

## **Ofgem's Consultation on framework for consumer standards and policy options to address priority customer service issues - A response from Scope**

**May 2023**

### **Summary of Scope's response**

Scope welcomes the opportunity to respond to Ofgem's consultation on consumer standards, and we especially welcome Ofgem being proactive in this area. We support Ofgem's aims to improve consumer standards and customer service, areas that are currently a major issue for many disabled customers and households.

Scope's main point that we would like Ofgem to take into consideration is the need for more prescriptive-based regulations when it comes to supplier's responsibilities around disabled customers and households. Ofgem's rationale for principles-based regulations has been to encourage competition, but this has not worked – nor does it feel appropriate – as shown by customer dissatisfaction with suppliers and poor supplier performance. Therefore, to protect customers in vulnerable circumstances, more prescription over competition is needed in many areas so suppliers are completely aware of their requirements and duty of care.

In addition, Scope believes that Ofgem should focus on enhancing disabled customers access to customer service through increased capacity from suppliers, with a reduction in waiting times. Improving the quality of customer service provided by suppliers should also be a priority, along with improving complaint resolution outcomes which are currently very poor. Related to this, Ofgem knows already that debt repayment is an issue for both customers and suppliers, and we believe that minimum payments should be reflective of what customers can afford, and in some cases that may have to be zero.

We also have concerns over Ofgem's consideration of incentives for suppliers beyond reputation incentives. Whilst giving customers clear signposts to third-party organisations could potentially benefit customers, rather than further incentives financial or regulatory in nature, we would like to see stronger enforcement and stricter punishments for suppliers who either breach licence conditions or provide poor customer service.

Finally, it is likely that any changes and improvements to consumer standards and customer service will be met with push back on the grounds of increased costs and resources by energy suppliers. We do not believe these are strong enough arguments that should stop Ofgem from introducing new requirements of suppliers to improve consumer standards and customer service. Suppliers should already be providing a good service to customers, however Ofgem's research with Citizens Advice, and the fact this consultation is happening, clearly show this isn't happening. There is an argument to be made that supplier's alone should therefore absorb any extra costs that come with improving consumer standards and customers service, and not pass these on to customers. Furthermore, where suppliers make this argument, Ofgem should ask for proof and evidence of this.

## Context from Scope's research

The cost-of-living crisis is the biggest issue disabled people are facing right now. We already know that life costs more if you're disabled. Even before this current crisis, disabled people already faced extra costs of £975 per month on average. On average, the extra cost of disability is equivalent to 63% of household income after housing costs. These average extra costs rise to £1,248 per month where there are two disabled adults in the household and at least two children.

High energy bills are making the situation far worse - even with the current government schemes in place. Over a third of disabled adults feel that their impairment or condition has an impact on how much energy they use and 9 in 10 (91%) are worried about energy bills this winter<sup>1</sup>.

Lots of disabled people need to use more heating because they can't regulate their body temperature. Some disabled people need to charge equipment like electric wheelchairs and hoists. We've also heard from people who use life-saving machines like ventilators to breathe, or dialysis machines. This is lifesaving equipment; these costs can't be avoided.

Scope's dedicated Disability Energy Support service has seen a 670% increase in the number of referrals, compared with this period last year. Disabled people feel let down and forgotten by the government, Ofgem and suppliers, and are struggling with the price of essentials such as

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<sup>1</sup> Scope (2022), Cost of living – Policy report, <https://www.scope.org.uk/campaigns/cost-of-living-crisis/>

energy or food, often having to make devastating decisions about what to prioritise.

Energy and water companies have a duty of care to their customers, and licence conditions that require companies to offer support - particularly to their 'customers in vulnerable circumstances'. Support from energy and water companies is vital for disabled customers and must be available when needed.

However, we know this is not always happening. Energy debt is one of the topics that disabled people need most assistance with when they contact Scope's energy helpline. This strongly suggests that energy suppliers are not providing the help and support required. Far too often an energy supplier's response is to simply attempt to install a pre-payment meter (PPM) to recover the debt.

