

Vulnerable Customers Working Group Priority Service Register obligations – Discussion Paper

The focus of the next meeting is on the licence conditions relating to the Priority Service Register (PSR), including the arrangements for people who are blind or deaf, as set out in licence conditions 37 and 38. The aim of this note is to set out Ofgem's initial thoughts in this area as a basis for discussion. As noted at the last meeting the aim, as in all areas is to address a number of questions:

- What the overall objectives of these obligations are?
- How far these objectives are being met and whether there is evidence of problems that are not addressed by the existing obligations?
- How far the market can be expected to deliver against these objectives?
- What burden the existing obligations pose?
- Whether the existing obligations are adequately targeted on those who really need the protection?

Background

Under their licences, domestic electricity and gas suppliers have an obligation to maintain a Priority Service Register (PSR), and to offer special help to customers who are of pensionable age, disabled (including customers who are blind or partially sighted, or deaf or hard of hearing) or chronically sick. Services suppliers must provide to eligible customers free of charge (subject to these being reasonably practicable and appropriate) are as follows:

- Quarterly meter readings where the customer is unable to read their meter;
- Help in moving a meter if it is in an inconvenient position;
- Advice on using gas and electricity;
- A personal password for gas and electricity staff to use every time they call at the person's home, to confirm they are genuine;
- Special controls and adaptors if the customer has difficulty in using certain appliances;
- Bills can be sent to a friend or family member on their behalf;
- Provision of temporary heating and cooking facilities if they lose their gas supply (via National Grid Gas);
- Bills supplied in different formats, e.g. large print or Braille, by cassette or in a different language;
- Where everyone in the household is eligible for the PSR, and excluding households in rented accommodation when the landlord is responsible, a free gas appliance and installation safety check.

(Note: Electricity distributors also have to maintain a register of people who, because of special medical or communication needs, would be vulnerable in the event of supply disruption. Electricity suppliers have a corresponding requirement to give PSR customers information on interruptions, subject to using all reasonable endeavours to obtain such information from the relevant distributor).

There are currently some 660,000 customers in total on gas suppliers' PSRs, and around 670,000 on electricity PSR's. A high proportion of these customers are probably on both registers, but it is not known how great the extent of this overlap is. Given the increasing focus on fuel poverty, and concerns about the impact of rising fuel prices on the vulnerable, there is increasing interest in the PSR.

Recently, several suppliers have used a PSR as a 'proxy' for extending additional help (in the form of rebates on bills) to customers likely to be hardest by increases in prices. One of the objectives of the suppliers' new Home Heat Helpline is to register customers on the PSR. The PSR is helpful to suppliers in identifying customers who need protection from disconnection under the Vulnerable Customers' Safety Net. Several research studies have been undertaken in recent years into the PSR. These are summarised in Annex 1.

Overview - Strawman for Debate

At a high level the overall objective in this area is to ensure that suppliers are aware of who their vulnerable customers are and offer them appropriate additional support.

Two key questions for the Group to consider in this area are whether the services currently specified are the most appropriate ones and whether the eligibility criteria are correct.

These questions were discussed recently at a meeting of the Social Action Plan Review Group chaired by Sir John Mogg. What was clear from this discussion was that to answer these questions we need to be very clear what the objective of the PSR is. There are two distinct roles it can play:

- The current services focus on the access, safety and communication needs of customers. The focus is on those who are elderly or disabled, particularly those who are most likely to be physically vulnerable and may have particular difficulties using the services or require particular help. Although the licence requires that the services are provided free of charge the original focus was not particularly on those on low incomes. The idea is that someone who is financially well off may still be physically frail and in need of particular support, for example in the case of loss of supply.
- More recently with the growing focus on fuel poverty there has been a desire also to identify these low income customers who might benefit from additional help in terms of energy efficiency advice, benefits health checks, social tariffs and access to trust funds, as well as special payment arrangements.

The evidence from suppliers is that the overlap between these two groups is limited. Some 9 million households fall within the scope of the current PSR. There are 2.5 – 3.0 million households in fuel poverty of which around 50% are pensioner households.

