



**Consumer
Focus**
Campaigning for a fair deal

Consumer Focus response to Ofgem's vulnerability strategy

December 2012

About Consumer Focus

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. We tackle the issues that matter to consumers, and 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.

Following the recent consumer and competition reforms, the Government has asked Consumer Focus to establish a new Regulated Industries Unit by April 2013 to represent consumers' interests in complex, regulated markets sectors. The Citizens Advice service will take on our role in other markets from April 2013.

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Introduction

Consumer Focus welcomes the opportunity to respond to the updated proposals document. Our response is not confidential and can be placed on your website.

With energy costs continuing to rise and the wider pressures on consumer finances unlikely to decrease, it is essential that households in the most vulnerable situations are able to benefit from additional protections and support in order to ensure they can keep warm and well.

Ofgem's proposed strategy reflects a number of Consumer Focus's long-standing policy positions. We are pleased that the regulator will be developing a more holistic approach to considering the needs of consumers in vulnerable situations namely that:

- Vulnerability can be long-term in effect or it can be a dynamic state – like unemployment, or bereavement

AND

- Society is not simply divided into 'vulnerable groups' and the rest
- Vulnerability can be caused by external factors such as an organisations' actions or the nature of certain markets

This latter point is very important for any proposed strategy of Ofgem's. As a regulator it has an essential role in ensuring that the market delivers for consumers in vulnerable positions.

Consumer Focus has attempted to define consumers in vulnerable positions 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.'

BSI has similarly defined vulnerability as: *'The condition in which a consumer is at greater risk of mis-selling, exploitation or being put at a disadvantage in terms of accessing or using a service, or in seeking redress.'* BS 18477

As a result, we were particularly pleased with the proposal that suppliers and distributors should consider implementing the BSI Standard 18477 on inclusive service provision.

Consumer Focus is an advocate of increased data matching to ensure that the limited funds available to assist and support consumers in vulnerable situations are able to stretch further. We would welcome Ofgem's support in this area. There is strong support in principle across industry and consumers groups to make this happen. Please see our response to Question 7.

Our only area of concern with Ofgem's approach, where we think further consideration is needed, is the proposal for the creation of a new vulnerability network. Please see our response to Question 5.

In addition, we believe Ofgem's existing remit should be expanded in order to reflect the changes in the energy sector. In particular we think Ofgem should take on responsibility for off-gas consumers as well as heat consumers where a protection gap currently exists. Obviously this is a matter for Government to consider but we think there would be numerous benefits for consumers if there was a single regulator in this area. Please see our response to Question 2.

Responses to specific questions

Question 1: Do our proposed Strategy themes provide an accurate reflection of the work Ofgem should be doing to help protect consumers in vulnerable positions?

Yes. Consumer Focus agrees that the five themes are appropriate but the themes and workplan should be developed to proactively look at the behaviour of companies and markets that put people in vulnerable positions.

Our comments on the individual themes are as follows:

Theme 1: Developing targeted and effective regulatory obligations

Priority Services Register

Consumer Focus welcomes Ofgem's commitment to reviewing the effectiveness and awareness of the Priority Services Register (PSR) maintained by both suppliers and distributors. While the PSR is a useful tool there are clear limitations of a scheme that starts with a set list eg:

- people of pensionable age
- disabled people
- people who have hearing loss and/or are partially sighted
- have long-term ill-health

This list is going to include and exclude some people who are and are not in vulnerable positions.

We have recently worked with the networks customer and social issues working group (co-ordinated by the Energy Networks Association) to facilitate and share information and ideas about how they might improve the way that they identify and support vulnerable consumers. This group has been considering how it can improve and increase the number of consumers on their company PSR, and engage in a more meaningful way with consumers in vulnerable situations more generally. Consumer Focus would be happy to share the findings of our information request and feedback. We should be in a position to share this information with Ofgem in late January 2013 once the network companies have provided further comments on the document.

In addition, Consumer Focus has proposed a project that its successor body is planning to take forward in 2013/14, working with CCWater, Ofgem and Ofwat to consider how there might be better and closer co-ordination across the energy and water markets to:

- Identify synergies between the obligations and practice across the sectors
- Explore opportunities for data sharing / the introduction of new data flows between companies about consumers on the register
- Consider how to make it easier for consumers to sign up just once for all of the essential services registers
- Raise awareness among consumers of their rights

We are keen to work closely with Ofgem in its review of the PSR, and to ensure that the proposed RIU project is a complementary piece of work which can help to build synergies across markets and facilitate learning across industries.

