



**Consumer  
Focus**  
Campaigning for a fair deal

# **Consumer Focus response to Ofgem's Vulnerable Consumers Strategy**

**May 2012**

# About Consumer Focus

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Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy-makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

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# Consumer Focus response

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Consumer Focus welcomes the opportunity to respond to Ofgem's consultation on its vulnerability strategy. Our response is non confidential and can be placed on your website.

Consumer Focus is aware that not all energy companies – suppliers, distribution network operators (DNOs) and gas transporters – have a shared understanding or agreed detailed definition of a 'vulnerable' consumer. Vulnerability can be caused by either the consumer's personal circumstances or the situation they are in.

The standard licence conditions, associated regulations and self regulatory codes require companies to have regard to certain groups of consumers – normally pensioners, disabled or chronically sick individuals or households in receipt of certain benefits. There is no industry-wide agreement on whether children in a household are vulnerable when they lose access to light and heat. Energy suppliers, at least the big six, also use the Energy UK safety net definition which is '*A customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household*'.<sup>1</sup> Energy UK, for the purpose of the safety net from disconnection, defines households with children under the age of five, as vulnerable.<sup>2</sup> DECC, for the purpose of the Energy Company Obligations (ECO), has defined all households with children under 16, or households with children in full time education, as meeting the criteria for the priority group, and as such potentially vulnerable.

In April 2011 Consumer Focus and Citizens Advice were tasked by BIS to produce a report on empowering vulnerable consumers. The forthcoming report: *Tackling consumer vulnerability* – an action plan for empowerment defines a vulnerable consumer as: '*people who cannot choose or access essential products and services which are suitable for their needs or cannot do so without disproportionate effort/cost/time.*'

The difference between this definition and Energy UK's definition is that the latter identifies a group of consumers that energy companies are willing to provide services / additional support for, as opposed to a definition of consumers in vulnerable situations. The former definition recognises that it is often the behaviour of companies that put consumers into vulnerable situations.

We accept that using such a dynamic definition of vulnerability presents challenges with regard to drafting regulation. Companies, who will need to act on these regulations, face similar challenges, which is why a hierarchy of vulnerability is generally developed.

It is important, however, that Ofgem's strategy is able to focus on addressing the needs of consumers in vulnerable situations, as opposed to focusing on the needs of a set group of vulnerable consumers. The strategy must recognise that the policies and practices of suppliers can heavily influence the choices available, the decisions people make and the extent to which people are in vulnerable positions.

People, for example, 'choose' more expensive energy tariffs, loan or purchase deals because it is the only real option available for them.

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<sup>1</sup> <http://bit.ly/KQFMCY>

<sup>2</sup> It is Consumer Focus' view that, as a minimum, all families on means-tested or disability benefits with children under 16 years old (plus all families with children under 12) should fall within the Safety Net definition of vulnerable customer.

Similarly people may be put into vulnerable positions because they do not have the confidence – or power – to negotiate affordable deals if they get into debt.

Where services are being offered to particular groups of consumers eg the Priority Services Register or Warm Home Discount there should be a common branding for that service across the industry. But it should be recognised for what it is – a service or protection aimed at particular groups of consumers and not a strategy to tackle vulnerability.

Another issue which we wish to raise relates to the forthcoming merger between the Office of Fair Trading (OFT) and Competition Commission to form the Competition and Markets Authority. We believe there is an opportunity to explore the costs and benefits associated with broadening Ofgem’s remit to include the heating oil and liquefied petroleum gas markets.

### **Question 1. What should be the key factors or actions that we should consider incorporating in our Vulnerable Consumers Strategy? How should the themes of our strategy be changed?**

Consumer Focus agrees that the complexity of the energy market has increased since the strategy’s themes were initially developed. Prices have rocketed and are likely to continue to rise. There has been an explosion in tariff complexity, tariff proliferation and engagement levels have decreased. The future trends look set to include rising energy prices set against flat household incomes. The number of fuel poor households in the UK has increased from 2.5 million households in 2005 to an estimated 6.4 to 7 million households in 2011.<sup>3</sup> Fuel poverty is no longer something that affects a small minority of households.