Given constraints on suppliers' systems it would be helpful to understand the extent to which they use the simple PSR flag both to meet the original purpose and to identify customers for broader fuel poverty support and for the disconnections safety net (where the definition is again broader encompassing both households with children and those on low pay). And if they do use a simple flag how far they can distinguish between different categories of customers. On the face of it there would appear to be value in making the PSR eligibility relatively broad so that it can capture everyone who needs some form of help, while being clear that not everyone on the PSR would need or, perhaps be entitled to, all the help available. However, such an approach raises a number of questions:

- Could suppliers' systems cope?
- If one moved to a position where certain services were "means tested" would this limit take-up further and would suppliers be able to manage such an approach?

- In passing information to distribution companies for their registers it is essential that the list is not too broadly drawn, does this create problems?

While it might be reasonable to expect that in a competitive market suppliers would look to understand their customer needs and meet them, some of these services may make vulnerable customers more costly to serve and hence without a licence obligation to offer them suppliers may be reluctant to do so. It is therefore expected that the requirement to maintain some form of PSR should remain a licence obligation. One question though is whether any of the services are particularly costly to provide and could serve as a barrier to entry for smaller suppliers?

A further consideration is that the licence obligations for the PSR and for people who are blind or deaf predate the Disability Discrimination Act 1995 (DDA). This protects disabled people against defined forms of discrimination and places a wide range of obligations on all businesses. In contrast, the supply licence provides a clear statement of specific actions required, e.g. provision of bills to blind or partially sighted customers in special formats. The existence of the DDA may be an argument for lifting some of the specific licence obligations. To do so may encourage suppliers to consider a wider range of needs. On the other hand, there maybe a concern that some of the current focus would be lost. A separate note is being circulated which explains in more detail the DDA provisions and their overlap with the licence obligations.

Specific licence obligations – questions for discussion:

C37: Provision of services for persons who are of pensionable age or disabled or chronically sick.

C37 (1) and (4) requires suppliers to prepare a code of practice detailing the services it will make available to this group of customers. As discussed in previous meetings there are questions about the effectiveness of the code of practice approach. As noted above there are also issues about whether the eligibility criteria are correct.

C37 (2) (a) (Gas) requires free gas safety checks to be carried out for elderly or disabled people living alone (or with others who qualify for the PSR) where a landlord inspection is not required under Health and Safety Legislation. Is it still appropriate for suppliers to have this responsibility where in general they no longer have a role dealing in appliances? If they were not to do it who would? How costly is this service? How effective is it in detecting dangerous appliances? Do consumers value the service, or are they more concerned that their appliances could be deemed unfit and they would be left without any heating facilities? If this obligation were kept should it be means tested? (or suppliers allowed to make a charge if they are satisfied the customer can afford it?) There has also been a suggestion that suppliers should be required to provide carbon monoxide detectors. Presumably the same issues arise there?

C37 (2) (b) (Gas) and C37(2) electricity requires a supplier *where reasonably practicable and appropriate* ... is the caveat suitably flexible / clear?

- (i) to provide special controls and adaptors for appliances and meters, (in the case of gas where they are owned by the supplier or GT). Is this outdated given suppliers no longer run showrooms? Are there any special adaptors for meters?

- (ii) to reposition meters free of charge. This is clearly costly for suppliers and is presumably the main case where the “reasonable practicable and appropriate” caveat is used? Would it help to be more explicit about the circumstances in which it would be appropriate to offer this service? Should it be means tested?
- (iii) to provide special means of identifying persons acting on behalf of the licensee, in effect the password schemes. These are popular in particular with the elderly and are presumably low cost for suppliers to provide?
- (iv) give advice on the use of electricity / gas, gas appliances and fittings. Presumably the real focus here is on energy efficiency? Is there an overlap here with other obligations?
- (v) send bills to a third party. A valuable service which it should be in suppliers interests to provide if it increases the chances of bills being paid! Still helpful to include to give visibility to the availability of the service?
- (vi) to provide quarterly meter readings where neither the customer nor anyone living with him can read the meter and to inform the customer of the readings. This seems a reasonable requirement, but there may be cost implications for suppliers who do not read meters quarterly.