One practical change that Ofgem could introduce is to require suppliers to automatically provide the names of consumers on the PSR to the network operators. At present suppliers are only required to pass on the meter details (address) and a high level code detailing the consumer's particularly vulnerability eg electricity dependent medical condition, age, etc. Network operators are then required to search for the consumers' names using other databases under a time consuming and manual process. It is a highly inefficient use of resources on the network's part when the supplier already holds this information. Improving this process would require a change to the Master Registration Agreement (MRA) process.

Securing compliance with social obligations

We would like to see Ofgem have a continued role in assessing the validity and accuracy of the social monitoring statistics. Consumer Focus uses the social monitoring figures as one of the key indicators to help us determine our work priorities. We agree with Ofgem's review that it is the responsibility of the suppliers to submit accurate and timely figures and the onus should not be on Ofgem to investigate and resolve problems with the figures. There remain ongoing problems, although they appear to be decreasing, with the accuracy of the confidential figures. We would like Ofgem to improve the process whereby Consumer Focus and others are alerted when the confidential or public figures have had to be revised.

Similarly we still believe there is merit in Ofgem continuing to compile and publish a comprehensive report on the figures. If the onus is on suppliers to publish the figures on their website, the visibility of the figures is likely to decrease along with individual suppliers providing differing (and probably conflicting) context to explain their figures.

Review of the Debt Assignment Protocol

Consumer Focus welcomes the voluntary agreement with suppliers around the extension of the financial limit for the Debt Assignment Protocol (DAP). We have long been concerned that the DAP has delivered virtually no difference to switching rates for prepayment meter (PPM) customers. The increase in the limit to £500, as well as the plans to further promote the existence of the DAP, will hopefully improve things but Ofgem must continue to monitor the success of the scheme.

Theft of gas

Consumer Focus has worked with Ofgem to ensure that the needs and circumstances of vulnerable consumers are considered as part of the theft risk assessment service (TRAS) and code of practice. It is essential that the code of practice encourages suppliers to identify consumers in vulnerable circumstances, safeguard any consumers that may be at risk and ensure that ability to pay is taken into account when agreeing any repayment rates (particularly for first offences). Consumer Focus has had some concerns about the narrowness of the licence condition definition that has been applied in the code of practice – particularly in relation to financial vulnerability/low income. If the regulator's approach to defining vulnerable consumers is modified in light of this vulnerable consumer strategy and consultation, we recommend that the code is amended to that effect when appropriate.

Network companies

Consumer Focus has undertaken a range of work with the overall aim of delivering affordable warmth for consumers who use fuels other than mains gas for heating, and we participated in the October event mentioned in the consultation document.

However, our research¹ shows that the individual circumstances of these consumers vary considerably, and correspondingly, a wider range of responses is needed than is discussed in paragraphs 3.17 – 3.21. We appreciate that some of these measures are beyond Ofgem’s remit. However, there are measures, including but not limited to changes to gas network extension, which are relevant, all of which were discussed at Ofgem’s workshop on the 19 October. These are set out in the table below.

Off-gas consumers’ circumstances	Response and relevance to Ofgem’s programmes
Mains gas available in the property, but not used for (central) heating	Installation of gas central heating should be supported through the Energy Company Obligation (ECO)
Mains gas locally available, property not connected	Extension of gas network (at household or community level) where economically viable, ECO as above to support in-house system
Mains gas locally available, safety reasons (eg high rise flats) are barrier to individual gas central heating systems	Combined heat and power (CHP)/District heating systems may be appropriate response
Mains gas not available or not appropriate, storage heaters used	Consumer Focus research ² highlights a range of short term recommendations to improve consumers’ experience, including advice on use of storage heaters and clarity around time of use (ToU) tariffs, as well as longer term changes of heating systems and moves to smart metering. Ofgem should work with companies to encourage delivery of recommendations
Mains gas not available, heating oil or Liquid Petroleum Gas (LPG) used	Long term solutions likely to involve wider take-up of renewable heating, including biomass district heating for rural communities in villages/market towns. There is a role for Distribution Network Operators (DNOs) to ensure that electricity networks are capable of supporting larger scale take-up of heat pumps. Integration of ECO and renewable heat incentive (RHI) revenue stream could enable installation of renewable heat in low income households’ homes

