly one million households live in fuel poverty in Scotland and Wales*

Scottish MPs have played an important role in the campaign for suppliers to end the policy of back charging token prepayment meter customers. This has included tabling Early Day Motions, asking Parliamentary questions and securing a Westminster Hall debate on energy pricing. energywatch Scotland played a central role in ensuring that The Scottish Affairs Committee had a specific session on fuel poverty in its Poverty in Scotland Inquiry and gave evidence to the committee.

## Scotland Key statistics 2006 – 07

**Prepayment customers: 643,000 electricity and gas prepayment customers**

**Fuel poverty levels: 650,000 households in fuel poverty [energywatch estimate] – more than one in four of all households**

**Average bill: £927 in Scotland (GB average is £924). This is based on an average gas bill of £551 and an average electricity bill of £376**

**Without gas: 33 per cent of households cannot access the gas network**

### Promoting debate

energywatch Scotland hosted a major event February 2007 on specific issues affecting Scottish consumers in the energy market. Stakeholders and politicians came together in Edinburgh to discuss and debate an *Agenda for Change*. The issues emerging from the event included a coordinated fuel poverty strategy, a competition review, smarter metering and fair treatment for small business and will act as a platform for our ongoing work in the post election period.

### Engaging with consumers

energywatch has been active in setting up referral pathways and engaging with consumers and stakeholders across Scotland. A major focus has been to link with local authorities who were preparing their fuel poverty strategies. We encouraged a holistic approach to tackling fuel poverty by promoting the cost savings available by changing supplier and payment method, increasing benefits take-up and improving energy efficiency measures. This resulted in joint sessions with social work, housing, occupational health and money advice departments.

Health professionals in South Lanarkshire and Renfrewshire were trained by energywatch to identify the signs of fuel poverty, an initiative which was carried out in conjunction with the Strathclyde and Central Energy Efficiency Advice Centre.

We participated in a series of energy awareness days hosted by Members of the Scottish Parliament across Scotland to promote the Scottish Executive Central Heating Programme bringing together local stakeholders and the local community.

For the first time, we travelled to Stornoway along with eaga to participate in a range of consumer open days at community halls in Stornoway and Harris. We worked closely with TEAS, the Energy Advisory Service to reach local consumers and agencies. A presentation was delivered to the local MP and local authority staff in Lewis. We also attended the agricultural show in Uist which attracted around 300 consumers to our stands which were held jointly with Energy Efficiency Advice Centre (EEAC) and eaga.

energywatch forged strong links with a range of older people's forums in Dumfries and Galloway, Glasgow, Neilson and Renfrewshire, and Church Groups in Motherwell and Lanarkshire.

## Case study

**Mrs Breeze** contacted energywatch in Scotland over problems with her weekly payments to Scottish Gas:



Scottish Gas had set Mrs Breeze's weekly payments too low with the result that she accrued a debt on both her gas and electricity accounts – £151 for electricity and £252 for gas.

Mrs Breeze is retired and is on a very tight budget. She had other financial commitments and couldn't meet the payments that Scottish Gas had set for her to clear the debts on her account. Mrs Breeze was very upset and felt she was unable to manage her finances.

With energywatch's help, Mrs Breeze applied to the Scottish Gas Trust, for assistance with her bills. As a result the Trust agreed to pay the outstanding balances on her account, by now £472. Mrs Breeze was able to start afresh and is now able to meet her weekly payments.

*Mrs Breeze said: 'I felt completely harassed and upset by the lack of help being offered by Scottish Gas and I didn't know where to turn. When energywatch became involved a huge weight was lifted off my shoulders. energywatch went the extra mile by referring me to the Scottish Gas trust fund which was a real life-saver as it allowed me to set up a payment arrangement that I could actually afford.'*

## Wales

### Working with decision makers

energywatch Wales has worked closely with the Welsh Assembly Government to help and advise with its devolved responsibilities in such areas as fuel poverty. Assembly Members often come to us for advice and information as well as issues their constituents have raised with them directly. We saw the need to make the best use of the relationship between energywatch Wales and the National Assembly and in 2004 we established the energywatch Welsh Consultative Group on energy.

Comprising four Assembly Members from the main political parties in Wales, the group meets quarterly and has looked at issues ranging from provision of Welsh language services by energy suppliers to communities not connected to the gas network.

The members have pushed key issues like fuel poverty and back charging of consumers on token meters up the political agenda in Wales by hosting debates. They have also helped us make progress on emerging issues such as smart metering and protection for small businesses by supporting energywatch campaigns and hosting events at the National Assembly. In turn, we have been able to help the group scrutinise the work of the Assembly Government – especially on fuel poverty – by providing helpful information and support.



Mick Bates AM, at the energywatch smart metering seminar at the Welsh Assembly

### Priorities for Welsh consumers

energywatch developed ten priorities for energy consumers in Wales to inform the debates around the Welsh Assembly elections and to provide a comprehensive plan for action for the coming years. The priorities are divided into two sections: the need to work with the Welsh Assembly Government and other agencies to develop an effective strategy to tackle fuel poverty in Wales, and priorities on specific issues arising from energy companies' practices.

energywatch Wales is working with other consumer bodies in Wales as well as energy suppliers and local and national government to bring about solutions to some of the issues most detrimental to consumers.

### Advising consumers

energywatch Wales has regularly attended both the Royal Welsh Show and the annual Eisteddfod (which attract thousands of people from across Wales) providing advice to consumers on a wide range of energy issues. Working closely with other consumer groups in Wales including Postwatch, the Consumer Council for Water and the Welsh Consumer Council we have taken exhibition stands at the events and helped consumers with queries about their energy bills, given advice on how to switch to a cheaper supplier and advised how to access grants and energy efficiency advice and support.

At all events we have Welsh literature and Welsh speaking staff on hand to help consumers in the language of their choice. Using events such as these has enabled us to reach out to consumers in rural locations who we may not usually have had easy access to and to promote the services energywatch offers. We also learn what issues are important to consumers in different areas of Wales which has helped us to focus our priorities and deliver the services consumers need.



National Director, Wendy Davies with Mark Isherwood AM at the launch of energywatch's priorities for Wales

## Setting the agenda

An energywatch Wales roadshow provided the model for the Welsh Assembly government's annual Keep Well This Winter campaign.

energywatch Wales wanted to promote the free services offered under the Priority Service Register, and back in 2001 Plaid Cymru leader Dafydd Wigley MP launched the energywatch roadshow – which was supported by Assembly Members and MPs. energywatch visited each of the 22 local authority areas across Wales and worked with a variety of partners including charities and local energy efficiency advice centres. The campaign targeted hard-to-reach consumers providing advice on energy efficiency measures available to them.



Senior Consumer Adviser Gail Dickenson talks to a consumer about switching

## Wales Key statistics 2006 – 07

**Prepayment customers: 377,000 gas and electricity prepayment customers**

**Fuel poverty levels: 260,000 households in fuel poverty [energywatch estimate] - more than one in four of all households**

**Average bill: £952 (GB average is £924). This is based on an average gas bill of £552 and an average electricity bill of £400**

**Without gas: 20 per cent of households are off the mains gas network**

## Case study

Mr Griffiths contacted energywatch Wales in November 2006 when he received a letter from his supplier British Gas advising him he was more than £200 in debt on his electricity prepayment meter. He was very shocked as he hadn't known it was possible to get into debt on a prepayment meter and thought he paid for his electricity as he used it.

British Gas explained to Mr Griffiths that the reason for the debt was because his token meter had not been updated with any price increases for the last 12 months.

energywatch Wales raised the complaint with British Gas on behalf of Mr Griffiths. British Gas offered to reduce the outstanding balance from £219.74 to £182.80.

Mr Griffiths was not happy with this gesture from British Gas and neither was energywatch as we had been campaigning for suppliers to write off debts due to a supplier's failure to implement price changes on token prepayment meters. energywatch Wales finally secured an agreement from British Gas that they would write off the full outstanding balance of £219.74.

energywatch Wales National Director Wendy Davies said: *'Mr Griffiths was delighted that energywatch Wales was able to get his debt written off in full. He decided to switch suppliers and ditch his prepayment meter in favour of quarterly bills so he can avoid a situation like this happening again.'*

## ... reaching out to consumers

**Right from the beginning, energywatch has made strenuous efforts to engage with consumers wherever they live in Britain.**

**FACT** 30 per cent of the fuel poor live in rural areas

### One stop service

Early research informed us that consumers want to speak face-to-face with people who are knowledgeable about the industry and who can help them solve their problems.

That is why we developed a One Stop Service which consumers could access by letter, phone or email. This service enabled us to identify emerging trends before they became an industry-wide problem.

