

## **Flexible and Responsive Energy Retail markets – Welsh Government Response**

### **1. Do you agree with our vision for the future of the energy retail market, the outcomes we are seeking to achieve and our characterisation of the key challenges we need to overcome?**

Welsh Government is generally supportive of UK Government's vision for the future of the energy retail market. However, the assumption that consumers are best served by a healthy competitive market with which they can easily engage may not be the case for some consumers.

Simplification of the licensing system would have wide benefits to the market, and will also benefit small-scale energy producers and facilitate decarbonisation. It is important to ensure customers, particularly vulnerable customers, are protected as regulation changes. We recognise that finding the right balance between promoting innovation and protecting customers is challenging. We urge UK Government to continue to engage with stakeholders to gather evidence to inform policy so it can best achieve this balance.

One of Ofgem's priorities is to protect the most vulnerable energy users by managing the cost of the low carbon transition. We expect the RIIO-2 methodology to consider the needs of vulnerable people, particularly those in poverty, who are most likely to be impacted by climate change, over the next thirty years within this five year framework. The mechanism must strike a balance between ensuring energy remains affordable and enabling investment in the infrastructure required to enable the low carbon transition.

Welsh Government acknowledges the considerable challenge this presents for Ofgem. However, we cannot underestimate the importance of the future frameworks for both transmission and distribution in not just enabling but driving the transformation of the energy system, to drive the more prosperous low carbon economy to which Welsh Government is committed.

For all the above reasons, innovation should seek to incorporate behavioural and attitudinal studies to help inform thinking and understanding of users of energy to ensure no-one is left behind in the revolution of change.

It is important that any future energy retail market policy obligations and responsibilities do not distort competition between individual businesses and business models. Whilst the consultation invites comment regarding administrative burden it does not consider the regional implications of base cost to access supply services, which varies across the energy market. In Wales, the cost of access is one of the highest and consequently adversely impacts on individual household and business energy costs.

Small and micro-businesses face considerable challenges within this space, where there is very little clarity regarding entry level and household tariffs and the ability to gain a competitive deal. There is wide spread confusion and a lack of understanding in many parts of the business community regarding innovative business models. At

the other end of the spectrum, medium to larger businesses are also facing challenges in understanding what the market offering is within their energy demand bracket.

It is therefore imperative that the future energy market provides clear and consistent messaging covering not only tariff structure by individual supply companies, but also simplification of overall business offering within the market.

Welsh Government has some concerns about the operation of switching sites in enabling consumers to better participate in the market. The switch sites use approved calculations, which include assumptions for usage which look forward rather than current, leading to disappointment when the current situation doesn't match with the reality as it utilises the standard charge as part of the calculations rather than actual. *Your personal projection for comparison will take into account what your energy costs will change to once your fixed tariff – or any other type of fixed energy plan – comes to an end. It will assume that you will be rolled on to a standard variable tariff, the suppliers' default tariff.*

Providers caveat proposed tariffs so when they see actual usage they are able to adjust payments and sometimes this can include using winter data to predict summer payments and so end up becoming financial management organisations rather than energy service providers. This means the time of switching can also have an impact on what people monthly payments forecast – summer switching cheaper than winter switching cycles as advised on the compare the market site: *Most people use less energy over the summer, so it can be tricky to get a real sense of your energy costs. Comparing prices in the warmer, lighter, months could ensure you get a cheaper tariff before winter sets in and your energy use rises.*<sup>1</sup>

Existing debts usually over 28 days need to be cleared as part of switching process. Again from the comparison site: *If you've paid off a supplier debt. Some providers won't let you switch while you still owe them a long-term debt. So once you've managed to clear it, it could be worth shopping around for a cheaper deal.* Use of month in advance payments for the new provider versus payment of debt with the other also means the month of change is often too expensive for many to manage – hence they stay with their existing provider even though dearer.

Capping bills can compound the workings of the market further as it can lead to even more not seeking to change to other cheaper and more efficient providers. Perhaps support would best be focused on how to allow people to switch without increasing costs during the month of switching i.e. Allow for smoothing cross over monthly payments rather than the clunky debt and advance payment process, which currently applies to the change process.