Scope's Cost of Living report from November 2022<sup>2</sup> found that disabled people often experience poor customer service from energy suppliers, and that interactions with supplier's are often negative. For example, our research found that over a quarter (28%) of those who experienced an issue with their pre-payment meter said their supplier didn't offer them any support.

More than 2 in 5 (45%) of households with a disabled person have experienced some issue with their energy supplier in the past 18 months. A fifth (18%) have been overcharged, reporting that their direct debit payments were too high. 1 in 8 received poor customer service (12%), while 8% have been subjected to incorrect bills or billing mistakes, with the same proportion (8%) saying their supplier has gone out of business.

### **Response to the Call for Evidence questions:**

- 1. Do you agree with our assessment on what good looks like for the issues consumers are facing relating to the priority issues of contact ease and identification and support/advice for consumers struggling with their bills. Are there any issues missing?**

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<sup>2</sup> Scope (2022), Do the Right Thing – Policy report, <https://www.scope.org.uk/campaigns/research-policy/cost-of-living-report/#The-impact-of-Government-support>

No issues appear to be missing, though there are several points made in answer to question 2. Ofgem should also keep what good looks like under regular review.

**2. Do you have any views on potential options to address priority issues and do you agree with the extra requirements we are proposing? Please supply evidence to support your response.**

**Methods of contact:** while making it easier for customers to find freephone contact numbers is good, it should be commonplace for all contact numbers, call charges, and alternative forms of contact to be clearly outlined under the contact section of all supplier websites. The extended hours and dedicated email address/webchats are a positive step forward, especially for customers on PPM.

Whilst Option 2 in theory sounds preferable, it is highly dependent on supplier staffing levels. We already know that customers are struggling to contact suppliers and that suppliers are often unable to meet their response deadlines. We would have concerns as to whether suppliers would be able to realistically deliver a service that is extended or runs 24/7. The priority for now should be that calls are answered in a timely manner.

**Customer needs:** customers in vulnerable situations being able to contact their supplier in a way that meets their needs is good, but “vulnerable situations” first needs to be clearly defined and better yet, consistent across all suppliers so that there is limited discretion applied. For example: freephone is positive for those unable to afford the call charges, however currently only 53% of consumers recalled being given the number, and only 22% of suppliers had freephone numbers for general enquiries.

Additionally, for hearing impaired consumers dependable online chat, email and text services would be hugely beneficial, as these services are often unmonitored. Also, the extended hours in the options proposed would be a welcome step forward. Although consumer accessibility is mentioned, consumers are now encouraged to go paperless, and whilst visually impaired customers can get bills in alternative formats, often people are unaware this is possible. This reinforces the need for consistency in the definition of “vulnerability”, and robust ways of identifying at-risk customers.

**Timely/appropriate responses:** this is an area where energy suppliers have been particularly lacking. Ofgem should put in place clearly defined deadlines and expectations for suppliers, and these should be reviewed if suppliers are not meeting deadlines. Whilst the two options Ofgem suggest are both positive, it would be beneficial to improve the current customer service provided and hire more staff. If suppliers are already struggling to answer calls and customers are waiting for long periods of time without getting through to their supplier, extending opening hours is unlikely to resolve much.

**Identifying customers struggling with bills/payment, debt prevention, proactive engagement:** suppliers contacting customers to arrange suitable repayment is positive and would help address the blockers customers face in contacting their supplier. Clarity is needed on whether this would be contact for customers considered vulnerable only, or all customers at risk of struggling/in debt. More prescription could be helpful on how suppliers identify such customers in relation to debt.

A Uswitch survey found that in July 2022, almost a quarter of households were already in energy debt, and 8 million did not have a credit balance that would usually be built up during the summer. This likely has an impact on PPM customers, due to the link between credit ratings and bad debt.<sup>3</sup> This would hinder PPM consumers in their ability to switch to Direct Debit (DD), due to the requirement of a good credit rating.

**Compassionate engagement with customers:** suppliers treating disabled customers with compassion is essential. More clarity is needed as to how compassionate engagement is monitored and regulated, and how consistency across suppliers will be achieved.