¹ <http://bit.ly/xHIq2O>

² <http://bit.ly/11axJHG>

A critical point in this discussion is that different solutions will be most cost effective and/or most suitable in different circumstances, and these should be weighed against each other. In some cases expansion of the gas network under the gas connection programme may be the most cost effective approach. In other cases however, particularly in more isolated rural networks, the installation of renewable heating systems may be a better option.

The long term costs should also be taken into account, particularly given that the Department of Energy and Climate Change's (DECC) Heat Strategy suggests that gas networks may be shut down by 2050, leaving the risk of stranded assets where this could have been avoided. The cost of installing heat pumps and other forms of renewable heating is also expected to reduce as these become more prevalent.

The distribution of these costs also varies as the cost of expanding the gas network is shared between all consumers, so it is regressive and will hit the poorest consumers hardest, whereas the cost of the RHI is funded through taxation. We are not aware that decisions to expand the gas network – or not – are based on detailed cost benefit analysis of individual cases including the longer term costs, and would suggest that vulnerable consumers – as all consumers – would benefit from the instigation of such analysis by networks or Ofgem in administering funding for the gas connection programme.

Further, it is likely to be some years before the solutions in the table above are available to all fuel poor consumers. Ofgem could have a particular role in ensuring that short term recommendations to improve the experience of consumers using electric storage heating/ TOU tariffs are taken up by energy suppliers (not DNOs). In the longer term, the RIIO process provides an opportunity to ensure that DNOs' grid upgrading programmes make provision for increased take up of heat pumps. A corresponding role for Ofgem is to recognise and consider ways of meeting the cost of upgrades: the current model, whereby the 'tipping point' customer pays for any upgrade needed is not appropriate for domestic consumers.

Theme 2: Promoting best practices among suppliers and distributors

Best practice in identifying vulnerability

We strongly support Ofgem taking a more public stance in promoting best practice. Consumer Focus regularly provides suppliers and distributors with confidential reports assessing their performance against their rivals. This information helps them understand where their performance can be improved.

Theme 3: Taking account of vulnerability in our work and being informed by research and insight

Perspective on vulnerability

Consumer Focus welcomes Ofgem's new approach and look forward to participating in the upcoming workshops. See also our response to Question 2.

Consumer Vulnerability Network

Please see our response to Question 5

Consumer research

Consumer Focus is supportive of this approach. Where appropriate, Consumer Focus has been sharing draft invitations to tender for our research projects with Ofgem to ensure there is no duplication of effort.

Theme 4: Innovating in the provision of advice and support

Please see our response to Question 5.

Energy Best Deal

While Energy Best Deal (EBD) has been successful in reaching a number of consumers, helping to raise awareness and improve their confidence in the switching process, our preference would be to employ the EBD+ approach piloted by Citizens Advice Scotland earlier this year. We think this process offers more practical benefits as it ensures the consumers are able to access the additional help and benefits on offer such as the Warm Home Discount (WHD), PSR, advice on cheaper tariffs and energy efficiency schemes.

The latest evaluation of the programme in England and Wales showed the extent people are acting on their intentions and actually switching to a better tariff – either by moving to another supplier or tariff – remains very limited. We therefore think it would be useful for Citizens Advice and Citizens Advice Scotland to partner with a Confidence Code accredited switching site(s) so that consumers participating in EBD events are able to receive direct support in switching to a cheaper supplier.

The proposed changes to bills and other supplier communications, via the Retail Market Review (RMR) process, should enable Citizens Advice Bureaux (CABx) or other advice agency staff to more easily carry out a search and find the best tariff for the consumer.

Similarly the midata programme could offer new opportunities for advice agencies to provide more practical support to consumers who need additional help with the switching process.

Collective switching

Although collective switching is still in its infancy in the GB market, it is already clear that the approach can offer an alternative, convenient route to market that has already been utilised by significant numbers of consumers. Within the last 12 months we have seen a plurality of schemes emerge, led by a diverse range of public-facing intermediaries, who in turn have worked with at least three different platform providers. The experience of other countries suggests there is potential for the approach to grow still further, with it having a positive impact on engagement levels.