A number of Government schemes are due to launch – including the £11 billion smart meter rollout and the Green Deal, both of which will have significant impact on the market.

What is clear is that energy bills are becoming increasingly unaffordable for a growing group of consumers. Research commissioned by Consumer Focus Scotland in February 2012, shows that the number of Scottish consumers who have no problem in paying their energy bills has fallen dramatically from 54 per cent in 2010 to 21 per cent in 2012).<sup>4</sup>

<b>Ability to pay household energy bill</b>	<b>2010</b>	<b>2012</b>
No problem in paying	54 per cent	21 per cent
Energy bills are more of a concern than a few years ago	24 per cent	43 per cent
Always or sometimes struggle to pay	22 per cent	37 per cent

Overall we believe Ofgem’s general themes remain appropriate. There are areas where we believe Ofgem could increase its work, which are highlighted below.

<sup>3</sup> Figures calculated by Centre for Sustainable Energy for Consumer Focus

<sup>4</sup> 2012 research forthcoming. 2010 research: <http://bit.ly/JhwtXJ>

## Theme 1: Securing compliance with regulatory obligations, monitoring and reporting

This is an area where we agree that Ofgem could and should be more proactive. While the recent change of emphasis via the 2008 Probe and 2011 Retail Market Review (RMR) are very welcome, it is our view that many of the current market issues facing GB energy consumers such as the lack of trust in energy suppliers, increasing complexity and low engagement levels, could have been tackled at a much earlier stage if Ofgem had taken a more proactive stance at the time.

The recent proposal within the Retail Market Review to place greater emphasis on market monitoring is very welcome, not least given the forthcoming smart meter rollout.

### Price differentials

We believe that the trend of increased price differentials should and could have been picked up much earlier by Ofgem. The 2003 Electricity and Gas Directives required Member States to ensure that any differences in terms and conditions between different methods of payment should reflect the differences in costs to the supplier of the different payment systems. Despite the requirement to transpose this Directive by 1 July 2004, this requirement was not implemented in Great Britain until 1 September 2009 when SLC 27A became effective following Ofgem's Probe into the energy market. Ofgem's own evidence from the Probe found that the cost differentials for prepayment meter (PPM) users, particularly at the higher end of consumption, could not be justified.<sup>5</sup>

It is our view that the new regulations put in place following the Probe have had mixed impact. The previous price differentials between quarterly credit, prepayment and standard Direct Debit prices have narrowed since September 2009 following the introduction of SLC 27A. However, we are not convinced that the undue price discrimination licence condition, SLC 25A, has had the same positive impact. The introduction of this condition largely led to an increase in suppliers' out-of-area pricing rather than a reduction in prices in-area to match their out of area rates.<sup>6</sup>

Going forward it would be helpful if Ofgem published more analysis of the distributional impacts on different groups of customers so stakeholders can better understand the implications of the policy proposals on different groups of consumers.

The forthcoming CSE report will hopefully prove helpful in this regard, along with other related research such as the report produced by Sheffield Hallam University and NHS Rotherham – *Keeping Warm in Later Life* report.<sup>7</sup> Consumer Focus is contributing funding in 2012-13 to the Warm Homes, Warm Families project by the same organisations, which focuses on low income families.

In general, Consumer Focus would like to see Ofgem publish more detailed guidance when it changes existing regulations or issues new regulations.

For example, Ofgem's recent guidance on collective switching schemes<sup>8</sup> was fairly limited in its detail, particularly around the application of the undue price discrimination licence condition (SLC 25A). As far as Consumer Focus is aware, Ofgem has not concluded any investigations into suppliers' non compliance with SLC 25A. Therefore the boundaries of what the regulator considers unacceptable practice remain somewhat unclear, not least how the regulations may interact with new methods of recruiting consumers.

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<sup>5</sup> <http://bit.ly/fl6DuH>

<sup>6</sup> <http://bit.ly/JQ2StQ>

<sup>7</sup> <http://bit.ly/KQuU8r>

<sup>8</sup> <http://bit.ly/JIWHIs>

We are aware some organisations are interested in launching collective switching schemes which have a cross subsidy element for more vulnerable members of the community. It would have been helpful if the guidance addressed these areas in more detail.