C37: (3) (a) requires the supplier to establish a list of domestic customers who are elderly, disabled or chronically sick and who require any of the PSR services (or have special communication needs or depend on electricity for medical reasons and require advance notice of planned interruptions on electricity). This is in effect the requirement to maintain a PSR. As noted above there are questions about how readily suppliers can distinguish the broader group of PSR customers from those that need to be notified to the distributor.

C37: (3) (b) requires the supplier to notify its customers at least once a year of the existence of the PSR and how to be included on it. Most suppliers do this by including information on, or with, their bills. Clearly this approach embraces the whole customer base, but it may not be the best way of ensuring those who need help receive it. Are there other more targeted ways of promoting the PSR? (It would be interesting to know how many suppliers include information about the PSR and other vulnerable customer services on their websites)

C37: (3) (c) requires the supplier to maintain the PSR and provide customers on the PSR with information about the services available.

C37: (3) (c) (ii) (electricity) requires the supplier to provide PSR customers with information on interruptions to supply, subject to using all reasonable endeavours to obtain such information from the relevant distributor. However, it should be noted that there are obligations on distributors to provide notice of supply interruption to all customers under Regulation 12 of the Electricity (Standards of Performance) Regulations 2005.

C37: (3) (d) requires the supplier to provide the distributor with such information in the PSR relating to those needing special adaptors, passwords and advance notification of supply interruptions on electricity (or more generally in gas) in an appropriate form and at appropriate intervals. How well does this work in practice? (Note: Ofgem has found inconsistencies in the mechanisms used for exchanging information between suppliers and DNO's and to clarify requirements has issued guidance on the categories of customers who should be notified to DNO's.)

Other Issues:

At present there is no requirement on suppliers to pass across PSR information when customers change suppliers. How practical would it be to do this and how important is it from a consumer perspective? Presumably there could be data protection issues?

C38: Provision of services for persons who are blind or deaf

This is the area where the overlap with the DDA provisions is most marked. We have stated that as a principle of this review we would look to remove licence conditions where there was adequate protection under general consumer legislation. This could be argued to be the case here although the DDA is very broadly cast and requires individual consumers to pursue action in the case of a breach. Given the close links with the PSR there may well be a case for retaining some form of specific obligation. Presumably all customers registered under this condition would be included on the PSR? As a minimum there would seem to be scope here for some rationalisation with the PSR obligation?

Annex 1: Research into the PSR

Several research studies have been undertaken in recent years to look at the quality of services provided under the PSR and awareness of them. Mystery shopping research commissioned by Ofgem into the quality of service given by suppliers' front line staff was published in December 2003. This showed that awareness amongst suppliers front line staff of the PSR and the types of customer who might be eligible for it was variable and often not high. The report recommended that improvements needed to be made to the training of frontline staff so that they will be better able to recognise and refer eligible customers to the PSR. Awareness research among customers was also undertaken, which showed that 76% of eligible customers had not heard of the PSR. Only 53% of eligible customers recognised one or more services that suppliers provide under the PSR, including the free safety check. Repeat research into awareness undertaken at the end of 2004 showed there was no change in levels of awareness of customers of the PSR or the individual services available.

Following the Ofgem research, energywatch launched a campaign to raise awareness of the PSR and associated services. Working with partners Age Concern, Pension Service and the Disability Living Foundation, energywatch distributed over 100,000 leaflets, and to make registration easier, set up a direct referral pathway to enable energywatch to register customers directly on to their relevant supplier's PSR scheme.

With support from Ofgem and Health and Safety Executive, energywatch have recently commissioned further research into the needs of a range of vulnerable customer groups, in order to gauge the extent to which available services and current eligibility criteria under the PSR are meeting customer needs. The draft research report is being circulated with the papers for the meeting. Since this is not yet finalised for publication, it is being circulated on an embargoed basis, and is not for distribution beyond members of the Working Group.