Consumer Focus welcomes (and in some instances has assisted) the ways in which a range of trusted intermediaries, including local authorities, have embraced collective switching – a development which has seen these organisations play a direct role in stimulating consumer engagement with the energy market.

Of particular note are the initiatives that have sought to make tariff switching one part of a wider energy package that also includes energy efficiency measures and fuel poverty mitigation. This holistic approach – where one intermediary can co-ordinate a number of interventions – can offer clear benefits to vulnerable consumers. We look forward to working with Ofgem and other interested stakeholders to build on the progress that has been made to date in this respect.

In relation to collective switching, Consumer Focus welcomes the steps that Ofgem is taking to facilitate the growth of the approach, including its:

- Publication of more detailed guidance on SLC25 and the implications for collective switching schemes
- RMR proposal on an additional core tariff (the '5th tariff') for collective switches for both gas and electricity

- Forthcoming consultation on third party intermediaries, that will consider ‘the specific issue of whether current regulation provides an appropriate framework for collective switching services’

We intend to work closely with Ofgem on each of these steps.

As Ofgem is aware, Consumer Focus is currently undertaking two pieces of qualitative research that are testing consumer sentiment towards collective switching. The first project is looking at consumer reactions to the concept of collective switching across a range of demographics and several markets, including energy.

The second related project is being led by Consumer Focus Wales and is specifically examining the views of low income and/or fuel poor energy consumers in Wales who have never, or have very rarely, switched energy supplier.

Initial feedback from the Consumer Focus Wales research shows generally low income/disengaged energy consumers are supportive of the concept of collective switching. However, in many cases they needed to be talked through the process in some detail, indicating that getting the balance right between too little or too much information could be a critical factor in encouraging these consumers to engage with the process. The intermediary is also one of the main issues that people would need reassurance about. There appeared to be a general preference for the intermediary to be independent and non-profit making. Views on whether local councils could fulfil this role were mixed.

We will share our findings with Ofgem as soon as they become available.

We also think there is a role for Ofgem in monitoring the growth of collective switching schemes and their impact on the market. For example, it should:

- Assuming the approach establishes itself, make a regular assessment of the impact on consumer engagement – including analysis of which consumer segments are engaging and the benefits they achieve from doing so
- Analyse supplier participation, with particular focus given to how non-participation can frustrate initiatives
- Consider what steps it might take to ensure collective switching is fully opened up to PPM users

Theme 5: Working with others to inform wider policy-making to address vulnerability

We are supportive of the approach taken by Ofgem with regard to this workstream.

In addition to working with DECC and other regulators it will be critical that Ofgem continues to work with governments in each of the devolved nations, particularly where social and environmental policies and priorities are becoming more diverse. One such example would be to ensure appropriate links are made between Ofgem’s work on consumers in vulnerable positions, the Welsh Government’s Tackling Poverty Action Plan and the Scottish Government’s Fuel Poverty Programme.

Question 2: Do you agree with our proposed perspective on vulnerability? Are there other risk factors or features of the energy markets that could present issues that we have not covered?

Yes. Consumer Focus agrees with Ofgem’s proposed perspective on vulnerability.

As discussed in our earlier response, we believe Ofgem should consider using payment methods as an alternative indicator to monitor how different groups of consumers are affected by the market, particularly around the level of competition, prices and choices available to different groups of consumers.

As Ofgem is aware, Consumer Focus has established a new working group bringing together the Department for Work and Pensions (DWP) team, working on universal credit and the budgeting account, with energy suppliers and Energy UK, Ofgem and Citizens Advice. Consumer Focus's postal services team has been doing work on budget accounts. The group will look at how the DWP can learn from the energy sector's experience of dealing with consumers in debt. Furthermore, it will be helpful for the DWP to understand how and when energy suppliers are likely to introduce new payment methods or products that could assist consumers on universal credit to manage their energy accounts.

The new budgeting accounts proposed by DWP (formerly referred to as 'jam jar' accounts) have the potential to ensure a reliable regular method of payment for consumers who might have in the past experienced problems with budgeting and making regular payments for energy. As a reliable regular method of payment these accounts could also be a route into accessing payment methods that may not have been open to some consumers before ie those who prefer a PPM because it helps them budget on receipt of their income could in fact utilise a budgeting account and benefit from cheaper Direct Debit tariffs.