**Debt recovery:** fair and proportionate repayment plans are essential, but there needs to be a consistent approach to determining repayment amounts, as some customers will be in a negative budget and unable to pay anything at all, so in some cases debt repayment amounts of zero are appropriate and should be allowed.<sup>4</sup>

### **3. Do you have any evidence that suggests that we should be considering additional and/or different rules beyond what we**

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<sup>3</sup> <https://www.resolutionfoundation.org/app/uploads/2022/08/A-chilling-crisis.pdf>, page 24

<sup>4</sup> <https://public.flourish.studio/story/1634399/>, Citizens Advice cost of living data, slide 7.

**have proposed? Please supply evidence to support your response.**

No, but this should be kept under regular review by Ofgem.

**4. Do you agree with our proposed approach of introducing reputational incentives in our priority areas? Please supply evidence to support your response.**

Reputational incentives are potentially welcome but also could cause problems for suppliers and the relationship they have with Ofgem and other organisations. Transparency is positive, and displaying customer service statistics on supplier websites may be effective, but again could pose a threat to the relationship between suppliers, regulators, and other organisations.

More detail would also be welcome on how this would work compared to the Citizen's Advice Star Rating for suppliers. Ofgem should also not neglect the 'stick' approach to in enforcing, finding, publicly naming suppliers who provide poor customer service, and the threat of licence withdrawal.

**5. Do you agree with what we have set out in the assessment chapter? Please provide supporting evidence with your views. For evidence regarding additional costs, please provide quantitative data.**

While additional costs for suppliers are expected, we do believe these should neither be passed on to customers nor stop suppliers from improving their processes and resources. For example, suppliers should already have an adequate number of call centre representatives to meet demand. If they don't then that is a failing on their part and should be addressed solely by the supplier.

Furthermore, the financial impact of increased customer contact on organisations such as Scope due to poor supplier customer service should also be taken into consideration.

**6. Using the list of prospective data items we present in the monitoring chapter as a guide, what other additional data items could we aim to collect and from what data sources? Do you consider there are any challenges you may face when**

**collecting/providing these? If so, please provide any supporting evidence you have.**

If service hours are extended, it may be useful to monitor how the extension of hours has impacted call wait times or changed/reduced call numbers at times that were previously the busiest times to call.

Data should also be collected of customers that have a debt repayment plan and are in a negative budget, as well as their energy payment method. This would be useful to see the true number of customers struggling during the Cost-of-Living crisis, and which groups are most impacted.

**7. Do you have any comments on the factors that should be considered in determining whether to use principle-based or rule-based approach to setting standards?**

Principle-based regulation when it comes to setting consumer standards and protecting customers in vulnerable circumstances has, in Scope's view, not worked. Prescriptive/rule-based approaches would be more preferable so that suppliers are completely clear on their requirements. This would ensure consistency and prevent suppliers applying different standards. Prescriptive/rule-based approaches could address and potentially prevent specific harm to customers and would be easier to enforce and measure. Where the prescriptive/rule-based standards may become outdated, regular review of the impact through data collection and customer feedback would help indicate when a review of the framework is necessary.

**8. Do you agree with our early view of reputational based incentive options for winter 2023 and the potential incentive options for development over the longer-term? Please provide explanations to support your responses.**

While incentives may help to hold suppliers accountable, they have the potential to cause friction between suppliers and regulators. In circumstances where suppliers are underperforming and seeing negative impacts to their reputation or finances, customers may lose confidence in their supplier (due to the performance information being displayed publicly) and become reliant on other organisations for energy advice and support.

In general, suppliers should not need incentives if they adhere to licence conditions, along with strong enforcement from Ofgem.

**For more information, please contact:**

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**About Scope:**

We're Scope, the disability equality charity. We won't stop until we achieve a society where all disabled people enjoy equality and fairness. At home. At school. At work. In our communities.

We're a strong community of disabled and non-disabled people. We provide practical and emotional information and support when it's needed most. We use our collective power to change attitudes and end injustice.

We campaign relentlessly to create a fairer society. And we won't stop until we achieve a society where all disabled people enjoy equality and fairness.