

## Vulnerable Customers & Codes of Practice Working Group

# How best to secure services for customers in need

## Discussion Paper for January 16th

### Background

This paper considers the options for securing obligations to be required of suppliers, following review of the Codes of Practice requirements of SLCs 35 -38.

Though the precise obligations are yet to be settled, there will likely be:

- I. An absolute minimum standard, which would apply to any supplier;
- II. A range of services which a reputable non-niche supplier would provide;

Appendix 1 shows how current services could fall into the two categories.

### Maximising the Range of Services beyond the minimum standard

ERA Members are committed to developing and applying best practice and welcome transparency and challenge of their performance. Supplier initiatives such as the Debt & Disconnection Protocol, F2F Sales Code, Home Heat Helpline and proposed Billing Code make specific provision for vulnerable customers. The ERA Debt Group, the Sohn Associates report, energywatch's PSR research and Ofgem's review of Corporate Social Initiatives all help to raise standards, without imposing additional regulatory burden. Independent auditors report on self-regulatory codes.

Looking at the example services listed in Category II in Appendix 1, the challenge is to maximise take up by customers who need the service. This need to be proactive contrasts with the obligations in Category I, where the requirement is reactive – but should always be available.

The successful provision of services in Category II therefore depends on suppliers fully engaging with the objective, effectively targeting promotion of the services and innovating in delivery. Suppliers require flexibility in order to do this, but stakeholders need to be confident that delivery is effective. All parties wish to see best practice developed. Transparency would be achieved by a mix of ERA publication<sup>1</sup> and, where appropriate, reviews commissioned by Ofgem and energywatch.

### Options for securing the minimum standard

ERA members believe that those services which are essential (Category I) should apply to all suppliers and the requirement be made through the licence, rather than self-regulation.

There are a number of options:

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<sup>1</sup> Including the relevant parts of the current quarterly and annual reporting

- A. Licence states requirements (suppliers have free choice as to whether to write a code of practice reflecting these – see below, publicity);
- B. Licence requires each supplier to have a code, which must be followed, which incorporates the licence requirements;
- C. As Option B, but the code must be agreed by Ofgem [this is the current position];
- D. Licence requires each supplier to follow a code written by Ofgem (a supplier could exceed the code, though if this was formalised as a supplier code it would then be a variant on Option B or C, with Ofgem providing a template as a service to suppliers).

	Obligations are clear	Suppliers, ease of introducing new ideas	Helpful to consumer advisers <sup>2</sup>	Helpful to customers <sup>3</sup>	Easy for small suppliers
A	✓	✓✓	✓ Assume could work from policies	✓ Would be extra, but no format restriction	✓✓
B	✓	✓ Easy to add, but cannot fail	? Constrained by enforcement concerns	X Code unlikely to be suitable	✓
C	✓	?	?	X	X
D	✓ but possible creep?	✓✓	X	X	✓

## What publicity is required for supplier policies and services?

Consumer advisers need to know supplier policies and procedures.

As it could be onerous on smaller suppliers to have to prepare a code of practice which accurately and clearly describes their working practices, or to have their internal policies in a readable format, it would be best not to make publicity a requirement of the licence. Ofgem and energywatch always have the backstop of being able to ask for the information.

The preferred route is for ERA members to provide descriptions of policy appropriate for use by consumer advisers and Ofgem. This also allows flexibility over the detail, which may vary for instance between energywatch, CABx and MP's surgeries.

## Summary

- Minimum set of obligations applies to all suppliers, is required by regulatory law;

<sup>2</sup> Best is supplier statement of policy and procedures designed for advisers. If the statement has multiple purposes or is written with one eye on enforcement it will be less helpful. If there is both a code for regulatory purposes and a document for advisers and consumers this may confuse, as well as being an additional overhead (if indeed suppliers even produce a statement)

<sup>3</sup> Best is tailor made communication

- Transparency by ERA members over policies and performance of services to vulnerable groups, not required by regulatory law, but would nevertheless be provided.

GTK  
11.1.06

# Appendix 1 – Example List of Services

## **Essential – Licence Obligation on All Suppliers** (category I)

### From SLC 35, 36 & 37A

- For customers who through misfortune or inability to cope have difficulty paying:
  - Offer fuel direct or prepayment meter, only disconnect as last resort
  - Repayment offers must take into account ability to pay
  - Use personal information provided by advice agencies
- Inform customers with PPM how to use it
- Do not disconnect elderly or disabled gas customers in the winter [*ERA members will not disconnect vulnerable customers at any time – as Debt & Disconnection protocol*]

### From SLC 37 & 38

- Commitment to meet requirements of Disability Discrimination Act
- Make customers aware of the Priority Services Register, as required by transporters and distributors, and pass information on

## **Highly Desirable - ERA Members** (category II)

### From SLC 35, 36 & 37A + additional

- Promote energy efficiency, so bills more affordable
- Repayment offers must take into account ability to cope
- Not disconnect vulnerable customers
- Credit management policies recognise vulnerability
- Inform customers of process and criteria for removing PPM

### From SLC 37 & 38 + additional

- Arrange gas safety checks on request by owner occupier [and help with the consequences]
- Offer means of identifying agents
- Offer third party billing
- Proactively increase knowledge of customer circumstances and use to promote services to vulnerable
- Advice on the use of gas and electricity

From SLC [32 &] 43?

- Choice of payment methods

A Variety of CSR Services and Best Practice Development, which would be likely to vary between suppliers, or could be a joint initiative. For instance:

- Home Heat Helpline
- Financial support for electricity and gas safety awareness and measures
- Charity partnerships
- Crime management initiatives
- Trust funds