Separately Consumer Focus – with the Joseph Rowntree Foundation – will soon be presenting ideas for how regulators – including Ofgem – can help tackle the 'poverty premium'.

Another area of concern for Consumer Focus is the protection gap between gas and electricity supply consumers and consumers using solid fuel or district heating to heat their home. District heating and CHP are set to grow in importance as a result of the Government's Heat Strategy. There is an emerging regulatory gap, with these households not subject to the same protections as standard gas and electricity consumers. In addition, since consumers of heat are unable to switch suppliers, they may be further disadvantaged by lack of a competitive market, as there is little incentive for the incumbent supplier to keep prices down or customer service high.

Changes to the regulatory regime will also be required to reflect the growing convergence between other related markets, not least the energy efficiency market. For example the Green Deal is set to present a number of challenges. The smart meter roll-out with the introduction of in-home display (IHDs) units and new smart appliances will also offer further regulatory challenges if problems occur with these technologies and have a detrimental impact on consumers' energy bills.

Question 3: What is your view on whether the BSI Standard on inclusive services could provide a practical approach to adopting our perspective on vulnerability?

Consumer Focus welcomes Ofgem's view that suppliers and distributors should adopt the BSI Standard on inclusive services.

We agree that there will be challenges associated with making the standard operational. The proposed workshops should help companies figure out how practical ways to implement the standard.

Question 4: What are your views on other approaches suppliers and distributors could take to adopt our proposed perspective on vulnerability in practice?

We agree it would be helpful for suppliers and distributors to adopt the BSI Standard BSI8477.

We think that the joint debt and disconnection work carried out by Ofgem and Consumer Focus is an example of how this approach is already being taken forward. The joint reviews have been influential in delivering improvements to suppliers' processes and encouraging them to think more widely about how to assist consumers in vulnerable situations.

Since 30 November 2012, Ofgem has had a role in ensuring compliance with new licence conditions linked to the usability of energy displays offered to customers as part of smart meter roll-out. We hope that Ofgem will encourage suppliers and manufacturers to use the Guidance recently produced by Consumer Focus and the usability experts, Ricability to help with compliance.³ The research that underpins this was co-funded by Energy UK, E.ON and British Gas.

Question 5: What are your views on our plans for developing a Consumer Vulnerability Network and are there additional organisations that we should engage?

Consumer Focus is supportive of the idea of developing a consumer vulnerability network. However, before Ofgem creates a new network, we think it would be helpful if a wider review is carried out, possibly linking to plans to reform the Public Utilities Access Forum (PUAF).

Consumer Focus has been providing advice and topical briefings to advice agencies since 2008 via our consumer community newsletter and the advice agencies section of our website. As part of the transition to a regulated industries unit, Consumer Focus has been reviewing whether this work should continue or be handed over to another body such as Citizens Advice/Citizens Advice Scotland or Ofgem. Another option is whether there is an opportunity for improved partnership working between our two organisations. Both of our organisations have an interest in ensuring that advice agencies and other organisations are provided with topical and up to date information on energy issues. Both of our organisations are seeking to reach the same audience.

Consumer Focus has previously promoted the idea of producing generic leaflets on topical issues to which other national and local organisations could add their logo. This would ensure that standardised information is provided to consumers via the advice community.

Separately as Ofgem is aware, Consumer Focus has asked DECC to establish a working group bringing together all the official bodies and Government departments working on energy issues with the aim of developing a co-ordinated consumer engagement strategy.

Our hope is to address the increasing proliferation of helplines and to try and create a one stop shop for energy consumers. One of the other issues this group could look at is engaging the wider advice community. This reflects the approach promoted by our *Making the Connection* report.⁴

Our concern with Ofgem's current proposal is that while advice agencies will be interested in energy supply and distribution issues, they are also likely to be interested in

³ <http://bit.ly/TPDm6s>

⁴ <http://bit.ly/SuWZoH>

energy issues that go beyond Ofgem's current regulatory remit. For instance, while Ofgem could provide advice on fuel poverty schemes run by distributors, other off-grid consumers may also be interested in options such as installing micro-generation as an alternative to solid fuels – this information is currently provided by the Energy Saving Trust's (EST) Energy Saving Advice Service (ESAS).