Another option would be for Ofgem to regularly consider the impact of its policies on consumers using different payment methods. It is increasingly the case that the consumer's method of payment dictates the level of choice and competition they are able to access in the retail market. Consumers paying by Direct Debit have the greatest number of options and cheapest available prices – particularly if they are able to manage their account online; those paying by cash/credit have a more limited set of options; and those paying by PPM have the fewest options of all. In particular, we believe it is necessary to consider what impact any proposed changes will have on consumers using PPMs.

While not all PPM consumers are vulnerable, they remain disproportionately on low incomes. Findings from Consumer Focus's research<sup>9</sup> found, while annual household income varies across PPM users, that:

- almost a quarter (23 per cent) have an annual income of less than £9,500 and almost half (49 per cent) had a household income of less than £17,500
- half (51 per cent) are receiving some kind of means tested or disability benefit
- more than one third of PPM households were home to one or more individuals with a long term physical or mental health condition or disability eg asthma, mobility impairment or arthritis
- three quarters (74 per cent) of PPM households were classified as members of the C2DE social group<sup>10</sup>
- similarly, Ofgem's 2008 Energy Markets Probe concluded that 52 per cent of prepayment meter customers were in social groups DE compared to 33 per cent for standard credit and 16 per cent for direct debit<sup>11</sup>

### Smart meter rollout

Consumer Focus is very eager to ensure that the smart meter rollout delivers benefits to all groups of consumers. We have strongly welcomed the proactive steps that Ofgem has taken to introduce new protections around remote disconnection, and remote switching to prepayment. We are pleased with Ofgem's commitment to carry out a review of load limiting and the new requirement that suppliers must notify the regulator before they start to use this functionality. It is Consumer Focus' understanding, however, that there is nothing in place to safeguard vulnerable consumers from remote disconnection by network companies.

The intent to carry out a distributional impact of new smart tariffs is also welcome – we would like this review to also consider methods of payment (as above).

We think it is essential Ofgem ensures that the smart meter rollout delivers sufficient benefits to PPM users. Consumer Focus believes that the rollout of smart metering has the *potential* to deliver real benefits to PPM consumers, addressing many of the historic problems in this market, for example:

- Reducing the costs to serve leading to relatively cheaper tariffs
- Easier switching between supplier and payment method

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<sup>9</sup> <http://bit.ly/z2Cc8V>

<sup>10</sup> <http://bit.ly/KL1FQN>

<sup>11</sup> <http://bit.ly/oWWI6h>

- Improved customer service including the convenience of more top-up options and better information and support

However, these benefits are *not* on track to be delivered. For example, we have concerns that, in practice:

- It is likely that PPM users will not achieve the same energy savings from smart as those on other payment types, yet they will still be required to foot the bill. This may be because they are already more energy aware or energy efficient due to budgetary constraints. DECC's impact assessment for example estimates that gas PPM consumers will achieve average savings of 0.5 per cent compared to 2 per cent for gas credit meter consumers.<sup>12</sup> It is therefore crucial that these households get other benefits such as more convenient ways to top up and improved customer service
- These consumers may experience poorer service levels following the installation of their smart meter. Suppliers report that under the current smart metering proposals, consumers may have to wait up to 10 minutes at the Post Office, PayPoint or Payzone outlets to top-up each of their fuels – in order to get their confirmation receipt. It may take up to 30 minutes for electricity payments to be registered on the meter, and up to 45 minutes for gas. A reduction in service levels is not acceptable
- These households could face increased barriers to switching ahead of the launch of the data communications company (DCC) in 2014, and potentially for those that have pre-SMETS 1 meters and SMETS 1 meters installed beyond this date. We are skeptical that new licence conditions around interoperability will fully address problems and believe that close monitoring is needed in this area
- PPM customers could end up paying more, due to increased costs to serve depending on where the costs for hard wiring in-home displays and enhanced displays fall
- Some suppliers are considering charging customers a variable amount per top-up depending on how they top-up eg different prices for cash, Direct Debit or credit card. The distributional impact of this proposal needs consideration. It is important that consumers on low incomes, who are more likely to top up small amounts frequently, do not end up paying more or being disadvantaged
- Opportunities to engage PPM customers and improve the provision of information are in danger of being missed. Consumer Focus research found that key information on debt repayment levels was hard for customers to access.<sup>13</sup> No consideration has been given to ensuring that in-home displays (IHDs) meet the needs of this customer group or what information could be provided during the installation visit to address existing issues
- Promises that smart meter rollout will address the issue of misdirected payments risk not being delivered. Anecdotally we have been told that there is £28 million worth of mis-directed payments sitting in a holding account. We have raised the matter with Energy UK, as we believe it would be better for this money to be redirected into schemes to support vulnerable PPM users such as supplier trust funds, rather than returned to individual suppliers