We have always tried to make our information as accessible and user-friendly as possible. More and more people are accessing information on our website, but for those who don't (or can't), we provide a direct phone service, email, and where we have a Priority Consumer adviser we will arrange meetings face-to-face with consumers and community groups. We also work closely at national level with stakeholders who represent the most vulnerable consumers to ensure their groups are fully aware of what support and help is available to them.

The Priority Consumer Team meets with consumers and community groups on a daily basis to understand what their issues are and works with partners and colleagues to address them.

### The rural connection

Rural areas are often said to be harder to service, yet they contain 30 per cent of fuel poor households. This year (2006 – 07) energywatch has developed new partnerships with the Rural Services Partnership and SPARSE (Sparsity Partnerships for Authorities Delivering Rural Services) an organisation which represents 88 rural local authorities.

These partnerships are already bearing fruit – SPARSE has received a commitment from some energy suppliers to set up new initiatives to help the poorest consumers.



**David Inman, Secretary of SPARSE/Rural Services Partnership:** *'Rural energy issues have not been taken seriously by government in the past. Our partnership with energywatch will ensure that in the future rural issues will be a focus for government, and rural fuel poverty a thing of the past.'*

energywatch's National Priority Consumer manager Carlene Golightly addressed the SPARSE All Party Parliamentary Group. **She said:** *'We are confident that in the coming year this important alliance will help rural communities address fuel poverty, become more energy efficient and promote more sustainable energy consumption.'*



## Helping older people in London

This year energywatch developed a partnership with The Pensions Service in London. This collaboration has produced a referral system from visiting Pensions Service staff. As a direct result, pensioners have their energy problems resolved more speedily and are given information about their benefit entitlement.

Our partnership with other agencies has improved the service we all give to consumers.

Russell Taylor, of the Department of Work and Pensions in London said: *'With customer consent, we refer to energywatch details of individuals who are having problems with their energy bills or in need of additional services. In turn, energywatch refers to us people aged 60+ who then receive a home visit and a full benefit entitlement check. Our clients are really benefiting from this relationship.'*

## Case study

**Mr Mohammed Ishaq**, Chairman of Heartlands Older People's Forum in Birmingham had this to say about energywatch:

*'The work that energywatch does in the local community providing expert advice on free services, grants, energy efficiency and switching has been much needed.'*



Mr Mohammed Ishaq

*'Many people in this deprived community live in fuel poverty and are unable to cope with the increases in their utility bills. Having a representative from energywatch who conducts regular surgeries on these issues at grass roots level is very important.'*

*consumers want to speak face-to-face with people who are knowledgeable about the industry and who can help them solve their problems*



## ... raising standards

Over the years energywatch has learned that direct intervention, either with suppliers or consumers, can change those characteristics of the energy market that adversely affect consumers. Just as energywatch tries to work with industry to encourage positive change we look for ways to help consumers change company behaviour through their choices in the market.

### New Confidence Code

Since 2002, energywatch has been responsible for a voluntary code of practice for domestic gas and electricity price comparison websites. In 2006 we carried out a review of its provisions and guidance and after a thorough consultation with industry we launched the energywatch Confidence Code. This Code contains new guidance along with nine clear requirements for companies offering online price comparisons.

The code will ensure that price comparison websites are offering independent, accurate, and up-to-date information, and when they see the energywatch logo, consumers can feel confident that they are using an accredited service which has completed a rigorous, independent audit overseen by energywatch. A September 2006 deadline was set for applications for the confidence code and this year we awarded accreditation to twelve online services.

We conducted market research in March 2007 with online consumers, to see if the new Code improved confidence. Overall, 79 per cent of consumers said they would be more confident using a price comparison site endorsed by energywatch and 69 per cent had gone online to switch supplier for their gas and/or electricity.

**FACT** 79 per cent of consumers said they would be more confident using a price comparison site endorsed by energywatch



Tim Whittle, energywatch Confidence Code Manager, said: *'The energywatch Confidence Code ensures consumers can compare prices from all major suppliers. All the accredited sites have participated in a rigorous, comprehensive and independent audit process to ensure that consumers can have confidence in the services they provide. The sites will be monitored and should any fall below the code standards then they risk having their accreditation withdrawn.'*

energywatch  
Confidence Code 

## The energy supply ombudsman

The energy supply ombudsman (ESO) service was set up on 1 July 2006 as a direct result of energywatch's billing Supercomplaint. energywatch lobbied hard to ensure the scheme was as effective as it could be for consumers with unresolved billing and transfer disputes with the six main energy suppliers.

We are continuing to signpost consumers to the ESO scheme and in some cases act as their agent. energywatch has worked with the ESO to provide training and briefing material, organised seminars and commissioned research – as well as working to establish effective arrangements to work with the ESO and create seamless referrals for consumers.

### Consumer dispute resolution research

In 2006 energywatch commissioned independent research from the Centre for Utility Consumer Law at University of Leicester about the proposed changes to consumer redress in the energy industry, how this might affect consumers and what needs to be done to ensure the new arrangements under the Consumer, Estate Agents and Redress Bill are implemented effectively.

This has resulted in three reports and a series of recommended actions:

- Complaint handling: Principles and Best Practice, which looks at both internal and external complaint handling and redress across different sectors and internationally
- Consumer Vulnerability and the Energy Sector: which is aimed at informing debate and decision making in relation to vulnerable consumers under the new redress arrangements
- Energy Related Complaints: a review of the proposed framework, which focuses on the key issues that need to be considered for the new redress arrangements to work effectively for consumers and the implications of the change.

However, the new process has not been without difficulties. One area of particular concern, which unfortunately remains unchanged despite our strenuous efforts, is that of access to the scheme. A very high percentage of consumers contacting the ombudsman do not meet its terms of reference – 95 per cent in its first nine months of operation. With energywatch likely to disappear in 2008, it is crucial that consumers have easy access to alternative dispute resolution schemes such as an ombudsman.

In the coming year we will feed into the review of the scheme to ensure it is meeting the needs of consumers. We plan to survey some of the consumers who have been referred to the scheme to find out whether their case was resolved to their satisfaction and their overall experience of the process.

## Raising standards with suppliers

Even if the experience has not been comfortable, energywatch has worked with companies to help them acknowledge where their customer service is failing consumers and to put the problems right.

## Powergen

Powergen is an example of a company that has worked to resolve its problems.

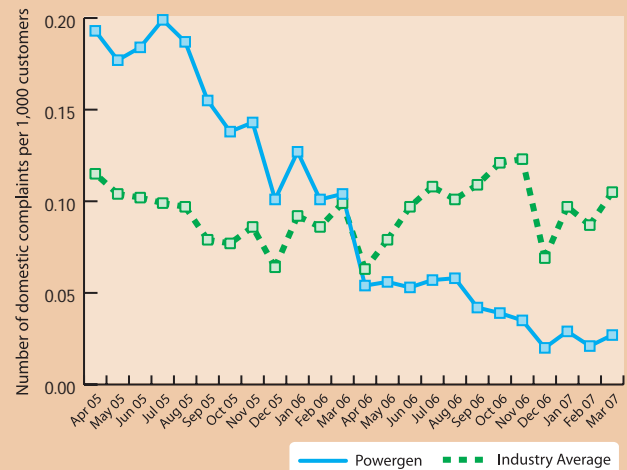
Back in 2005, we pressed Powergen on its poor customer service. We worked on a recovery plan with the company, carried out weekly monitoring and gave regular feedback. As a result it introduced new internal arrangements including bringing back to the UK an outsourced Customer Service Call Centre.

From being the worst performing supplier in the energywatch league table in April 2005, Powergen achieved the second best ranking by March 2007.

During this period Powergen reduced their complaint levels from 68 per cent above the industry average to 75 per cent below it.

### Powergen

From being the worst performing supplier in the energywatch complaints league table in April 2005, Powergen achieved the second best ranking by March 2007. During this period Powergen reduced their complaint levels from 68% above the industry average to 75% below it.



By contrast, a company that is still sorting out its problems.

## British Gas

During 2006 British Gas experienced the beginning of a major customer service crisis, following the implementation of its new billing system and a succession of price rises. This led to the company receiving exceptionally high levels of calls from angry consumers, many of whom had waited unreasonably long periods of time to get through to customer service staff. Many consumers simply gave up which meant British Gas had a high rate of abandoned calls. Contacts to energywatch about British Gas doubled in the space of a few months.