Advice agencies will also be advising or assisting consumers whose homes are heated by solid fuels or who live in a building with district heating, etc. Advice agencies may be increasingly assisting consumers with problems that are caught between the remits of different regulators, eg those having problems with an IHD for their smart meter or a problem with the installation of Green Deal measures.

We believe that the creation of a pan-regulator/consumer body network would be more useful and could be supported by a centralised website with downloadable documents, topical briefings, regular circulation of an e-newsletter, etc. For example bodies such as Consumer Focus's successor, Ofwat or Ofcom, etc may be interested in utilising this network.

We also suggest that Ofgem takes advantage of existing networks to get its messages out such as the National Energy Action (NEA) Fuel Poverty forums or Citizens Advice regional financial capability forums. Consumer Focus has provided funding to the NEA forums for the past two years and has found it to be a useful forum to ensure our messages reach practitioners.

Question 6: What are your views on our proposed annual workplan for 2013/14?

Please see our response to Question 1 for comments on the individual aspects of the 2013/14 workplan.

We welcome the opportunity to participate in the working group on embedding vulnerability.

Question 7: Do you believe that there are other areas that we should be specifically addressing in the workplan for 2013/14?

Safety Net

Energy UK has recently amended the existing Safety Net agreement, and Consumer Focus urges Ofgem to closely monitor the application of it by suppliers, and to encourage the smaller suppliers to also move toward adopting (or going beyond) the minimum definition set out in the Safety Net.

Consumer Focus continues to recommend 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. This would mean universal protection for all households with children under 12 all year round, and protection for the most vulnerable households with children under 16 all year round.

Shared supply

Consumer Focus is particularly concerned about domestic consumers living in shared supply premises where the electricity and gas is supplied under non domestic contracts. We note that Ofgem has previously published guidance⁵ on this matter stating that it expects suppliers to offer the self regulatory Safety Net protections to these consumers. The companies that have formally agreed to abide by the Safety Net are all domestic suppliers, namely the Big Six. While the non domestic businesses of the Big Six do appear to adhere to the Safety Net provisions, there are a large number of non domestic licensees that are not signed up.

This is an issue both our organisations questioned suppliers about during our joint debt and disconnection meetings with non domestic suppliers earlier this year. Our Extra Help Unit continues to experience problems with non domestic suppliers who have disconnected properties with a shared supply, which causes severe detriment for the domestic consumers living above the business premises.

Following our meetings, we're in the process of providing non domestic suppliers with individual feedback on their debt and disconnection processes including identifying areas of best practice along with suggestions as to where we believe their processes could be improved. This is an area we would like Ofgem to monitor more closely. We'd also like industry to consider how such properties could be logged eg could details of shared supply properties be highlighted on the meter point database.

Consumers affected by maximum resale

Consumer Focus has a number of concerns about consumers living in properties where they do not have a direct relationship with the energy supplier eg where the energy is resold. Common situations include leaseholders paying charges to a freeholder for a communal energy supply to residents of a park home or House in Multiple Occupation (HMO) paying money to their landlord. Awareness of the rules around reselling energy (known as Maximum Resale Price) appears to be very low among both consumers and resellers. The redress route for consumers who have experienced a breach of the rules can be difficult, particularly for consumers in vulnerable situations. Many consumers may lack the knowledge and money to use the court system to obtain redress. Similarly many consumers fear that complaining about this issue could lead to a worsening relationship with their landlord or even the possibility of eviction.

We are currently unaware how widespread the reselling of energy is, what groups of consumers may be particularly affected by it and how widespread breaches of the Maximum Resale Price are. Anecdotal evidence from consumers and advice agencies suggests that energy reselling may be more common in the lower end of the private rented market such as HMO and bedsits. It has also been suggested to Consumer Focus that the recent boom in 'accidental landlords' (eg people forced to rent out their main property due to relocation or negative equity) has led to a rise in landlords keeping their property's utility bills in their own names rather than that of the tenant. Consumer Focus has recently commissioned an Omnibus survey of private tenants to better understand these consumers' experiences and we would be happy to share the results with Ofgem in early 2013.