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<sup>12</sup> See page 42 <http://bit.ly/KTI1CH> and <http://bit.ly/tsdziY>

<sup>13</sup> <http://bit.ly/z2Cc8V>

- Some suppliers are trialing single wallet meters. This could potentially result in less budgeting control for consumers. Further assessment of the impact of this is needed. For example, there are a number of issues relating to Green Deal and prepayment and micro-generation whereby a consumer with a PPM and micro-generation could self disconnect if they don't have any credit on their meter, at the same time as they are exporting electricity back to the grid

Consumer Focus is aware that Ofgem's smarter markets team has consulted on smart prepay. However, we believe that a number of issues have come to light since this consultation closed. While we recognise that DECC is leading the smart metering programme, there remains a very important proactive role for Ofgem in this area.

### Meeting the needs of future consumers

We support Ofgem taking a more proactive approach towards protecting and promoting the needs of vulnerable consumers in relation to smart metering. This is particularly important to ensure that potential benefits are not missed, especially where there may not be the commercial incentives for industry to deliver them. We would encourage strong links to be made between the vulnerability strategy and the smarter markets work programme.

A proactive strategy could include:

- Addressing the concerns about how to deliver benefits for PPM consumers (as above)
- Research to understand how vulnerable consumers will respond to near real-time energy information and displays, and what advice should be offered around ensuring an adequate heating regime
- Ensuring installers are properly trained to identify and meet the needs of vulnerable consumers during the installation visit. An example of a consumer that could need additional or repeated explanations about the IHD could be someone with a mental health condition, a learning disability or a communication disability such as aphasia, which can mean that people take longer to understand spoken language
- Exploring the feasibility of an end to disconnection for electricity consumers. Smart meters have the ability to load limit, which could be used to end disconnection for electricity consumers. A 'life-line' of energy, as an alternative to self-disconnection, for PPM consumers warrants consideration
- Faster and more efficient delivery of help to consumers in financial difficulty. Smart functionality could enable the more efficient and effective targeting of help at consumers in financial difficulties. For example, suppliers may be able to monitor the extent to which people self-disconnect, enabling them to target support more quickly at those that need it
  - In Tasmania, for example, suppliers are required to contact customers who self-disconnect three or more times for at least 240 minutes on each occasion, in a three month period. They have to offer these customers advice on alternative payment options, provide advice on government assistance schemes, and (where the customer has consented) make referrals to the scheme. At present Ofgem's guidance only requires suppliers to monitor self disconnection, not to proactively take action within a given timeframe



- Introduce a new licence requirement preventing back-billing and guaranteeing consumers a right to an accurate bill. Estimated and inaccurate bills are a major source of consumer complaints and can result in large back bills. This has the knock-on effect where people find themselves in debt, may be put or be encouraged onto more expensive payment methods and experience barriers with switching to a cheaper provider

## Theme 2: Encouraging best practice among energy suppliers and research

We agree that this should remain a priority for Ofgem. At times we've found that the regulator has been reluctant to provide detailed information about individual supplier activities. We appreciate that at times there will be issues of commercial confidentiality but many case studies will be suitable for sharing. This will help drive improvements in supplier policies and practices.