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<sup>1</sup> <https://www.comparethemarket.com/energy/information/a-guide-to-switching-energy-suppliers/>

## **2. Are there examples of new products, services and business models that would benefit current and future consumers, but are blocked by the current regulatory framework?**

The following statement captures the situation correctly that current mechanisms do not facilitate innovation changes needed for the energy revolution - *While the arrangements have evolved over time in response to market changes, they originate from a previous era, when all the commercial players were large, relatively undifferentiated utilities. The only alternatives to becoming a licensed supplier are to use exemptions to the supply licence (which do not allow them to grow their business) or to partner with existing licensed suppliers who have little incentive to enable a new competitor.* The proposals appear to make the regulatory and legislative position even more complicated rather than the needed simplicity to outcome principle based rather than process based models.

We need to regulate based on minimum standards for services to protect the end customer rather than regulating who is providing them, which is the current regulatory model. Welsh Government would like to see regulation take similar approaches to services, regardless of the type of service on offer e.g. heat as a service, mobility as a service, integrated energy and communications services etc.

Whilst the increase in distributed renewable energy provides the potential for a locally owned and more resilient system, intermittency has not yet been fully addressed. Balancing dispersed and intermittent sources across the UK system presents a new problem for the national and local System Operators. Achieving the cost optimal route to distributed local networks will require new support mechanisms to encourage the necessary innovation.

Welsh Government consider the UK Government should introduce incentives to ensure this happens more quickly. It should not look to fund this from energy bills. The previous network was built from the public purse and investment in networks has fallen significantly since privatisation. Public investment in network infrastructure is likely to be needed to deliver the scale and rate of change. This investment could potentially repay revenue to the exchequer over a long period.

To achieve the low cost and multi-vector approach described, the price control frameworks for gas and electricity network operators must ensure the two systems can develop together and appropriately inter-connect. The current separation inhibits viable and innovative solutions and places a focus on cost at the expense of value to the consumer and the UK in general.

Ofgem should recognise the additional social and economic value provided from the appropriate networks to enable effective operation of both large scale and distributed generation, and require their delivery within the control framework, in the same way as is required in Wales under the Wellbeing of Future Generations Act.

Our experience in Wales is of a disparity between what market mechanisms are - or are not – delivering, and what is needed for the rapid, efficient and cost effective transition to a low carbon energy system. In our view the power system needs the necessary diversity to achieve affordable security in conjunction with transition to low

carbon energy. In order to achieve this we will need to enable a combination of new products, services and business models under a refreshed and flexible regulatory framework, which offers space for innovation to be piloted and trialled in Wales.

**3. Are there current or emerging harms to energy consumers which are currently out of scope of the regulatory framework? Do these differ for domestic and non-domestic consumers?**

Welsh Government believes that new network charges being proposed under the Targeted Charging Review should not be out of scope. The current proposals under TCR would penalise homeowners with PV panels on their roof through higher network charges. Welsh Government believes this is relevant and does not fit with the principles described in the consultation. We would also like to see Ofgem do more to enable local generation to connect contractually with local consumers with delivery through the local distribution network rather than private wires. Welsh Government has worked with Energy Local to explore the scope for this approach with consumers and hydropower projects in and around Bethesda.

It is worth noting off grid consumers do not benefit from consumer protections in the energy market imposed by Ofgem on suppliers. For example, LPG suppliers are not subject to requirements to ensure vulnerable consumers are safeguarded.

The UK Science and Technology Committee's 'Clean Growth: Technologies for meeting the UK's emissions reduction targets' report<sup>2</sup> found Business rates on solar panels have increased between three to eight-fold since 2017, creating thousands of pounds in additional costs for businesses, schools, SMEs and hospitals each year. This is an example of the impact of other rules/regulations i.e. business rates for energy improvements and hydro schemes and taxes for businesses if they have savings from energy investments increasing their income.