Over charging is only one of the problems that can affect consumers who live in properties where energy is resold. By virtue of not having direct relationship with an energy supplier, consumers in this situation can be put at significant disadvantage.

⁵ <http://bit.ly/fRADvf>

This is of growing concern given the current Government's focus on delivering help for consumers in vulnerable situations and behaviour change programmes through energy suppliers. Energy suppliers are unlikely to be aware that there are vulnerable occupants in the property as their relationship will be with the landlord. These consumers will be unable to:

1. switch supplier and access cheaper deals
2. receive information about their energy usage such as bills and annual statements that could help them to understand and reduce their energy use
3. access financial assistance schemes such as the Warm Home Discount or signing up to the PSR
4. access the normal redress routes open to other energy consumers such as the Energy Ombudsman. Our Extra Help Unit has taken on such cases in the past where the property was at risk of disconnection or disconnected but it is difficult to obtain a successful resolution as the energy supplier does not have a direct relationship with the tenants

We would be keen to work with Ofgem to understand the extent of energy reselling and in particular the impact this has on consumers, particularly those in vulnerable situations. For instance it may be appropriate for Ofgem to take additional powers to enforce against breaches of the Maximum Resale Price.

Further details about our concerns can be found in the Consumer Focus Wales report 'Park Life'.⁶

Switching speeds

We would like Ofgem to explore the impact the current length of the switching process eg three to five weeks, has on consumers' willingness to switch. Consumer Focus recently commissioned some omnibus research on switching and the results showed that low income households were more likely to drop out of the switching process. We would be happy to share this research with Ofgem.

Low income households operate on tight margins and it may be that the lengthy switching process, including the risk of receiving two energy bills in a one month period, may have a significant impact of consumers' willingness to switch.

Consumer education strategy

As mentioned in our response to Question 5, we would like Ofgem to support our request to DECC for the establishment of a new working group to develop a single consumer education strategy for energy consumers. We believe this is essential.

Restructuring tariff structures to make them more socially equitable

As Ofgem is aware, Consumer Focus is leading a Fuel Poverty Advisory Group (FPAG) working group composed of suppliers, non-government organisations (NGOs) and others to investigate the potential for reforming tariff structures. The group is investigating three potential options:

1. Provide a protected block of consumption to which no levies are applied, then progressively increase recovery rates for subsequent blocks
2. Move recovery of fixed costs, both policy driven and other pass through costs eg distribution, to a consumption-basis
3. Provide social tariffs to certain low income consumer groups (based on Ofgem definition of 'social tariff')

⁶ <http://bit.ly/SkmuYq>

We originally intended to investigate Ofgem's proposal for a 'backstop tariff' pegged to a basket of tariffs to certain low income consumer groups. We note that Ofgem now intends to instead explore requiring suppliers to offer vulnerable consumers the 'market cheapest deal' as part of its latest RMR proposals.

We welcome Ofgem's involvement in the working group and would hope that it could work with us in providing the evidence base for possible reforms. We will respond to the 'market cheapest deal' proposal in our response to the RMR consultation. As well as feasibility, we consider a key concern is the likely extent of take-up by vulnerable consumers. The options under consideration by the working group are either based on inherent characteristics of low income and vulnerable consumers (ie they tend to have low consumption) or they assume benefits are provided automatically (as with the core group element of WHD).

Segmenting consumers

It would be helpful to increase understanding of how different groups of consumers are likely to respond to different types of prompts.

Consumer Focus has encouraged suppliers to treat consumers as individuals, take consumers' circumstances (including financial vulnerability) into account when agreeing debt repayment rates, to tailor communications and to use all opportunities and contacts with consumers as an opportunity to identify vulnerability. We have also encouraged the use of data sharing (for example credit reference information, data matching etc) which can be useful in helping to segment customers.

Delivery mechanisms

Suppliers can find identifying and targeting help at customers most in need challenging. Current approaches are often time consuming and not cost effective. Suppliers report it costs around £120 to find each priority group customer for the Carbon Emissions Reduction Target (CERT). Consumer Focus would welcome working with Ofgem on facilitating improvements in delivery mechanisms, so limited funds stretch further and help those most in need. In the coming months, we will be carrying out work to investigate the potential for greater data matching between Government and energy companies as part of this. There is strong support in principle across industry and consumer groups to make this happen.