We have provided some suggestions in this section where we believe Ofgem's input would be helpful. Many of these are also in the University of Leicester report *Too Many Hurdles: information and advice barriers in the energy sector*.<sup>14</sup>

An area where Ofgem's intervention would be welcome is requiring all suppliers to use the same name when referring to their Priority Services Register (PSR). The fact that many suppliers use different names for their schemes can cause confusion and makes delivering a joined up marketing campaign more difficult. We have some sympathy for the views of suppliers which have chosen more consumer-friendly names for their PSR. Our concern is less with the name that the PSR scheme is known by (as in whether it remains the PSR or there is a name change) and more that all suppliers move to using a common name. In addition, it should be explored whether a consumer's PSR registration could 'switch' with them if they change supplier.

A further project that Consumer Focus is exploring this year, following our collaboration with CCWater on the production of a joint PSR leaflet for energy and water consumers, is the potential introduction of a cross-industry PSR. We would welcome Ofgem's involvement in this work.

Ofgem should encourage suppliers to adopt the BSI standard on 'Inclusive service provision BS 18477:2010, which sets out requirements for identifying and responding to consumer vulnerability.

A review could be conducted of suppliers' existing call centres and communication systems to assess how accessible and user-friendly they are and how good their customer service staff are at identifying customers in vulnerable situations. Suppliers should be taking every opportunity to review whether they can offer their customers a better tariff or signpost them to other forms of support. We are aware through our debt and disconnection monitoring work with Ofgem that suppliers have made significant improvements in recent years and we want to see this continue.

Depending on the outcome of the Hills Review, it may be appropriate for Ofgem to work closely with DECC to refine DECC's small area fuel poverty indicator and use this to target energy efficiency area programmes. This would better reflect fuel poverty than DECC's current use of Index of Multiple Deprivation (IMD) for programmes such as CESP and the new communities element of ECO. This is because the IMD reflects overall deprivation which tends to be more concentrated in social housing. However, the fuel poverty indicator includes a much higher proportion of consumers living in private rented sector and owner occupiers than the IMD. These are often the consumers living in homes with the poorest energy efficiency standards.

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<sup>14</sup> <http://bit.ly/H4BpzY>

One project that we are looking to pursue this year, and which would be happy to do as a joint project with Ofgem, is to review the success of the existing schemes such as CERT, CESP, Warm Home Discount, etc that suppliers are required to deliver. The individual schemes have been reviewed but there hasn't been a holistic review looking at how efficiently these schemes have been delivered and whether cost savings or better value for money are possible.

This project would provide important learning for the new ECO scheme as well as any other future schemes. It may also help make the case for extending data matching to help identify vulnerable consumers more easily and in a more cost effective manner. We are aware that suppliers (and distribution networks) have struggled to find eligible consumers.

An increase in the use of data matching offers the opportunity to resolve many of these issues. We would hope that Ofgem will be involved in making the case for its extension.

Alongside this potential project, it would be helpful if Ofgem could produce a good practice guide on the delivery of the Affordable Warmth and Carbon Savings aspects of ECO, learning from the lessons of Warm Front, CESP/CERT, etc. The guide should include a list of standard measures that consumers are entitled to claim from their suppliers free of charge.

It is our view that:

- The focus should be on encouraging whole house improvements. It is not efficient for suppliers to install one measure, then come back later to install another (as was the case with EEC/CERT)
- The package of measures consumers are entitled to access shouldn't vary according to who their supplier is
- No Affordable Warmth consumer should be expected to make a contribution to the costs of installing the measures. All consumers should be able to claim for the full range of measures, regardless of where they live. There will be different costs and therefore uptake by geography. There is a need to monitor the location of measures and whether it's proportionate: otherwise, as we saw with CERT, resources will go first to the areas in which delivery is cheapest, not necessarily those where fuel poverty is highest (remote rural areas in Scotland)

Ofgem could use postcode analysis to understand the socio-demographics of households that install renewable energy systems. Use of a product such as MOSAIC would give policy-makers a view on environmental attitudes as well as income, tenure and age of households that have installed systems. It would be helpful to track this over time, to understand the fairness of the policy and to understand the extent to which renewable energy systems are moving beyond the initial early adopter groups. These are identified by EST and Consumer Focus, in the latter's report *Keeping FIT*, as higher income, older consumers who are owner-occupiers, living in detached properties. They claim to be seeking to reduce their impact on the environment but it is not always clear that this was a reason for installing systems, or a benefit claimed with hindsight.