Currently, the increasing values of properties, domestic and non-domestic, do not reflect the value of investing in energy efficiency and renewable energy. Changes need to be encouraged to change this situation together with a national approach to lending, which reflects and makes investments worthwhile. The Science and Technology Committee's suggestion is for an Incentive scheme for energy efficiency home improvements. The previous energy efficiency initiatives for households have failed because of "narrow" financial support. The report suggests the Government should consider adjusting Stamp Duty so that it varies according to the energy performance of the home as well as the price paid for it. A 'Help to Improve' scheme should also be introduced by July 2020.

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<sup>2</sup> <https://publications.parliament.uk/pa/cm201719/cmselect/cmsctech/1454/1454.pdf>

**4. Would it be beneficial to allow suppliers to specialise and provide products and services to targeted groups of customers? If so, how can this be delivered while balancing the need for universal service?**

There should always be a place to allow for protection of vulnerable groups through targeted products and services. This principle not only applies to energy but also to other products and services offered in the GB market. There should be a read across to other sectors relating to their approach to specific requirements whilst maintaining universal commerciality of their services e.g. water disconnections.

Innovation should be encouraged in this area to see if there is potential to avoid disconnections and access to energy where issues such as inability to pay standing charges remain an obstacle particularly when these are paid for gas and electricity.

Any development of specialist products and services must fair in terms of pricing to ensure the (vulnerable) customer is being well served and not hit by hidden billing arrangements. Products and services could be designed to address the 'poverty premium'. Welsh Government would welcome research into the design of new products and services for those in vulnerable situations to ensure those in arrears do not pay the highest tariff and are prevented from accessing innovative products which help to reduce energy consumptions and bills for the fuel poor.

An acceptable level of service must be maintained for consumers, but the Welsh Government would be supportive of trialling models based on the understanding of a specific group of consumer needs.

**5. Are incremental changes to regulation sufficient to support the energy transition and protect consumers? Or does this require a more fundamental reform, such as moving to modular regulation?**

Welsh Government believes that Ofgem should consider the interests of future consumers as well as current consumers in its decisions, including the need for decarbonisation. Ofgem should also revise its proposed network charging reforms to ensure that they do not disincentivise the deployment of technologies that will contribute to the decarbonisation of the UK's energy system. Therefore in order to deliver an energy system appropriate for the current climate change emergency Welsh Government believe Ofgem should be given primary decarbonisation and innovation duties.

Incremental changes are unlikely to deliver the scale and pace of change required to deliver the low carbon transition. Welsh Government therefore believe that more fundamental regulatory reform will be required but recognise this will take time and modified interim incremental changes will be required to support the market during this transition to a more radical solution. In reviewing the incremental changes, the current derogation flexibility, as stated, is too limited in its scope for most potential opportunities for innovative solutions arising as part of the energy revolution.

Supporting innovation through geographic limitations could be useful to help with development of potential local markets to support the evolving DSO roles. However, if a licence is required similar to those operating across the UK then the benefit of "local" would be lost. A special limited licensing arrangement would be more appropriate particularly if it met the needs of operating a local market and addressed local network management needs. This approach could help reduce entry costs and allow for local community benefits to prevail and still contribute indirectly to network management.

Exemptions would be helpful if they reflected the developing holistic energy solutions caused by the move to bundling consumer services. Allowing reasonable cross and combined generation/distribution and supply exemptions would allow such innovative solutions to flourish and open up new sandbox opportunities for pilots and trials.

Welsh Government agrees with the Energy Systems Catapult statement relating to universal services: *The Energy Systems Catapult has argued that the 'people, housing stock, energy networks and opportunities for change are all unique to an individual local area. Businesses need to build local knowledge and relationships in order to install low carbon generation, heating and energy storage in homes and neighbourhoods.* This ties in with the local nature of developments.

The proposals for consumer protection to introduce more licences when the existing licensing arrangements have been found to restrict innovation and evolving of the new services as stated as a rationale for change seems illogical. The focus should be on the service contract to the final user of minimum delivery standards, which is standard across the provision of those services. Most consumers will have no interest in how those services will be provided and how they are regulated but will be interested in having wider choices of different organisations offering them service contracts. Too onerous regulations and licensing will restrict those choices.