As soon as the scale of the problem began to emerge we pressed British Gas to increase its call handling capacity and to put in place a comprehensive service recovery plan. It agreed to set up a dedicated team to provide a fast track resolution for simple complaints and to meet the additional energywatch costs of helping consumers.

energywatch has highlighted the British Gas problems in the media, so that customers are aware of the poor service and we have also stressed the importance of Ofgem setting effective minimum complaint handling standards for all companies. We are still recording an unacceptable level of contacts from British Gas customers and we will continue to press British Gas performance until their service improves and consumers begin to get a good level of service.

British Gas has assured us that restoring customer service is its top priority and the additional resources and major systems investment have started to take effect.

### No supply

In autumn 2005, the energywatch Company Performance Team (CoPRA) began noticing a sharp increase in the number of households who were not being supplied with energy. These include all cases where consumers (mostly prepayment meter users) had been left without electricity or gas as a result of faulty or missing cards, self-disconnection or because their supplier had cut off their supply.

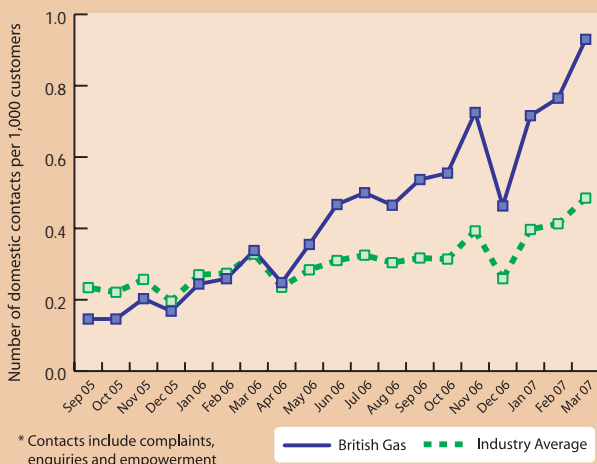
More often than not, the consumers contacting energywatch had been turned away by their supplier without receiving help. This had a particularly devastating effect on vulnerable consumers.

In October 2005, CoPRA began logging and analysing all 'no supply' cases. energywatch then urged Ofgem to ensure that all suppliers and National Grid did everything possible to put their customers back on supply, and having identified best company practice, we communicated this to the rest of industry.

In the past year, as a result of this work, all suppliers must share best practice, provide energywatch with details of affected customers (so that our advisers can contact them), make new prepayment cards available at all outlets and raise the amount of emergency credit available on meters. CoPRA is continuing to challenge the companies and ensure their policies are sufficiently robust. It is another example of how active engagement with companies can lead to positive outcomes for consumers.

#### British Gas

British Gas has fallen from second place in the energywatch contacts\* league table in September 2005 to become the worst performing supplier by March 2007. During this period British Gas contact levels have risen from 37% below the industry average to 92% above it.



*British Gas has assured us that restoring customer service is its top priority and the additional resources and major systems investment have started to take effect*

## ... challenging the rules

**In the last few years, spiralling energy prices have coincided with a substantial reduction in the number of suppliers active in the energy market. In only a few years these have been consolidated into fewer, vertically integrated companies.**

energywatch has campaigned, both in the UK and in Europe, on the detrimental effect this has had on consumers and we have successfully promoted rule changes to improve transparency in the wholesale gas market. Open, fair and transparent processes provide confidence to those buying and selling wholesale gas and electricity and encourage greater accuracy of prices for consumers who purchase it as an end product.

**FACT** *'At the beach' campaign to improve transparency of the wholesale gas market saved customers up to £122 million*

### Europe

By late 2004 a number of investigations had highlighted how the slow pace of energy market liberalisation in Europe was contributing to the huge gas and electricity price rises faced by UK consumers. This led energywatch to call for a full investigation by the European Commission into the failures of the energy market liberalisation project and its impact on consumers.

In February 2005 the Commission announced that it would be undertaking an inquiry and, in June that year, its Competition Directorate set out the details. After taking evidence from interested parties across the European Union it published its preliminary report in January 2006. This highlighted serious problems in European energy markets and, in April 2006, the Commission's Director-General for Competition spoke at an energywatch event in London outlining the preliminary findings and the next steps.

Following the publication of the preliminary report energywatch argued that many of the structural problems found in European markets were also present in the UK and that the competition authorities needed to investigate whether and how these might be causing consumers to be disadvantaged.

On 10 January 2007, the Directorate General for Competition published the final reports of its gas and electricity sector reviews, which had identified 'serious malfunctions' in energy markets across Europe. On the same day, the Commission's Directorate General for Energy and Transport indicated that, as liberalisation progressed, special attention would need to be given to the rights of consumers and announced an initiative to create a European Energy Customers' Charter

The Charter, it indicated, would include measures to address fuel poverty, information for customers to choose a supplier and supply options, actions to reduce red tape when changing energy suppliers and to protect citizens from unfair selling practises.

Based on our experience of consumer detriment in the UK, energywatch has produced a model energy consumers charter to set out what we believe are the essential rights for consumers in a competitive energy market.

The UK's position as the first liberalised European energy market has led to significant interest from consumer representatives from countries across Europe and beyond to discuss with energywatch the experience of UK energy consumers in the first decade of competition. We have sought to bring our experience of competitive energy markets to bear in helping to develop the measures necessary to prevent consumers in newly liberalised European energy markets suffering as UK consumers did from problems around unscrupulous selling, debt, disconnection, billing and transfers.

## The energywatch Energy Consumers' Charter

### Principle 1 ACCESS

All energy consumers have a right to security of supply and each energy consumer has the right to receive energy services to meet their basic needs without impediment or discrimination, unless there is wilful refusal to pay for supply

### Principle 2 CHOICE

Each energy consumer has a choice of fair and competitive pricing and safe and high quality services, is free to choose or switch a supplier and has the information or support needed for making a choice

### Principle 3 FAIRNESS

Each energy consumer is treated fairly, protected against unfair commercial practices and is able to enter a fair arrangement for supply

### Principle 4 CUSTOMER CARE

Each energy consumer has a right to services to ensure the safety of installed supply; a minimum level of customer support and quality of care; and sufficient accurate, easy-to-understand, visible and accessible information to enable them to make decisions about consumption, services and supply

### Principle 5 CUSTOMER SUPPORT

Each energy consumer is given clear guidance on their rights and responsibilities, how to resolve problems and free and fair assistance with resolving problems where required

### Principle 6 MEDIATION & REDRESS

Each energy consumer has access to free and fair alternative dispute resolution, speedy resolution and compensation for loss or infringement of rights. Vulnerable consumers receive assistance for mediation

### Principle 7 PROTECTION

Energy consumers are protected against disconnection from supply and recovery of debt is flexible and based on ability to pay and takes full account of an individual's circumstances

### Principle 8 SPECIAL ASSISTANCE

The existence of consumer vulnerability is identified and special help is given to energy consumers who are in vulnerable circumstances

### Principle 9 INFLUENCE

Energy consumers are individually and collectively able to exercise real influence on policies, regulations and practices that affect their interests and welfare

### Principle 10 SUSTAINABILITY

Energy and services are delivered in a way consistent with sustainable development and the interests of future consumers and consumers understand their responsibility for sustainable consumption.

## International contacts

energywatch has become an international information source on consumers and the liberalised energy market.

In the past year we have spoken at 20 European conferences and five international conferences – in India, Australia and South Africa.

We have received visitors from overseas organisations from 18 countries including Sweden, Russia, Hong Kong, Japan, Turkey, Oman, and Greece.

## At the beach

The European Commission inquiry called transparency the 'lifeblood of competition'. Despite significant opposition from gas producers and some major supply companies, energywatch campaigned and achieved a rule change which brought greater transparency on data about the volumes of gas arriving at the beach. This change (modification 006), was approved in May 2006 and went live in October 2006. The change has helped many big buyers of wholesale gas and electricity make more informed decisions and has helped bring down the cost of wholesale gas and electricity. The industry regulator Ofgem estimated that the net benefits of this change were between £82 and £122 million over 15 years (£20-59 million as a direct result of improved signals to the buyers in the market) whilst an independent source (Barclays Capital) estimated benefits as high as £200 million.

We have also put forward proposals for improved data on Liquid Natural Gas (LNG) in storage (modification 104). The modification seeks to obtain data on storage levels at LNG importation terminals. The Isle of Grain terminal, for example, is already regarded as a strategically important facility for delivery of gas supply to Great Britain. More transparency will help ensure that full capacity is used, including arrangements for third party access if all available space is not going to be used.

energywatch has recently campaigned for a more risk-based approach to the auditing of the buying and selling of electricity. Improved monitoring of the way wholesale electricity is traded will put a focus on supplier behaviour and could translate into lower prices for consumers. energywatch expects Ofgem to approve the change.

## Supply Licence Review

All gas and electricity suppliers must be licensed to sell to consumers and their licences oblige them to behave responsibly and reasonably. The licence also provides core protections for gas and electricity consumers.