### **Theme 3: Using our knowledge to inform the debate**

We agree that Ofgem has a key role to play in informing the debate on key issues. We have listed above the areas where we think Ofgem should take a leading role, including the smart meter rollout.

We agree with the views of some participants in the vulnerable round table in London that it would be helpful if Ofgem had a view on the price drivers in the market, a role which is currently carried out by the Department of Energy and Climate Change (DECC).

Another area where Ofgem needs to demonstrate leadership includes the forthcoming changes to the benefit regime with the move to universal credit. This will have a number of impacts on existing benefits paid by suppliers, such as the Warm Home Discount scheme, as well as the Fuel Direct payment method. There is a risk that suppliers may experience an increase in customers in debt.

Consumer Focus has been working with the Department for Work and Pensions (DWP) in exploring the appetite for a new ‘jam jar’ account as a successor to the basic bank account. The account would be designed to work with the introduction of the new universal credit and provide consumers with a basic budgeting tool. It would be helpful if Ofgem was involved in this process.

### Addressing the technological challenges associated with empowering consumers

This area is outside Ofgem’s core remit however, it acts as a significant barrier to efforts to improve consumer engagement levels. Industry does not have a great track record on developing easy to use energy technologies eg boiler and heating controls are notoriously difficult for many consumers to use, despite their proven benefits.<sup>15</sup> Certain elements of the functionality of PPMs can also be not very user friendly.<sup>16</sup>

This lack of usability reduces consumers’ ability to engage effectively in the energy market and manage their energy use. For vulnerable consumers the barriers to engagement may be more acute.

According to the Government’s Life Opportunity Survey (LoS) almost one third of adults in Britain have an impairment of some kind. This study estimated the percentages of the population with specific impairments (over the age of 16 years) as follows:<sup>17</sup>

Impairment	% GB population aged 16 and over
Sight	2
Hearing	3
Speaking	1
Mobility	8
Dexterity	6
Long term pain	18
Breathing	3

Given the increasing dependence on technological solutions to assist with empowering consumers, we would welcome Ofgem considering this issue more strategically.

<sup>15</sup> Rathouse K and Young B/DEFRA MTP, 2004, BNDH15: Use of domestic heating controls and the forthcoming Consumer Focus report – Consumers and domestic heating controls: a literature review.

<sup>16</sup> <http://bit.ly/z2Cc8V>

<sup>17</sup> <http://bit.ly/K4n7mh>

## Theme 4: Informing consumers about ways to lower their energy bills

Consumer Focus supports the proposed information remedies in the Retail Market, which have the potential to improve consumers' understanding of the energy bills and could increase engagement levels. We are pleased that Ofgem has agreed to conduct a wider review of the content of energy bills in conjunction with industry and consumer groups. Delivering simpler bills will hopefully have a positive impact on consumer engagement levels.

We agree that the Ofgem / Citizens Advice Energy Best Deal campaign has had a positive impact on the consumers it has reached. What have been more difficult to track are the tangible outcomes delivered by the scheme, we would welcome more detailed analysis including income maximisation results.

There is an opportunity to ensure that the Energy Best Deal campaign delivers a mixture of awareness raising as well as practical support. We believe there is an opportunity to combine the current outreach and information sessions with an additional package of support composed of:

- carrying out a price comparison and switching consumers to a better deal (For instance CitA/CAS could tender for a switching site(s) to provide this service)
- providing benefit entitlement checks
- referring consumers to energy efficiency schemes
- referring eligible consumers to their supplier's Warm Home Discount scheme
- referring eligible consumers to their supplier's Priority Services Register

This would have the welcome impact of improving vulnerable consumers' understanding and engagement with the energy market as well as delivering a number of financial benefits to these consumers.

It is also essential that any vulnerability strategy needs firstly to take a wider and more integrated view of the services required, and, secondly to consider all existing trusted intermediaries that vulnerable consumers currently access advice to better connect with these services.