For this reason the authorisation regime could be more aligned to the ability for emerging services to flourish using a principle based formula although retention of the supply licence remains a potential sticking point if existing licensed suppliers do not embrace the emerging services and collaborate freely with potential disrupters and new entrants to provide holistic service solutions.

The proposed more radical modular regulation changes aims to regulate on services offered. Whilst this could be an approach, the examples given on types of services are too fragmented and cut across the evolving bundling of services concepts emerging in the market. For instance, appliances and batteries merge with EVs for demand side management as part of emerging prosumer packages and consumers seek one organisation to provide these services not multiple regulated services. Modular is more likely to reflect heat, power, storage, mobility and digital services with choices of what components you want in your package through a pick and mix services option



**6. Are there any other potential market distortions we should be considering as part of our review?**

Distortions can occur by entry into the market with new disrupters or entrants and particularly where consumer offerings may be affected by different rules and regulations.

Welsh Government believes disruption is occurring with the entry of digital into the energy market and the influence of big data informing management of the energy networks and the entry of demand side management as well as storage helping with supply side management. For instance the entry of car manufacturers and suppliers entering into the storage and solar market bundled with a car.

Similarly, there are likely entrants from different markets entering into the new energy space including digital/social platform and other utilities such as water. In the case of water utilities, we should see the potential for incorporation of water and sewage into the mix of generation, distribution and supply of energy. This brings in the potential distortion to the market where different telecom and water regulation and governance requirements can affect how these operate in this new market space. The proposal for introducing new arrangements for entry into the energy market will need to take account of the impact of this on existing telecom and water governance arrangements which could lead to complicated cross over interpretation which could inhibit the required integration of utilities across the board to support holistic solutions which are emerging.

**7. Would removing the thresholds for the Energy Company Obligation and Warm Home Discount help remove imbalances in the retail market, and could this be done without significantly increasing barriers to supplier entry or expansion in the retail market?**

The Welsh Government previously welcomed the reduction in the account thresholds applied to energy suppliers as part of ECO3. Impacts of this policy must be monitored as additional costs may be incurred by smaller suppliers and household bills may be increased by the application of social levies on bills. The Welsh Government considers this additional “tax” on lower income homes struggling to meet the cost of their home energy needs is a regressive tax. Measures funded through energy suppliers under the ECO programme should be funded by Government and not bill payers.

Data matching has proved useful in reducing the costs to suppliers of delivering the Warm Homes Discount. Other administrative changes which have increased the scope for suppliers to trade under ECO are also reducing costs. Obligations should not be designed to distort competition and an even playing field should be encouraged. Welsh Governments therefore believes it would be appropriate to remove thresholds from Warm Homes Discount and Energy Company Obligation.

All players in the market should be able to manage a portfolio approach involving a spread of different end users in the market place [as with finance investment sectors and others] both local and national players. In return for less paperwork, lighter entry and less onerous licence requirements, those entering and involved in the market should produce plans which propose the spread of consumers they are able to accommodate [taking into account their risk and financial profiles] and the contractual services they are going to offer such consumers. Negotiations of these figures would form part of their participation requirements to ensure an equitable spread of all consumers is achieved, so that no one is left behind. It also avoids cherry picking of key customers at the expense of others and weighting of more expensive customers across all participants on a business footing. Failure to deliver also means their participation in the market is at stake.

This approach avoids the need to differentiate different schemes as consumers are included in plans with the focus on services to the end consumer and the spread across the portfolio of those operating in the market place with relevant governance will be a safeguard.

Failing that approach, the Science and Technology Committee noted in their report that the Energy Companies Obligation scheme was restricted to vulnerable households in November 2018, despite the Government conceding that this would result in lower carbon emissions reductions being achieved.

The report also noted in 2017, the Government launched a consultation on how to build a market for those able to pay for their own domestic energy efficiency improvements. However, the report states this has still not been announced as a new policy framework.