Smart meter roll-out

Government has committed to mandate the roll-out of smart meters to every home in Great Britain. Roll-out entails energy companies or their representatives visiting every household to exchange the meter and offer and install an energy display. It provides a useful opportunity to identify customers in need, and help provide additional support and advice to low income and vulnerable consumers in a cost effective and tailored way, especially hard to reach groups.

We fully support Ofgem's commitment to formally consult on the Smart Metering Installation Code of Practice, we believe that there is much that could be done to strengthen the Code, particularly for vulnerable consumers.

We would welcome working more closely with Ofgem to understand how we can ensure maximum benefit is delivered to low income and vulnerable customers from smart meter roll-out.

We have recently published a report *Smart for All – Understanding consumer vulnerability during the experience of the smart meter installation* – which outlines a series of recommendations.⁷ This was jointly funded by ourselves and DECC with research carried out by NEA.

In addition, with consumer groups, we will be pressing for a set of key smart metering asks for vulnerable and low income customers. These include:

1. The right to an accurate bill and ending back billing where it is not the customer's fault, once a smart meter has been installed
2. The provision of accurate cost information on the energy display, rather than indicative costs only, which could help customers budget and better manage their energy use
3. A distributional impact assessment to be carried out on smart metering including smart tariffs. It is important that we fully understand who are going to be the winners and losers from smart so that appropriate protections can be put in place
4. Consumer Focus is also pressing for the development of an extra help scheme for low income and vulnerable consumers. The scheme could:
 - ensure low income and vulnerable consumers can access the benefits of smart metering so that nobody is left behind. This is particularly important as on average low income and vulnerable consumers might not see the same benefits from energy reduction, but are still paying for roll-out
 - maximise opportunities to mobilise and involve local support networks to access and engage hard to reach groups
 - improve the delivery of social assistance to low income and vulnerable groups – use existing resources more effectively and efficiently

We would like to see a scheme that covers the experience of low income consumers, pre, during and post installation of the smart meter. This could potentially include pooling resources from the suppliers' obligations and local programmes to deliver: benefits maximisation for customers; lowest cost tariff advice; behaviour change support including energy efficiency advice, referral to suppliers grant programmes for energy efficiency measures; alerting people to the PSR and other social assistance suppliers have available; and linking up with local community schemes and third party advice eg on debt. There are some examples of good practice in the water sector eg Green Doctor scheme operated by Southern Water with Groundwork.⁸

Prepayment

More than 13 per cent of consumers in Great Britain pay for their energy by using PPMs. Consumer Focus estimates that around 9.6 million people live in homes where they pay for their energy via a PPM. The number of energy consumers on this payment method has steadily increased with on average 1,739 PPMs installed every working day.⁹

⁷ <http://bit.ly/UUv7qY>

⁸ <http://bit.ly/WyOpTS>

⁹ <http://bit.ly/TCMMq9>

While not all PPM users are from vulnerable groups, they remain disproportionately on low incomes compared to those using other payment methods and the main reason for installations is debt (88 per cent).¹⁰ It is therefore particularly important that steps are taken to help PPM consumers.

PPM consumers face some particular disadvantages. These include: relatively higher cost tariffs; risk of self disconnection; inconvenience caused by the top-up process, problems with payment devices; particularly low levels of engagement, challenges switching supplier or switching payment method, and incompatibility with micro-generation.

Consumer Focus believes that the roll-out of smart technologies could offer substantial benefits to consumers currently prepaying for their energy and address many of these problems. This includes removing historic barriers to competition, putting a downward pressure on cost, providing greater customer convenience and improved customer service. In particular there are opportunities to help reduce self-disconnection and to better target assistance at consumers who are in financial difficulties. However, it is also clear that there is a real risk that these benefits will not be realised, and that prepay consumers could face new problems including a decline in service levels and increased costs. Consumer Focus has recently published a joint report with Accenture – *Smart Metering Prepayment in Great Britain – Making prepaid energy work in a smart world*. This outlines a key role for Ofgem to play in ensuring that the benefits of smart are maximised for prepayment consumers and risks minimised. We would welcome discussing this further with the Regulator – both the Smarter Markets and Consumer Protections teams.

¹⁰ <http://bit.ly/TCMMq9>



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