

Ofgem - Retail Market Review

Response to the consultation from the KWILLT research team

This response to the consultation is based on a study funded through the National Institute for Health Research (NIHR) Research for Patient Benefit Programme, the Keeping Warm in Later Life project (KWILLT). The study is a partnership project involving the host organisation, NHS Rotherham along with Sheffield Hallam University, National Energy Action, Age UK Rotherham, Rotherham Metropolitan Borough Council and older people's action and community groups.

We provide here a summary of our project for your information. This is followed by our response to your review. To give you an idea of our data and study findings we are also sending you a copy of a presentation delivered at an international research conference in May earlier this year.

KWILLT: Project Summary

Living in cold, damp housing is linked to health problems, high levels of avoidable winter deaths and low quality of life in older people. It is therefore important to promote keeping warm at home to reduce the burden on individuals and the health service. The Yorkshire and Humber region has the second highest level of fuel poverty in the UK. Fuel poverty is defined as a household which needs to spend more than 10% of its income on fuel.

Social marketing is an approach to develop interventions that promote healthy behaviour. It often involves trying to increase the public awareness and knowledge about something, but also how services are delivered. The aim is to make services easier to access. In order to develop information and services that work it is important that people are consulted and their views recognised. In this study we want to try to use social marketing methods to help older people keep warm, and overcome barriers to accessing things that could help, for example, Warm Front, housing or benefits.

KWILLT: Project Aim

This research study aims to examine the knowledge, beliefs and values of older people regarding keeping warm at home, and identify the barriers they experience that prevent them accessing help in keeping warm. It will then use this information to develop social marketing 'keeping warm' interventions, including brief intervention training materials for health and social care staff, assessment referral tools and social marketing public campaign insight.

KWILLT: Methods

Different methods are being used to capture the views of older people and professionals to ensure that we obtain an accurate understanding of factors that influence older people keeping warm and include:

1. Individual interviews and room temperature measurement with 50 older people and interviews with 25 health and social care professionals to explore

the knowledge, beliefs and values of older people regarding keeping warm at home. Data was collection from older people in the winter months of 2009/2010 and 2010/2011. Staff interviews were completed in the summer of 2010.

2. 6 focus groups with older people, health and social care professionals and people in a policy or strategic capacity. These focus groups will verify, challenge and expand upon findings from the individual interviews. They were conducted between February and April 2011.

3. A consultation event with up to 150 lay and professional stakeholders to examine the findings and shape the social marketing 'keeping warm' intervention. This will be held on the 19th September 2011.

General comments to the review

In general the Ofgem review findings and recommendations reflect those of the KWILLT study findings. Our study focussed on older peoples (50+) experiences of fuel poverty in a deprived community. Our data suggests that those in most need are at the greatest disadvantage when engaging with energy suppliers in order to access affordable fuel. This is due to a complex interaction between: income; fuel cost; affordable warmth and the behaviour of individuals. Our findings support the argument that an individual's behaviour is influenced by many factors, including past experience, trust, fear, social connection, knowledge and awareness, access and understanding of technology (heating and communication). These influences are compounded by the values, attitudes and priorities of older people who are struggling to live on a limited income. We would be happy to share out data with you and provide more detailed illustrations if required.

We have responded to the specific questions that our data relates to.

Question 1: Do stakeholders agree with our findings of the Review in relation to causes of persistent consumer harm and barriers to entry in the energy retail markets.

Complex tariff information: Our participants reported that they had limited information and understanding of the complex tariffs available and how they should access them. Information that was available they found was in a form or media they could not access (e.g. over reliance on the internet or phone lines). Some participants reported heavy use of energy suppliers 'door stepping' to encourage switching energy supplier. Some reported being quoted inaccurate information to encourage to change suppliers. In the absence of sound information they felt vulnerable to the pressure of such sales techniques.

Poor supplier conduct: In addition to 'door stepping' our participants cited other examples of poor supplier conduct that contributed to them disengaging. This included bad experiences with bills e.g. not understanding or hearing

about inaccurate bills. Recent media reports about energy suppliers' profit margins, at a time of fuel cost increases, further added to an existing mistrust and belief that energy suppliers conduct would not be in the customer's best interest. This mistrust influenced people's choice of energy supplier. For some older participants they had a greater trust with companies with a long standing brand or British identity, e.g. British Gas / Scottish Power. Mistrust and fear of higher energy bills influenced their decisions regarding not just their choice of energy supplier but also their use of fuel which contributed to older people living in cold homes. Energy suppliers need to be seen to be working with probity and if they are, this needs to be reported in the media in such a way as to build public trust.