**8. How could the delivery burden on suppliers from the Energy Company Obligation be reduced, for example through the introduction of a buyout mechanism?**

If the requirement to deliver to different consumers appropriate as highlighted in our response to question 7 then the only time there would need to be flexibility would be if a participant wished or had to leave the market. As with the current arrangement then the obligations and transfer of consumers should transfer to a named participant, however this would need a review of whether they could cope with the range of consumers involved in the transfer which could mean a balancing mechanism is required as an interim measure until the next planning stage is reached.

Welsh Government believes that a buy out mechanism for the Energy Company Obligation could be a useful mechanism to reduce costs, and improve targeting of ECO measures. It was possible under predecessor energy company obligation schemes for suppliers to trade measures with government schemes, such as Warm Front and Welsh Governments Home Energy Efficiency Scheme. Welsh Government believe that introducing a buy out might open up opportunities to more closely integrate delivery of our Welsh Government Warm Homes Nest and Arbed programmes with supplier obligations. We would welcome the opportunity to deliver measures on behalf of obligated suppliers under our Welsh Government Warm Homes programmes.

## **9. What effect does the range of Energy and Climate Change Policy Levies have on the retail market?**

This is a real problem area for innovative schemes as it affects the ability to build up different value chains due to the current inflexibility of charging. Whilst there are difficulties with the transference of charges to others, there are opportunities when piloting a temporary exemption of charging to allow for innovation schemes could result in overall reductions for everyone in the long-term.

Currently there are no opportunities for exemptions on charging to allow building of different value chains, tested and deployed. The charging proportion of bills covering these levies is significantly increasing in proportion of the bill as energy efficiency reduces demand and other efficiencies reduce other parts of the bill. The potential for exemption in this area would help to develop new thinking of support for renewable energy activities as part of the consumer bills.

As a result the range of Energy and Climate Change Policy levies adds considerably to customers energy bills without any direct links to them receiving benefits – rather the perception often is they are funding shareholders in companies or investors in solar and wind farms not linked at all the local community in which they live.

According to Ofgem, in 2018 more than 20% of a domestic electricity bill was made up of environmental and social obligation costs. In addition, the variety of levies, and administrative thresholds and procedures are likely to lead to some degree of market distortion if suppliers are required to deliver energy and climate change levies simply as a lever of government actions over which they have no controls. At least in the case of VAT or taxes there are some instances when rebates or refunds can be provided to participants in the chain.

There have been several recent examples of suppliers failing to meet their obligations, under Feed in tariff and the Renewables Obligation for example, and either having their licences revoked for failing to do so or going into administration. This risks further distortion should other suppliers be expected to make up shortfalls, or policies failing to deliver the outcomes expected. Ofgem will need to understand why these are occurring to inform improved ways of meeting commitments in these areas without reducing competition but also ensuring a fair playing field is achieved across the board.

## **10. What actions could government take to reduce any negative impact of Energy and Climate Change Policy Levies?**

As stated our response to question 9, the current approach does affect the ability for building new offerings in the market place brought about by innovation. There is a need to allow opportunities for exemptions from current charging structures to allow pilots to build new value chains, which in the long-term could become disrupters to thinking of current charging for renewable improvements on an equitable basis for everyone.

Welsh Government believes the role tax payer funded policies, generally a less regressive solution, in delivering the low carbon transition should be re-evaluated. This could be a potential solution to reducing the negative impacts on consumers in vulnerable situations. Current industry schemes are overly complicated, imposes costs on suppliers funded by bill payers who are least able to meet these costs. Schemes such as Warm Homes Discount and ECO should be funded by UK Government ensuring arrangements are in place to avoid inflationary pressures in the energy sector.

**11. Do you agree that now is not the time to make further changes on system and network cost recovery, metering and access to data as part of this retail market review?**

Recovery of network and recovery systems costs is subject to alternative review arrangements. However, their integration into supplier bills does mean there is an impact on the perception and competitive ability of suppliers.

With the move to national and local considerations, the role and flexibility offered to local DNOs and DSOs will be key to determining whether innovation will flourish and whether local benefits and contributions made by local and national organisations are understood and logically defensible.