The existing licences have standard conditions which have remained virtually the same since competition was introduced in the late 1990s and some of the conditions contained in them are now outdated or have been superseded by other legislation. So in 2006 the regulator launched a full review of the licences with a view to making them simpler and easier for everyone to understand and adhere to.

The Supply Licence Review involved an enormous commitment from energywatch staff. There were 14 consultations to respond to, two customer seminars, 11 steering group meetings, and seven working groups which, between them, held a further 45 meetings. Some of these meetings were to look at the legal drafting of new licence conditions and again energywatch played an integral part.

One of the aims was to reduce the burden on energy suppliers by removing obligations in the licence where, Ofgem believed, existing consumer legislation provided protection.

Although there have been many changes to legislation since the licences came into force, many of these require the individual to pursue their rights through the courts, or individually with providers, under legislation such as the Disability Discrimination Act. energywatch knows that for many consumers this would not be possible and so pushed hard to ensure that consumers' rights were retained in the new licences thus removing the need for consumers to resort to other more complex or difficult means such as the courts.

energywatch also felt that the definition of vulnerability was too narrow to adequately protect consumers and we campaigned for the licences to recognise that vulnerability was a dynamic state and that any consumer, irrespective of age or physical ability can be vulnerable. Ofgem appears not to support our view but we will be pressing the regulator to monitor the new conditions to ensure vulnerable consumers do not lose out.

We worked with other agencies that represent vulnerable consumers to help them understand the review process and what it means for consumers and encouraged them to participate in it. Ofgem held seminars for these groups and we assisted both at the seminars and with the responses submitted.

Some of the areas we worked particularly hard to secure were the right to free gas safety checks for older, disabled and low income families, a range of payment methods for vulnerable consumers, clear and accessible information for all consumers, not just those who had access to the internet, and proper notification of future price changes in time for consumers to make informed decisions about whether they want to stay with their supplier or switch to another.

## Being the consumer voice in network issues

Not all areas of the energy market are open to competition and those areas that are not – electricity distribution and transmission and gas distribution and transportation – are regulated through a price control process by Ofgem, the industry regulator. The price control process sets the price that monopoly businesses can charge for use of their networks to move gas or electricity around and the charge accounts for about 20 per cent of the average gas or electricity bill.

Some aspects of the price control processes are complex but energywatch has skilled staff who understand these processes and can represent consumers throughout. During 2006, as well as challenging the regulator to ensure that consumers received an appropriate share of profits made by these companies, energywatch also campaigned for better service to be provided.

During the early part of 2006 – 07 as the process was beginning, we started helping to drive the regulatory agenda by discussing with Ofgem and industry the issues that affected consumers and embedding these in the consultation process at the earliest opportunity. We have been successful in campaigning for improved service from both gas and electricity distribution companies, for improved connection charge processes and for better and more effective compensation arrangements as well as challenging pricing proposals and seeking a greater share of benefits for consumers. 2007 – 08 will see the first set of firm proposals for the next price control and consumers can be assured that their issues will be firmly reflected in them.

## Sale of the gas networks

2006 saw a one year price control implemented by Ofgem that followed the sale of some of the gas distribution networks by National Grid in 2005. The sale of the networks was the biggest shake-up since the de-merger of British Gas in 1997.

When the proposed sale was announced in July 2003, energywatch supported the idea of more competition in this area and was very keen to ensure that consumers got their fair share of any savings that were made as a result of the sales and that these were passed on to consumers in lower prices.

But our view was not supported by Ofgem. Initially Ofgem had said that the sales should 'maximise customer benefit' but later changed its mind to support a situation where consumers would be no worse off. energywatch believes this change of stance disadvantaged consumers and this was borne out when in 2006 gas distribution charges increased by at least nine per cent.

We believe that the networks were valued and sold off at too high a price, that the previous pricing structure did not provide the best deal for consumers and that the regulator could have done more to ensure consumers got a much better deal. We continue to campaign for better prices and our involvement in the current gas price control process which, alongside looking at customer service issues, helps set the price consumers will pay.

*We believe that the networks were valued and sold off at too high a price, that the previous pricing structure did not provide the best deal for consumers*

**Since it was formed, energywatch has seen research as an essential tool to understand consumers' needs, argue for policy changes and develop campaigns.**

Examples include research into:

Year	Research subject	Action
2002	Doorstep selling	Stop Now campaign
2003	Consumer energy billing experience	Supercomplaint
2004	The competitiveness of the business supply market	Creation of the Business Services Team
2004	Market structure and competition in the domestic supply market	Call for authorities to investigate competition in energy market
2005	Responding to consumer needs	Informed the development of workplan and communication strategies
2006	Consumer redress	Guidance for consumer dispute resolution

### Future research

For 2007 – 08 we have commissioned research into:

- consumer satisfaction among small business energy users
- changes in consumer behaviour
- the cost and benefits of smart meters
- quantitative research into the experience of energy consumers
- a 'global audit' of future drivers for consumers and the energy industry



## ... securing a better future

**energywatch has been lobbying and campaigning hard to ensure that consumers – especially the most vulnerable – remain at the heart of energy policy now and in the future.**

The Energy White Paper in 2007 included three policy proposals – social tariffs, green tariffs and smarter metering – that have been at the centre of energywatch campaigns.

### Social tariffs

The government has a target to end fuel poverty among vulnerable households by 2010. With three million households still in fuel poverty in 2007, energywatch increased pressure for suppliers to make a much greater contribution by introducing social, more affordable tariffs to help the most vulnerable consumers. The energy regulator, Ofgem, indicated in 2004, that there were no bars to the development of social tariffs and that some large energy suppliers had developed a range of discounts and rebates. However no coherent blueprint exists. While some of these measures were a step in the right direction other so called social tariffs did not provide vulnerable consumers with the cheapest available prices.

To address this, energywatch campaigned for 'social tariffs' through which the most vulnerable households can access affordable energy rates and the support they need. This year, after an extensive consultation on the role of social tariffs in eroding fuel poverty, energywatch published a set of recommendations in its report – *A social responsibility?*

A key recommendation was for the government to introduce new legislation requiring energy companies to provide affordable energy through social tariffs.

We also called for an energy assistance package comprising a social tariff (which would be the lowest provided by the supplier), access to a benefits entitlement check and a full home energy efficiency audit to ascertain the heating and insulation measures required.

This major piece of work by energywatch had an impact on the government's Energy White Paper. The White Paper puts energy suppliers on notice. Unless suppliers 'put in place a proportional programme of assistance' government will 'consider whether to take the opportunity for legislation to enable the Secretary



**Carl and Naomi could benefit from affordable energy through a social tariff and an energy audit. They are dependent on means tested benefits, and to keep their privately rented flat warm, pay more than £1,600 per year on gas and electricity.**



**Richard Bates, author of *A Social Responsibility?* said:**  
*'With no real incentive for companies to act voluntarily and with no blueprint for how social tariffs should work, it is imperative that the government sets the framework to bring affordable energy to Britain's most vulnerable households.'*

**FACT** *three energywatch policy proposals included in the Energy White Paper*

of State to require companies to have an adequate programme of support for their most vulnerable customers' and 'consider the role of mandated minimum standards for social tariffs.'

## A greener future

energywatch is insisting that consumers must be centre stage in developing sustainable energy policies.

More and more consumers are concerned about the environment but they are unable to make sense of the 'green' tariffs currently on the market. While some companies buy a percentage of their electricity from a renewable source, others support building renewable energy generation sources, some support environmental causes and others offset their carbon emissions.

This array of 'green' tariffs is mind-boggling and consumers can easily be confused and/or misled. In December 2006 we joined forces with The National Consumer Council (NCC) to call on energy suppliers to spell out clearly what the environmental benefits of their 'green' tariffs really are.

In the meantime, to help consumers through this maze, energywatch produced a factual guide that explains exactly what you are signing up to when you choose a green tariff.

Together with NCC, energywatch has pressed for energy suppliers to sign up to minimum standards for green claims and have their tariffs and CO<sup>2</sup> savings independently audited. That would mean no more unsubstantiated claims, and clear, comparable information about actual environmental benefits and carbon emissions.

energywatch brought suppliers and campaigning organisations together in a 'World Café' event to find ways to develop consumer confidence in green tariffs.

The government has now followed our lead. It has committed to ensuring that consumers have accessible, transparent and user friendly information on the 'green electricity' tariffs available to them. It has given the Energy Saving Trust the task of publishing a consultation on a proposed accreditation scheme for green tariffs. The consultation will run alongside a consultation on Ofgem's Green Supply Guidelines, which will form the basis for the proposed accreditation scheme.