Working in partnership, the Scottish Government, Consumer Focus Scotland, Citizens Advice Scotland and the big six energy companies, have been developing standardised templates which set out the big six offerings to vulnerable consumers. The template contains information which will be used by trusted intermediaries to access help for vulnerable consumers who are struggling with energy bills. The template covers the following issues:

- The contact details for the energy company's team who deal with vulnerable consumers
- Best tariff advice
- Warm Home Discount. This includes help which energy companies are making available to consumers who are moving from specific tariffs for the fuel poor but who are not eligible for Warm Home Discount
- Additional help they offer including debt advice, trust funds
- Energy efficiency measures and advice

The template will be held on each energy company website and the respective company will update the information as and when required. Citizen Advice Scotland's Advisor Net will link to the relevant section within each template. This means that as soon as the energy company updates the template, the information in Advisor Net is also updated.

This minimises administrative burden for trusted intermediaries and ensures that vulnerable consumers are always being offered the most up-to-date advice. The project will enter pilot stage in June, involving training for advisers so that they know what is available and how to get to it. Following completion of the pilot, it is envisaged the project will be rolled out to other trusted intermediaries.

Related to this area, it would be helpful if Ofgem had a public view on the proliferation of helplines aimed at assisting energy consumers eg:

- Citizens Advice consumer service for supply and distribution issues
- Energy Saving Advice Service for energy efficiency and Green Deal queries (plus ability to resolve complaints)
- potential new smart meter advice line
- supplier-funded Home Heat Helpline for consumers in debt
- Home Energy Scotland Hotline
- individual supplier helplines delivered in partnership with Citizens Advice, etc

It should be noted that the vast majority of these helplines do not offer face to face support, which is the most accessible form of advice for the most vulnerable consumers.

The growth in helplines makes it very difficult to provide consumers with a simple signposting message about where to go for help and advice, either over the phone or online. Not least, since most of the helpline details appear or are due to appear on the back of energy bills. The success of the current helplines will depend on the creation of effective referral systems between the various bodies to ensure consumers do not fall through the gaps. They should also consider the potential, where possible, to provide consumers with face to face advice.

We believe that energy consumers would be best served by the creation of a **one stop shop**, staffed by specialist advisers capable of dealing with all types of energy queries whether this is to do with energy supply or distribution issues as well as energy efficiency related queries. In the interim, the situation would be best managed by the various helplines agreeing to provide warm handovers and mid call transfers and / or providing basic advice on certain issues eg consumers calling up the Energy Saving Advice Service for energy efficiency advice could be informed about potential financial savings of switching tariff, payment method or supplier. Consumers calling up the Citizens Advice consumer service for advice on switching supplier could be offered advice on, or referrals to, the energy efficiency schemes.

One way this could work in the online context is that there is a single website (perhaps [gov.uk/energy](http://gov.uk/energy)) which brings together all the content produced by different bodies eg Consumer Focus, Ofgem, Citizens Advice, EST, DECC, future smart meter engagement body, etc. The various bodies could set up a co-ordinating group to ensure that content remains up to date. Over time, responsibility for maintaining the website should become the responsibility of a single organisation – although it should remain able to draw upon the other organisations for the provision of expert advice. This would ensure that there was no duplication of effort and no confusion among consumers as to where they should go for information about energy issues.

It may also be worth exploring whether unbranded copies of key leaflets could be produced so local organisations, MPs, MSPs, AMs, have the option of adding their logo to facilitate local distribution of the information.

## Question 2. What can Ofgem do differently to help address affordability concerns?

We were pleased to see that the consultation makes it clear that Ofgem believes environmental and social costs should be recovered on a per unit basis. February's standing charge consultation indicated that Ofgem preferred to recover WHD or ECO costs through the regulated standing charge rather than through a consumption-based cost (paragraph 1.34). We believe it would also be appropriate to explore the balance of levies between electricity and gas, as part of this review.

At present, the subsidies and additional protections for vulnerable consumers in GB are largely weighted towards pensioners eg Warm Home Discount, disconnection protections, etc. While this group is in need of the additional help and support, it does mean that other equally needy groups often miss out.