Whilst it is argued all UK consumers should be treated the same, the split into local distribution regions undermines this concept when the ranges of allowed charges for distribution networks has differentials. Consequently, the outcome of this separate review should ensure the read across to the retail market has logic and transparency of similar impacts on supplier bills wherever consumers are located.

Welsh Government agrees that it would be disruptive to make changes to metering arrangements in an intense period of meter related activity such as now. However, this should not be seen as an impediment to implementing the recommendations of the recent Energy Data Taskforce report.

In addition, as part of interim arrangements there should be opportunities provided for trialling more innovative type meters in pilot schemes as part of innovation projects to see whether they help in improving building and local network management as well as offering positive lifestyle choices for consumers. Exemptions to pursue this would be welcomed.

## **12. What total costs do suppliers face with regards to bad debt and supporting consumers who struggle to pay for their energy?**

The Welsh Government is not in possession of the costs incurred by suppliers managing bad debt. There is some evidence from advice providers in Wales to suggest energy suppliers support for people struggling to meet the cost of their energy supplies is reactive, tending to rely on application of discounts available through funding derived from social policy levies on household bills. Suppliers are ideally placed to take a more proactive role in working with consumers proactively when difficulties meeting the cost of their energy materialises. Suppliers could work with householders to reduce consumption, improve thermal efficiency and avoid installation of prepayment meters utilising unaffordable tariffs.

As with all businesses, there are issues over potential non-payments by customers, and these risks accounted as doubtful or bad debts. Robust risk registers set out how such risks are going to be offset and minimised. Reviews should highlight the situation with individual suppliers on whether their forecasts reflect reality on an annual basis. Comparisons between different suppliers would highlight if there are problems in spread of risks across the market participants. The financial conduct authority monitors levels of bad debt across the financial services sector to ensure the viability and longer term sustainability of the sector is not undermined. Ofgem could fulfil a similar role into the energy supply market to ensure suppliers work proactively with bill payers to ensure falling into difficulty is avoided. Similarly, the installation of prepayment meters and the potential for self dis-connection should be curtailed.

There are agencies already providing support to consumers who struggle with their bills, including Citizens Advice. Perhaps strengthening the links between suppliers and such agencies could help as part of risk management strategies.

**13. How could any potential distortions related to high cost-to-serve customers be addressed, for example by the provision of additional support services for customers struggling to afford their energy?**

The UK Science and Technology Committee's 'Clean Growth: Technologies for meeting the UK's emissions reduction targets' report recommends the Government should support local authorities and members of the public in contributing to the UK's net-zero target. This includes local authorities taking access to long-term finance, and central guides and an advice service for the public. Local authorities in most cases are perceived to be trustworthy by their residents.

As highlighted in our response to question 7, positive planning for contract services across a range of consumers will ensure all consumers receive appropriate services and would spread the distortions across the market place suppliers. Similarly providing information on contract services being offered will highlight if there are going to be gaps in support services for struggling consumers.

Failing this, Welsh Government believes there is a useful potential role for third-party support services to help customers reduce their energy costs and make their bills more affordable.

People forcibly placed on prepayment meters by the energy companies should be placed on the lowest tariff, not the highest tariff. Welsh Government would welcome BEIS working closely with industry to achieve this objective.

Energy suppliers are ideally placed to support people who initially encounter difficulty meeting the cost of their home energy needs by:

- Identifying and working with bill payers to reduce their energy demand to maintain a healthy, safe and comfortable home environment;
- Ensuring people on lower incomes are on the lowest available tariff without needing to engage with comparison sites
- Supporting bill payers to improve their financial resilience to avoid future crisis



**14. Would addressing market distortions (for example size-based obligation thresholds for some policy schemes, supporting those who are struggling to afford their energy bills) help reduce incentives for suppliers to adopt pricing strategies that lead to excessive prices for loyal consumers? If so, to what extent (providing quantitative evidence, where possible)?**

It is helpful that Ofgem sets out how it intends to improve its distributional impact tools, including consumer archetypes, to gain better insights into the impacts policy decisions have on different groups of consumers, particularly those in vulnerable situations. As with marketing, the use of archetypes can help to ensure the right services focus on the right consumers and therefore an essential robust tool will be required to support policy decisions during the energy transformative period. The tools should enable a balance between consumers to be achieved on a transparent basis to help understand the nuances between different policies.