## Smarter metering

For a number of years, energywatch has been campaigning for smarter metering to be introduced into people's homes. We believe that smart metering, which provides real time energy consumption and cost information to consumers, can help people become more engaged, and become more energy efficient. energywatch believes that this level of information can bring about a sea change in consumer behaviour.

Smart metering also allows two way communication between the meter and the supplier, meaning that all bills will be based on actual consumption and will no longer need to be estimated.

We held a seminar on smarter metering in September 2005 and produced a campaign document *Getting Smarter* in 2006.

Eventually, it appeared we were being listened to. In February 2007, the government produced a consultation document on billing and metering that included the prospect of smarter metering. Then, in the Energy White Paper, the government gave its commitment saying that its ambition 'was to see the roll-out of smart meters within ten years'.

energywatch's vision became the government's vision and our objective to see a smart meter in every home became the government's.



Dear Stakeholder,

**Green Energy World Café**

Green consumerism has barely scratched the surface of the energy market.

The lack of consumer confidence and engagement with green tariffs is manifest. If the energy market is going to catch up with one of the most dynamic consumer trends, it needs the introduction of minimum standards for green tariffs and independent auditing.

energywatch invites you to a World Café style workshop to explore the issues and to give you the opportunity to shape the future of the debate on green tariffs.

The event will see high level representation from key stakeholder groups such as energy suppliers, government, the industry regulator, NGOs, and academia.

The Green Energy World Café event held on the 28th February 2007, brought together key stakeholders to debate the issues surrounding the green energy market and the way forward for the introduction of minimum standards and an accreditation scheme for green tariffs.

# How to contact energywatch

Consumers can visit our website where they can email energywatch direct and access a range of frequently asked questions and leaflets designed to help them.

The address of our website is **[www.energywatch.org.uk](http://www.energywatch.org.uk)**

Our customer helpline is **08459 06 07 08**

Our textphone is **18001 08459 06 07 08**

Our head office address is:

energywatch  
4th Floor  
Artillery House  
Artillery Row  
London  
SW1P 1RT

# Key Performance Indicators

Quality Customer Services	Achieved 2005/2006	Target 2006/2007	Year End Position
Complaints resolved within 35 days *	84%	80%	83%
Complaints resolved within 66 days *	95%	95%	94%
Enquiries answered in 10 days	95%	95%	95%
Consumers satisfied with our services	86%	90%	86% <sup>i</sup>
Telephone calls answered	93%	95%	94%
Telephone calls answered in 30 seconds	New Target	90%	89%
Replies to complaints against energywatch	New Target	10 working days	95% <sup>ii</sup>

Effective Markets	Achieved 2005/2006	Target 2006/2007	Year End Position
Reach small businesses with energywatch advice	New Target	1 million	Over 1 million <sup>iii</sup>
Reported increase in confidence of consumers in online energy price comparison sites	New Target	25%	75% <sup>iv</sup>

Responsible Markets	Achieved 2005/2006	Target 2006/2007	Year End Position
Companies equalising their pre-payment with standard credit tariffs	New Target	6	4 <sup>v</sup>
Energy consumption devices in priority consumer homes	New Target	500	Over 500 <sup>vi</sup>

Sustainable Markets	Achieved 2005/2006	Target 2006/2007	Year End Position
Hits on energyfuture.org.uk	New Target	60,000	615,903 hits 25,826 visits <sup>vii</sup>
Green tariff information leaflets distributed	New Target	10,000	12,000
Reach small businesses with energy saving messages	New Target	500,000	500,000 <sup>viii</sup>

\* During 2006/7 energywatch investigated 62,033 complaints and also resolved 270,564 empowered complaints and enquiries. Performance for the two complaints KPIs exclude empowerment cases which are resolved on the day of receipt by call transfer to the supplier.

<sup>i</sup> This figure is based on monthly telephone surveys undertaken by Dataforce

<sup>ii</sup> 95% of complaints against energywatch received replies within the target 10 day time period

<sup>iii</sup> Energy advice in national media including Working Lunch, Watchdog, the Daily Mirror and specific business publications would have reached over one million small business consumers

<sup>iv</sup> This figure is based on customer research undertaken by YouGov on 16th March 2007.

<sup>v</sup> Before the series of price changes in early 2007 this KPI was up to 5 - Scottish and Southern Energy equalised on electricity and they directly linked it to a campaign that energywatch had organised with a group of national charities. One supplier, Npower, refused to equalise either of their tariffs even though the National Housing Federation joined the energywatch campaign and specifically pressed Npower.

<sup>vi</sup> Consumption devices give people some indication of the electricity they are using. But they are not 'smart' as they do not link back to the supplier. We know, from one manufacturer of these devices, that three suppliers had supplied more than 16,000 devices in consumer's homes by the end of February 2007.

<sup>vii</sup> Various websites are now covering energy sustainability and it was decided to discontinue the development of Energy Future and to transfer the main elements to the energywatch website. There were 615,903 'hits' or page impressions downloaded and 25,826 unique visits.

<sup>viii</sup> Although difficult to measure, the use of trade press, mail outs and phone-ins as well as advice given by the business team, we believe that 500,000 small businesses were reached with energy saving messages.

**Gas and Electricity Consumer Council  
(energywatch)**

**Accounts for the period  
1 April 2006 to 31 March 2007**

# Accounts for the period 1 April 2006 to 31 March 2007

## 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 2006 to 31 March 2007 mark the sixth 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 2006-2007 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

In respect of the internal audit work undertaken by Bentley Jennison and finalised, the levels of assurance obtained for the 12 months ended 31 March 2007 are summarised below.

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
Corporate Governance & Risk Management	Assurance	✓		
Training	Assurance	✓		
IT Core Controls	Assurance	✓		
Business Continuity Planning	Assurance	✓		
Core Financial Controls	Assurance	✓		
Quality & Consistency Project Review	Assurance	✓		
Purchasing & Payments	Assurance		✓	
Fixed Assets	Assurance		✓	
Data Protection & Freedom of Information Acts	Assurance		✓	
Internal Communications	Assurance		✓	

The above table shows our success rate at the end of the year with six substantial and four adequate assurances. energywatch has received an overall recommendation classified as 'GOOD' following the successful implementation of 70% of its audit recommendations while 22% of its recommendations had been superseded by the decision to merge energywatch with the National Consumer Council and Postwatch.

## 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 while five percent were paid outside 30 days.

## Future Events

The BERR 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 and the Consumers, Estate Agents and Redress Bill, currently being passed through the Houses of Parliament, gives legislative effect to that decision.

energywatch's 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 an annual Work Plan is agreed that supports the Corporate Plan and sets out the work programme, outputs and resources for the year.

## 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 six 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 or 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.

We have built on the organisational changes made in the previous year to further improve the efficiency of the operation through:

- Use of the new telephony system to direct the majority of new consumer contacts to the call centre
- Reducing internal call transfers by enabling consumers to directly contact the Consumer Advisor handling their case
- Establishing a central administrative team in Birmingham to support the operational offices and ensure that non telephone work is allocated effectively
- Creation of a specialist team within the London office to deal with escalated or high level complaints

We have also developed initiatives with suppliers and other bodies to improve the effectiveness of the working arrangements between our organisations and encourage improved customer service, by:

- Agreeing arrangements with 4 suppliers for the secondment of staff to energywatch operational offices of which 3 became operational in the year



- Implementing new Extended Empowerment procedures to allow rapid resolution of consumer complaints directly by the supplier
- Improving the process for handling priority/off supply cases
- Establishing procedures for referral of unresolved complaints to the new Energy Supply Ombudsman

Complaint numbers fell during the first quarter in line with previous trends, but have since risen sharply due to the effect of increased complaints about British Gas following the introduction of their new billing system and as a consequence of several price rises. There has also been a further rise in the number of enquiries. In the 12 months to March 2007, we received 62,033 investigated complaints and 270,564 enquiries. The enquiries total includes referred complaints resolved through the Empowerment arrangements. In 2007/08 we expect to receive 58,000 investigated complaints and 285,000 enquiries or referred complaints, although these numbers will be heavily dependent on the success of the service recovery programme agreed with British Gas.

At 31 March 2007, energywatch employed 216 staff (205 full time equivalents) of which 145 were based in the 6 operational offices and wholly engaged on the delivery of complaint handling services to consumers. During the year, resources were increased at the outsourced call centre to handle the additional call volumes and at 31 March 2007 there were 26 full time equivalents.

The BERR has published the results of its consultation on the future of consumer representation and the bill is currently being passed through the Houses of Parliament. If the legislation is approved, the proposed arrangements would result in the closure of energywatch in March 2008. Transitional arrangements to successor bodies are currently being developed and a Change Management Steering Group has been established within energywatch to coordinate all aspects of the closure process.