Sticky domestic customers and large incumbent market shares: From our study it is possible to argue that older vulnerable people are classic examples of a 'sticky customer'. For the complex reasons cited above they are reluctant / unable to switch energy supplier or access the most affordable deal or tariff. This is also partly due to the fact that most of their adult life would have been spent in housing which used solid fuel or in an environment where utilities were nationalised and not market driven. For the participants in the communities we accessed in our study, the market driven system is a minefield that is difficult or impossible to negotiate.

Question 2: Do stakeholders consider that Ofgem should take action to reduce the complexity consumers face and enhance engagement with the energy market?

Yes. Our study focussed on the inequalities that result from fuel poverty. More vulnerable citizens are at greater risk of fuel poverty and poor health. Our findings indicate that older vulnerable people are not in a position to tackle the energy market on their own behalf. Any action taken by Ofgem to address the problems identified and reduce the inequalities experienced would be welcome.

Question 3: Do stakeholders agree with our initial proposal for intervention to reduce the complexity consumers face and enhance engagement in the energy market?

Yes. However, we ask Ofgem to be mindful of the risk of intervention generated inequalities. Any intervention that is recommended needs to be accessible and acceptable to those in greatest need. If this is not the case uptake of interventions will be biased towards other sections of society and the inequality gap will be widened instead of reduced.

Question 7: Do stakeholders have any comments on the costs and risks of our proposal, or any alternative suggestions that you have put forward, to

reduce the complexity consumers face and enhance engagement in the energy market?

We would like to draw your attention to the bias of most energy suppliers to use of the internet and electronic forms of communication. This places old, frail, disabled or socially isolated, vulnerable people at a disadvantage. An example from our research is a study participant who was in her mid 80's. She had a profound hearing loss, was socially isolated, lived on a basic pension and had no technological awareness. This woman had no ability to access or understand current information provision.

Question 11: Do stakeholders consider that there are other intervention options we should be developing?

It is difficult to understand how our most vulnerable citizens will be able to access the best tariffs without provision of independent and accessible advice. Currently there is a limited provision of this from local authority energy support officers and the voluntary sector e.g. citizens advice bureaux and credit unions. However, all these services are under threat under the current economic climate. A local level means of communication is required providing trusted information and support.

The Warm Homes Discount Scheme is welcomed but there is a need as stated above for 'Industry Initiatives' provided by suppliers, such as benefit entitlement checks, to be printed on energy bills stating what may be additionally available to vulnerable customers.

Question 14: Do stakeholders consider that Ofgem should strengthen licence conditions around supplier's communications and interactions with their customers, to give suppliers less freedom in how they interpret these obligations?

We ask that Ofgem regulate suppliers to communicate effectively with more vulnerable groups. A standardised (across all suppliers) layout of energy bills would allow our study group to be able to make comparisons between suppliers.

Question 15: Do stakeholders consider that Ofgem should increase its monitoring and enforcement activity to enhance suppliers' compliance with licence conditions?

We agree on the basis of our comments above that Ofgem should strengthen licence conditions and increase monitoring and enforcement activity. Once again we ask Ofgem to be aware of how energy suppliers target vulnerable groups and address existing inequalities in terms of access, and the health implications of these.

Question 17: Do stakeholders agree that more needs to be done to improve consumer trust and use of switching sites?

Yes. Our participants overwhelmingly reported mistrust of energy companies. There is clearly much ground to make up in this area. 'Switching sites' are only part of the solution and for many of the study participants are inaccessible.

Question 27: Do stakeholders consider that our proposals will be sufficient to protect the interests of consumers, including vulnerable consumers, or are additional consumer protection measures warranted?

From our research findings it is clear that overcoming barriers experienced by vulnerable customers is a complex area and requires multifaceted solutions. We welcome the recommendations and proposals but suggest that if they are implemented, they are monitored and reviewed with regard to their impact on inequalities. These proposals are an essential step in the right direction. However, the addition of supplementary approaches to vulnerable populations should be explored. Development and implementation of such approaches will need to be based and embedded on sound partnerships between energy suppliers, Government and voluntary agencies delivered at a local level.

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May 2011

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