We believe that Ofgem should continue discussions with DECC over the potential introduction of a backstop tariff for the most vulnerable consumers. Consumer Focus believes that the most effective way of targeting support to households most in need would be use the criteria for the Super Priority Group or Cold Weather Payment group and introduce an energy efficiency threshold. These households could be identified through extending the use of data matching. Warm Front and the Scottish Government programmes already use this criteria by restricting grants to low income households whose properties have an EPC rated E, F or G. The Welsh Government restricts the full package of measures available under their Nest programme to those on means tested benefits living in F and G rated properties.

The difficulty is that not all properties have an EPC rating and the current banding system does not take account of climatic differences. These issues are not insurmountable though.

The benefits associated with this approach include, it:

- produces a more manageably sized group
- limits help to those in poor properties who are more likely to be severely fuel poor
- is coherent with other Government policies
- significantly reduces administration costs
- makes sure help goes to those who need it most. The bulk of these consumers are older people but low income families and disabled people would also automatically receive help

Consumer Focus would support, as an interim measure ahead of the introduction of increased data matching, the expansion of the eligibility criteria for the various Government schemes such as Warm Front, Affordable Warmth element of ECO, etc. It is quite clear that many suppliers are having significant difficulty finding households in the Super Priority Groups. We believe that wider eligibility criteria would make area based approaches more feasible. Another approach could be to make more use of local authority contacts. For example, private sector landlords in Scotland are required to register with the local authority; that process could provide an opportunity to promote ECO to both landlords and tenants.

One area, which is directly within Ofgem's gift, is to allow greater flexibility in the various DNO and Distribution Network (DN) fuel poverty schemes required under the price control.

For example, schemes which are not cost effective on their own due to the difficulty of finding qualifying consumers, or high upfront costs, may become possible if resources can be pooled. We would support the introduction of greater flexibility in this area.

Ofgem must play a key role in ensuring that the smart meter roll out delivers benefits to all groups of consumers – in terms of increased competition and the distributional impacts (see our response to Question 1).

One area where we are unclear of Ofgem's proposed role is in delivering the new ECO carbon area schemes, as announced in Deputy Prime Minister Nick Clegg's April agreement with suppliers. How will the distributional safeguard be monitored?

### **Question 3. We welcome views on how Ofgem can help stakeholders with their contribution**

Ofgem must think very carefully before seeking to create new forums and working groups for stakeholders which are already struggling to remain involved. We are the most well resourced consumer group working on these issues and we can often struggle to keep up with the demands for our input placed upon us by DECC, Ofgem and industry.

The regulator should consider whether it would be easier for its stakeholders to engage if it made better use of existing forums – such as having a regular Ofgem presentation slot on topical issues.

We do, however, believe there would be merit in Ofgem creating a new vulnerable consumers' advisory group. The regulator previously operated a smart metering consumer advisory group and a general disability advisory group. The groups:

- enabled Ofgem to carry out informal and early consultation with key stakeholders on new proposals and ideas
- provided a time-effective forum for key stakeholders to share research and activities with Ofgem and each other
- provided a mechanism by which stakeholders could directly raise relevant issues with Ofgem and
- encouraged a collaborative and constructive approach to tackling challenges facing consumers

Ofgem would need to ensure that all its departments regularly updated and presented information the advisory group about their forthcoming plans.

It would also be worthwhile exploring with other regulators whether there is scope to host joint meetings on key topics or themes affecting vulnerable consumers to avoid duplication and reduce the number of meetings stakeholders must attend.

#### **Other options to consider:**

The use of new media tools might offer a suitable means of engaging stakeholders on particular issues who do not have the time to attend regular meetings and/or workshops. This would be particularly helpful for seeking the views of groups which are not based near London, Cardiff or Glasgow where Ofgem normally holds events.

Another option would be to produce briefings on the key issues in the consultation and their potential implications for vulnerable groups. The publication of distributional analyses alongside major consultations would also be helpful for stakeholders as they will be able to better understand the potential impacts on their core client groups.



## Consumer Focus response to Ofgem's Vulnerable Consumers Strategy

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