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 COI has negotiated a 12 month extension of the current contract to 31 March 2008.

## KPIs

- Complaints (35WD & 66WD) and Enquiries (10WD) – 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 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.
- 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

	05/06 target	05/06 result	06/07 target	06/07 result	07/08 target
	%	%	%	%	%
Complaints – 35WD*	80	84	80	83	80
Complaints – 66WD*	95	95	95	94	90
Enquiries – 10WD	95	95	95	95	95
Customer Satisfaction	90	86	90	86	80
Telephones <sup>1</sup>	95	93	95	94	90
Telephones <sup>2</sup>	-	-	90	89	85
Complaints against EW <sup>3</sup>	-	-	100	95	100

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

<sup>1</sup> Percentage of calls answered.

<sup>2</sup> Percentage of calls answered in 30 sec.

<sup>3</sup> Complaints against energywatch replied within 10 working days.

## Financial Events

energywatch was allocated grant-in-aid monies of £14,984K in 2006-07 of which £3,184K has been transferred to 2007/08.

Fixed assets additions during the year totalled £29K.

During the year energywatch made a new provision for early retirements and deferred pension of £102K.

## Results for the Year

The deficit for the year amounted to £11,590K in 2005-06 the deficit was £13,814K. (The 2005/06 figures have been restated for comparison due to a change in accounting policy). Included in this total are accounting entry adjustments for the property provision decrease of £423K and fixed asset devaluation cost of £3K.

## 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 the 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 the wide mix of the 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 Race Equality Scheme sets out what we do to meet our commitment to promote race equality and we are currently expanding the scheme's remit to include the promotion of disability equality and equality of opportunity between men and women. The draft scheme will be available for staff and public consultation in 2007/08.

## Sustainability Policy

The sustainability policy and action plan sets out how we will deliver environmentally and socially responsible, operational practice 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 £11,590K and negative taxpayers' equity of £2,698K as at 31 March 2007. This deficit is as a result of the grant-in-aid income being reclassified as financing rather than income as in previous years.

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.



**Allan Asher**

*Accounting Officer*  
*energywatch*

12 July 2007

# 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 2006/07 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](http://www.energywatch.org.uk). The Committee met twice in 2006/07.

## 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. During 2006 – 2007, the Director of Services was re-employed on a part-time basis for 18 months following his retirement.

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

**The following sections provide details of the remuneration and pension interests of the Chief Executive and Directors of energywatch and have been audited.**

	2006/07		2005/06	
	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)
	£'000		£'000	
<b>Chief Executive</b>				
Allan Asher	(95-100)	N/A	(90-95)	N/A
<b>Directors</b>				
Keith Tolladay	(65-70)	N/A	(85-90)	N/A
Adam Scorer	(60-65)	N/A	(60-65)	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.

## Remuneration of Chief Executive and other Directors for the 12 months ended 31 March 2007

Disclosure of Salary and Pension Information (Civil Service) 12 months ended 31 March 2007

	1	2	3	4	5	6	7	8	9	10	11
Name	Salary including performance pay (£K) [previous year comparative]	Start Date	End Date	Real increase in pension (£K)	Real increase in lump sum (£K)	Pension at End Date (£K)	Lump sum at End Date (£K)	CETV at Start Date (nearest £K)	CETV at End Date (nearest £K)	Employee contributions and transfers – in (£K)	Real increase in CETV funded by employer (nearest £K)
Allan Asher	95-100 [90-95]	31/03/06	31/03/07	0-2.5	N/A	5-10	N/A	73	108	2.5-5.0	28
* Keith Tolladay	65-70 [85-90]	31/03/06	09/06/06	0-2.5	0-2.5	40-45	120-125	986	948	0-2.5	7
Keith Tolladay	65-70 [85-90]	10/06/06	31/03/07	-2.5-0	0-2.5	40-45	0-5	865	887	0-2.5	22
Adam Scorer	60-65 [60-65]	31/03/06	31/03/07	0-2.5	N/A	0-5	N/A	22	35	0-2.5	10

\* Mr Tolladay retired on 10/06/06 from the Department Of Education and Skills and was employed by energywatch on a part time contract.

### Salary

'Salary' includes gross salary; performance pay or bonuses; (up to a maximum of 10% 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.

### Pension

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium and Classic Plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a 'money purchase' stakeholder scheme with a significant employer contribution (Partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic Plus. Benefits in Classic accrue at the rate of 1/80th of pensionable salary 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respects of service before 1 October 2002 calculated broadly as per Classic.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60.

Further details about the Civil Service Pension arrangements can be found at the website:  
[www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

Columns 8 & 9 of the table on page 11 show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 11 reflects the increase in CETV effectively funded by the employer. It takes account of 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 the end of the period.

### 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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme 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.



**Allan Asher**

*Accounting Officer*  
*energywatch*

12 July 2007

## 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 (FReM) 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 'Government Accounting'.

## 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 Government Accounting.

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.

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 2007 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 operational risks assigned to individual risk owners. The risk register energywatch has implemented includes mitigating actions to eliminate or reduce this risk and is reviewed quarterly for effectiveness. All major projects on their commencement are assessed for risk and resource implications and regularly reviewed over their lifecycle, for changes in the risk profiles.
- 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 managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects. Each manager is 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 and strategic direction of the organisation;
- Ensuring energywatch's operations and system of internal control comply with the principal recommendations from the government departments such as the Cabinet Office and Office of Government Commerce (OGC) with regards to best practice.

## 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 system is 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 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;
- Considering the adequacy of Management responses to issues identified by audit and other review bodies on a quarterly basis;
- Periodic reports from the Chairman of the Audit Committee, to the Council, concerning internal control, risk management and corporate governance.

### **Internal Audit**

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 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 2006-07 the auditor's opinion was that energywatch had adequate and effective risk management, control and governance processes in place to manage achievement of the organisation's objectives.

A review of Corporate Governance and Risk Management was performed during the year, in accordance with the approved internal audit plan. The review concluded that the design of the Corporate Governance & Risk Management systems and the associated controls were effective, with a number of instances of good practice identified. No fundamental or significant recommendations were made and a substantial assurance opinion was given by the review.

Although the Purchasing & Payments and Internal Communications reviews received adequate assurance overall, both reports contained a number of significant recommendations aimed at improving the respective control frameworks. Good progress has been made and work continues into 2007-08 to implement these recommendations and further strengthen the control framework.



**Allan Asher**

*Accounting Officer  
energywatch*

12 July 2007



# The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of energywatch for the year ended 31 March 2007 under the Utilities Act 2000. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow 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 been audited.

## Respective Responsibilities of the Council and Accounting Officer and Auditor

The 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'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's directions made thereunder. I report to you whether, in my opinion, information given in the Accounting Officer's Report and Management Commentary 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 energywatch 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 energywatch'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 energywatch'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. 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 Opinion

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 Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to energywatch'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

### Audit Opinion

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, of the state of energywatch's affairs as at 31 March 2007 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 Secretary of State's directions made thereunder; and
- information given within the Accounting Officer's Report and Management Commentary is consistent with the financial statements.

### Audit 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

John Bourn  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
16 July 2007

### Note:

The maintenance and integrity of the energywatch website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

## Income and Expenditure Account 12 Months ended 31 March 2007

	Note	2006-07 £'000	2005-06 Restated £'000
<b>Income</b>			
Miscellaneous income	2	412	147
		<u>412</u>	<u>147</u>
<b>Expenditure</b>			
Staff costs	3	(6,486)	(6,966)
Administration costs & other expenditure	4	(5,306)	(5,323)
		<u>(11,792)</u>	<u>(12,289)</u>
<b>Operating (deficit) before exceptional items</b>			
Reorganisation costs	5	(246)	(1,709)
<b>Operating (deficit) after exceptional items</b>			
<b>Plus:</b>			
Interest receivable		36	33
(Loss)/Profit on disposal of fixed assets	6	(0)	4
Notional cost of capital	7	(99)	(56)
(Deficit) on operating activities		<u>(11,689)</u>	<u>(13,870)</u>
Add back notional cost of capital		99	56
<b>(Deficit) transferred to General Reserve</b>			
		<u>(11,590)</u>	<u>(13,814)</u>

All amounts relate to continuing activities

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## Statement of Recognised Gains and Losses 12 months ended 31 March 2007

	2006-07 £'000	2005-06 £'000
Net (Loss) on revaluation of intangible/tangible fixed assets	(3)	(18)