Currently, the Standard Variable Tariff 2018 cap doesn't offer protection for the at risk consumer in the sense when the estimated costs of supplying gas and electricity go up, the cap increases to reflect increases in network, policy and wholesale costs.

**15. What are your views on the measures being considered to address loyalty penalties in different markets? What approach or – combination of approaches – would be most effective in the energy retail market?**

The Welsh Government welcomes the commitment to take action to address the loyalty penalty, which has emerged in the energy market. The competitive commercial market favours people on higher incomes with the flexibility to source better deals in the market. Suppliers need to be encouraged to manage a balanced customer base wherein cross subsidisation can take place to ensure bill payers on higher incomes can support bill payers on lower incomes to meet their energy needs, especially people on lower incomes who are at risk of avoidable ill health or premature death.

Welsh Government notes proposed measures set by the CMA, however, research has identified there are a myriad of underpinning reasons for different consumer reactions and interactions with energy. Intervening in the market without understanding these could end up making situations worse.

How to get engagement and understand what help individual consumers need to make their choices does not often lend itself to a one size fit all solution. This would seem to imply a mix of support tools are needed and those closest to individual consumers who understand their needs are more likely to be in a position to help them make suitable choices. Reviewing examples from others on how they have interacted with local people may be helpful to consider i.e. engaging with more IT, where families and friends help people engage with the digital world, there are examples of banks employing trusted local neighbourhood champions to help support their elderly and vulnerable customers to engage with digital accounts.

Similarly, libraries and other community centres also provide support in a range of areas including training and access on their computers. Such resources could help to promote engagement with the energy market online with a holding hand in case there are problems. Other innovative solutions emerging relate to those with individual interactions with potential consumers such as GPs/Nursing where social prescribing is evolving and ideas include energy forming part of that prescription model.

**16. What other approaches could be adopted to ensure loyalty penalties do not re-emerge?**

No comment

## **17. What protections or support may be required to engage consumers in vulnerable situations in the future market?**

The consultation document recognises while many suppliers go to great lengths to support customers, across the market, extra services or support in relation to energy debt is uneven and often ineffective. Welsh Government supports the view, vulnerable customers in regulated markets often get the poorest value deals and are at the greatest risk of harm, these consumers would benefit from a deeper relationship with the energy company beyond the setting up of a payment plan.

People struggling with arrears may need help to better manage their energy needs, or may benefit from improvements to the energy efficiency of their homes. A requirement of ECO could be interlaced with the billing departments of energy companies to identify those in arrears and who may benefit from the installation of energy efficiency measures.

Ofgem advocates the switching of energy providers to ensure the best deal. The consultation document notes switching is a main link to market in the mind of the consumer. Welsh Government would welcome the regulation of switching services, particularly if switching services are likely to become a prominent tool in ensuring the best deals for consumers in future markets.

Improving the identification of vulnerability is a real challenge and the smart use of data could be utilised better to identify those who pay higher bills and are at risk of detriment. Welsh Government is aware of pilot data sharing projects and the ambition to roll out Priority Service Register (PSR) data sharing across the water and energy sectors by 2020. The function and universal requirements of the PSR should be made clear with common standards for information held, and guidance on what happens to the data introduced.

Consumer tools must be simple and accessible for all, with redress processes in place if things go wrong. Welsh Government agrees additional support will be required to enable some consumers to benefit from innovation. Emerging technologies must ensure the customer is being well served and Welsh Government would welcome guidance on the 'wrap around' arrangements for vulnerable customers, when things go wrong with innovation can the problems be dealt with effectively and efficiently at no extra cost to the consumer.

Policy officials from Wales would be keen to engage and have discussions over the development of appropriate legislation and regulation to ensure a uniform and consistent approach across the UK enabling the protection of consumers at risk of detriment if proposed action or policy has an impact on devolved matters.