*The Accounting Policies and notes on pages 49-61 form part of these Accounts.*

## Balance Sheet As at 31 March 2007

	Note	As at 31 March 2007 £'000	As at 31 March 2006 Restated £'000
<b>Fixed Assets</b>			
Intangible assets	8	18	35
Tangible assets	9	125	156
		<b>143</b>	<b>191</b>
<b>Current Assets</b>			
Debtors	10 & 10.1	763	683
Cash at bank and in hand	13	3,276	0
		<b>4,039</b>	<b>683</b>
Cashbook overdraft	13	(0)	(665)
Creditors (due within one year)	11 & 12	(4,810)	(343)
		<b>(4,810)</b>	<b>(1,008)</b>
<b>Net Current Assets</b>		<b>(771)</b>	<b>(325)</b>
<b>Total Assets Less Current Liabilities</b>		<b>(628)</b>	<b>(134)</b>
Creditors (amount due after more than one year)	11.1	(0)	(7)
Provision for liabilities and charges	14	(2,070)	(2,844)
		<b>(2,070)</b>	<b>(2,851)</b>
<b>Total Assets less Total Liabilities</b>		<b>(2,698)</b>	<b>(2,985)</b>
<b>Tax payers equity:</b>			
General reserve	15	(2,706)	(3,016)
Revaluation Reserve	16	8	31
		<b>(2,698)</b>	<b>(2,985)</b>



**Allan Asher**  
Accounting Officer  
energywatch

12 July 2007

*The Accounting Policies and notes on pages 49-61 form part of these Accounts*

## Cash Flow Statement

### 12 Months ended 31 March 2007

	2006-07 £'000	2005-06 Restated £'000
<b>Net cash outflow from Operating activities (note 25.)*</b>	(11,050)	(13,822)
<b>Returns on Investment and Servicing of Finance</b>		
Interest received	36	33
<b>Capital Expenditure</b>		
Purchase of Intangible Fixed Assets	0	(5)
Purchase of Tangible Fixed Assets	(29)	(9)
Proceeds from sale of Fixed Assets	0	6
	<hr/>	<hr/>
<b>Total Capital Expenditure</b>	<b>(29)</b>	<b>(8)</b>
<b>Financing</b>		
Grant-in-aid	14,984	12,984
	<hr/>	<hr/>
<b>Increase / (Decrease) in cash</b>	<b>3,941</b>	<b>(813)</b>
	<hr/>	<hr/>

*\*Notes to the Reconciliation of operating cost to operating cash flows (see page 61).*

# Statement of Accounting Policies and notes to the Accounts

## 1. Statement of accounting policies

The financial statements have been prepared in accordance with the 2006-07 Government Financial Reporting Manual (FRoM) issued by HM Treasury and are in accordance with the Accounts Direction issued by the Secretary of State for Trade and Industry. 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 Change of Accounting Policy

With effect from the 2006-07 reporting period, the Government Financial Reporting Manual (the FRoM) requires non-departmental public bodies to account for grants and grants in aid received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs.

This is a change in accounting policy from earlier periods when such items were recorded as income. The effect of this change on the certified 2005-06 accounts and the impact of the change on the results of the current year is shown below. There is no impact on the net liability position of energywatch as a result of this change in policy.

	At 31 March 2006 (as previously stated) £'000	Impact of adopting the new policy £'000	At 31 March 2006 (restated) £'000
Net Expenditure for 2005-06	(501)	(13,313)	(13,814)
General Reserve	(3,495)	479	(3,016)
Government Grant Reserve	479	(479)	0
	At 31 March 2007 (without applying the new policy) £'000	Impact of adopting the new policy £'000	At 31 March 2007 (applying the new policy) £'000
Net Expenditure for 2006-07	210	(11,800)	(11,590)
General Reserve	(3,166)	479	(2,687)
Government Grant Reserve	368	(368)	0

### 1.3 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.

### 1.4 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

### 1.5 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.

### 1.6 Grants and Grants in Aid

In the financial year 2005-06 grants in aid received were treated as income and the amount used to purchase capital expenditure was credited to government grant account and released to the income and expenditure account over the expected useful lives of the relevant assets. In 2006-07 and in accordance with the amendments to the Government Financial Reporting Manual (FReM) grants and grants in aid received for revenue purposes are treated as a financing flow and no longer as income and are credited to the General Reserve. This is based on the position that grants and grants in aid are in effect a contribution from a "controlling party" to finance the activities of an NDPB and to allow it to meet its statutory and other obligations (please see note 1.2 on the impact of the change).

### 1.7 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.

### 1.8 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.

### 1.9 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.

### 1.10 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 2006/07, 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.

### 1.11 Research and development

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

### 1.12 Taxation

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

### 1.13 Legal costs

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

### 1.14 Intra-Government Balances

In accordance with the Government Financial Reporting Manual, agency debtors and creditors balances have been analysed as detailed in notes 10.1 and 12 respectively.

### 1.15 Revaluation reserve

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

## 2. Other income

	2006-07 £'000	2005-06 £'000
<b>Miscellaneous income</b>		
Rental income from sub-let of property	89	105
Other income (note i.)	323	42
	<u>412</u>	<u>147</u>

(note i.)

Other income consists largely of: a donation from British Gas of £120K, to meet the cost of additional complaint handling caused by British Gas customer service problems; Postwatch income of £65K for IT Services; a refund from Siemens of £20K other miscellaneous refunds due on rates and service charges, and £67k from UBM with corresponding expenditure in note 4 recorded as part of Consultancy & Research.



### 3. Staff and related costs

	Permanently Employed staff 2006/07	Others 2006/07	Total 2006/07	Total 2005/06
	£'000	£'000	£'000	£'000
Salaries and wages (note ii)	5,113	112	5,225	5,646
Social security costs	400	0	400	426
Pension costs (note i)	861	0	861	894
	<b>6,374</b>	<b>112</b>	<b>6,486</b>	<b>6,966</b>
	<b>2006-07</b>	<b>2005-06</b>		
<b>Average number of staff</b>				
Staff permanently employed by energywatch	216	239		
Others engaged on the objectives of energywatch *	4	4		
	<b>220</b>	<b>243</b>		

\* The average staff numbers includes temporary staff but exclude secondees: six from British Gas for five months, one from Scottish and Southern Energy for six months and one from Scottish Power 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 2003. The figures are shown in the resource accounts of the Cabinet Office: Civil Superannuation at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

For 2006-07, employers' contributions of £861K were payable to the PCSPS (2005-06 £894K) 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 2007-08, the salary bands will be revised but the rates will remain the same. 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 £18,500	17.1%
Band 2 £18,501 to £38,000	19.5%
Band 3 £38,001, to £65,000	23.2%
Band 4 £65,001 and over	25.5%

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

	2006-07 £'000	2005-06 £'000
Tim Cole	5-10	5-10
Sharon Darcy	5-10	5-10
Charles Coulthard	10-15	5-12
Ed Gallagher (Chair)	40-45	35-40
Andrew Horsler	10-15	5-10
Brian Saunders	5-10	5-10
John Howard	5-10	5-10
Julian Salisbury	10-15	5-12
Krishna Sarda	5-10	5-10

Tim Cole, Sharon Darcy and Andrew Horsler were appointed by the Secretary of State on contracts from March 2005 to March 2008. The appointment of Charles Coulthard, Krishna Sarda, Julian Salisbury, John Howard and Brian Saunders end on 31 March 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 contract until March 2008.

Council member posts are non pensionable.

**4. Administration costs and other expenditure**

	2006-07 £'000	2005-06 £'000
<b>Administration costs</b>		
Office costs	856	1,001
Rent and associated costs	1,929	1,859
Call centre	984	842
IT (non-consultancy) costs	608	317
Publicity	227	196
Campaign & research	725	164
Training	241	70
Legal and professional	99	62
Depreciation/Amortisation	149	342
External audit fee (note i.)	40	29
Project costs	14	61
Devaluation of fixed assets	3	40
Early retirement pensions provision (GCC and EW)	304	294
Effect of unwinding of the discount factor	(14)	17
Changes to existing provisions	(436)	48
Onerous leases and associated costs	(423)	(19)
	<hr/> 5,306	<hr/> 5,323

**(note i.)**

There was no auditor remuneration for non-audit work.

## 5. Reorganisation costs

	2006-07 £'000	2005-06 £'000
Deferred pension provision (note 14)	102	313
Amounts used in the period	(43)	0
Unwinding of the discount factor	9	0
Changes to existing provisions	(2)	0
Redundancy payments	132	1,357
Reorganisation costs	48	39
	<u>246</u>	<u>1,709</u>

## 6. Disposal of fixed assets

	2006-07 £'000	2005-06 £'000
(Loss)/Profit on disposal of fixed assets	(0)	4

## 7. Notional cost of capital

	2006-07 £'000	2005-06 £'000
At 3.5% on average of total assets less total liabilities for the year. (2005-06 3.5%)	99	56

## 8. Intangible Fixed Assets

	<b>2006-07</b> <b>£'000</b>
<b>Software Licenses</b>	
As at 1 April 2006	69
Valuation Adjustments	0
Additions	0
Disposals	0
Revaluations/(Devaluation)	(5)
<b>As at 31 March 2007</b>	<b>64</b>
<b>Depreciation</b>	
As at 1 April 2006	34
Valuation Adjustment	(1)
Charge for the year	18
Revaluation/(Devaluation) of Depreciation	(5)
<b>As at 31 March 2007</b>	<b>46</b>
<b>NBV: As at 31 March 2007</b>	<b>18</b>
<b>NBV: As at 31 March 2006</b>	<b>35</b>

## 9. Tangible fixed assets

Cost of valuation	Furniture & Fittings £'000	Other Equipment £'000	Computer Equipment £'000	Total £'000
As at 1 April 2006	642	851	690	2,183
Valuation Adjustments	(63)	(16)	14	(65)
Additions	0	2	27	29
Disposals	0	0	(25)	(25)
Revaluations/(Devaluations)	3	(4)	(11)	(12)
<b>As at 31 March 2007</b>	<b>582</b>	<b>833</b>	<b>695</b>	<b>2,110</b>
<b>Depreciation</b>				
As at 1 April 2006	564	803	660	2,027
Valuation Adjustment	(66)	(41)	(20)	(127)
Charge for the year	55	39	37	131
Disposals	0	0	(24)	(24)
Revaluation/(Devaluations) Of Depreciation	(10)	(1)	(11)	(22)
<b>As at 31 March 2007</b>	<b>543</b>	<b>800</b>	<b>642</b>	<b>1,985</b>
<b>NBV: As at 31 March 2007</b>	<b>39</b>	<b>33</b>	<b>53</b>	<b>125</b>
<b>NBV: As at 31 March 2006</b>	<b>78</b>	<b>48</b>	<b>30</b>	<b>156</b>

**Note:**

In 06/07 we started using a new Fixed Asset model which allowed for greater precision and resulted in the valuation adjustments shown above. Overall, this has increased the recorded net book value of the fixed assets.

## 10. Debtors

	As at 31 March 2007 £'000	As at 31 March 2006 £'000
Other Debtors	61	72
Prepayments	671	590
	<hr/> 732	<hr/> 662
Debtors due after more than one year	31	21
	<hr/> 763	<hr/> 683

Other debtors includes season ticket loans and staff advances

## 10.1 Intra-Government Balances

	As at 31 March 2007		As at 31 March 2006	
	Debtors: Amounts falling due within one year	Debtors: amounts falling due after more than one year	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year
	£'000	£'000	£'000	£'000
Balances with central government bodies	14	0	4	0
Balances with local authorities	198	0	205	0
	<u>212</u>	<u>0</u>	<u>209</u>	<u>0</u>
Balances with bodies external to government.	520	31	453	21
<b>As at 31 March 07</b>	<b><u>732</u></b>	<b><u>31</u></b>	<b><u>662</u></b>	<b><u>21</u></b>

## 11. Creditors

	As at 31 March 2007 £'000	As at 31 March 2006 £'000
Social Security & Other taxes	206	194
Accruals	1,406	133
Deferred Income	14	16
BERR Grant-in-aid*	3,184	0
	<u>4,810</u>	<u>343</u>

\* Included in BERR Grant-in-aid is £500k c/fwd from 06/07 and 07/08 first quarter grant-in-aid received in 06/07.

### Amounts (falling due after one year)

11.1 Deferred income	0	7
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## 12. Intra-Government Balances

	As at 31 March 2007		As at 31 March 2006	
	Creditors: Amounts falling due within one year £'000	Creditors: amounts falling due after more than one year £'000	Creditors: amounts falling due within one year £'000	Creditors: amounts falling due after more than one year £'000
Balances with central government bodies	3,431	0	273	0
Balances with bodies external to government	1,379	0	70	7
<b>As at 31 March 07</b>	<b>4,810</b>	<b>0</b>	<b>343</b>	<b>7</b>

## 13. Cash at bank and in hand

	As at 31 March 2007 £'000	As at 31 March 2006 £'000
As at 1 April 06	(665)	148
Cash inflow/(outflow)	3,941	(813)
<b>As at 31 March 07</b>	<b>3,276</b>	<b>(665)</b>

## 14. Provision for liabilities and charges

	Onerous lease provision £'000	Early retirement provision (GCC) £'000	Early retirement provision (EW) £'000	Pension provision £'000	Total £'000
As at 1 April 2006	1,320	853	301	370	2,844
New Provision recognised	0	0	102	0	102
Amounts Used in the Period	(423)	(261)	(43)	(27)	(754)
Changes to Existing Provisions	0	(203)	(2)	60	(145)
Unwinding of the discount factor	0	14	9	0	23
<b>As at 31 March 2007</b>	<b>897</b>	<b>403</b>	<b>367</b>	<b>403</b>	<b>2,070</b>

### **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 £43K was made in respect of these obligations and similar payments will be made in future years, until the individuals reach retirement age (see note 14).

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**

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 March 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 2007 and has been estimated to be £403K.

## **15. General Reserve**

	<b>As at 31 March 2007</b>	<b>As at 31 March 2006 Restated</b>
	<b>£'000</b>	<b>£'000</b>
As at 1 April 06 (transfers from capital and government reserves)	(3,016)	(2,515)
Transfer from income and expenditure account	(11,590)	(13,814)
Grant in aid financing for Revenue purposes*	11,771	13,299
Grant in aid financing for Capital purposes	29	14
Revaluation realised during the year	36	0
Assets Valuation Adjustments	64	0
<b>As at 31 March 07</b>	<b>(2,706)</b>	<b>(3,016)</b>

\* Excludes the £500k included in BERR Grant-in-aid (see note 11)



## 16. Revaluation Reserve

	As at 31 March 2007 £'000	As at 31 March 2006 £'000
As at 1 April 06	31	49
Realised during the year	(36)	(22)
Arising on revaluation	13	4
<b>As at 31 March 07</b>	<b>8</b>	<b>31</b>

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

## 17. Obligations Under Operating Leases

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

	2006-07 Total £'000	2005-06 Total £'000
Within one year	147	3
Between two and five years	860	541
After five years	64	544
	<b>1,071</b>	<b>1,088</b>

## 18. Capital Commitments

There were no capital commitments as at 31 March 2007.

## 19. 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 is a sub-MOTO between energywatch, HM Revenue & Customs and Department for Constitutional Affairs on one of the former Ofgem offices in Belgrave Road London.

energywatch provides IT services to Postwatch. In addition, it sub-lets parts of the London office to the Welsh Assembly Government.

A senior member of staff was on loan to energywatch by the Department of Education for a period of 2 years ended June 2006 and has since been employed by energywatch on a part time basis.

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

## 20. Contingent Liabilities and Assets

In accordance with our Management Statement and Financial Memorandum we are disclosing that should energywatch (The Gas and Electricity Consumer Council) close, the onerous leases provision associated with properties will transfer to the new National Consumer Council or the BERR. The property leases terminate between 2008 and 2015 and the actual costs involved are not known at the balance sheet date.

## 21. Post Balance Sheet Events

On 28 June 2007, the Department of Trade and Industry ceased to exist and has been replaced by a new department, Department for Business, Enterprise and Regulatory Reform, which is now the sponsor body of energywatch. The Financial Statements were authorised for issue by the Accounting Officer, Allan Asher, on 25 July 2007.

## 22. Financial Targets

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

## 23. 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 2007.

## 24. Losses and Special Payments

There are no reportable losses and special payments at 31 March 2007.

## 25. Reconciliation of Operating Cost to Operating Cash Flows

	As at 31 March 2007	As at 31 March 2006 Restated
	£'000	£'000
Operating (deficit)/surplus	(11,626)	(13,851)
Movements not involving cash		
Depreciation	149	342
Permanent Diminution of Fixed Assets	3	40
Decrease/(Increase) in debtors	(80)	(237)
(Decrease)/Increase in creditors	4,460	(457)
BERR Grant-in-aid	(3,184)	0
Increase/(Decrease) in provision	(772)	341
<b>Net cash outflow from Operating activities</b>	<b>(11,050)</b>	<b>(13,822)</b>
<b>Reconciliation of net cash flow to movements in net funds</b>		
energywatch funds at 1 April 06	665	148
Changes in funds	3,276	665
<b>Increase / (Deficit) in cash at 31 March</b>	<b>3,941</b>	<b>813</b>

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