

Energy Affordability: helping develop Ofgem's Vulnerable Consumers' Strategy

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Vulnerable consumers

- Ofgem statutory duty to have regards to the interests of vulnerable consumers, including but not limited to individuals who are:
 - Disabled or chronically sick
 - Of pensionable age
 - On low incomes; or
 - Residing in rural areas.
- Must have regard to guidance issued by the Secretary of State on social and environmental matters which includes helping Government achieve its targets to eradicate fuel poverty
- Social Action Strategy – 2005

Towards a new Vulnerable Consumer Strategy

- Discussion paper on affordability published - March 2012
- Roundtables in London, Glasgow and Cardiff – May 2012
- Further consultation by the end of September

Social Action Strategy - four themes

- Securing compliance with regulatory obligations, monitoring and reporting
- Encouraging best practice among energy suppliers and research
- Using our knowledge to inform the debate
- Informing consumers about ways to lower their energy bills

Current work areas

- Number of work areas to help protect vulnerable and fuel poor consumers:
 - Retail Market Review
 - Smarter Markets strategy development
 - Gas network extensions scheme
 - Debt and disconnection - compliance and best practice
 - Administration of Warm Homes Discount scheme + in future Energy Company Obligation
 - Energy Best Deal
- Informed by extensive consumer research

Network regulation – gas network extensions

- Funded through our gas distribution price control
- Gas Discretionary Reward Scheme – provides awards to network companies for innovative measures to help fuel poor and vulnerable consumers – includes network extensions category
- By end of March 2012 around 29,000 gas network extensions to fuel poor across GB since the scheme started in 2009
- Potential for solutions around renewable heat in future – links with next electricity price control

Energy Best Deal

- Public awareness campaign in partnership with Citizens' Advice established in 2008 – record £600K from suppliers this year + an additional £1m to come
- Over 1200 advice sessions delivered this year, to give people confidence to shop around, reduce their bills and get help if they are falling behind – covered 11,500 consumers and advice workers
- Advice is given face-to-face and through online videos
- 97% of consumers participating found advice sessions useful – 29% acted to get better deal, 61% passed information to family and friends - total reach to date c200K people
- 87% of advisers felt more confident helping clients get a better deal

Emerging work areas

- Collective switching, particularly for vulnerable and disengaged
- Smart meters – protection and delivering benefits for vulnerable consumers
- ‘Archetypes’ policy tool
- Review of vulnerable consumers’ experiences e.g. the process for switching when in debt

Stakeholder views

- Essentially focused on:
 - What we do
 - How we do it
 - How we embed it
 - Who we do it for
 - How we stay connected

Potential actions – stakeholder views

- Make Priority Services Registers more visible and joined-up
- Promote access to cheaper payment methods
- Identify solutions for off gas grid
- Greater emphasis on face-to-face support
- Engage organisations 'on the ground'
- Embed approach across organisation

Key debates (1)

- What do we mean by 'vulnerable'?
- 'Vulnerable consumer strategy' vs 'Consumer vulnerability strategy'?
- Move beyond static, group-based definition
- What places consumers 'at a disadvantage'
- Dynamic – may be about skills, capacity, personal circumstances, nature of market
- We can all be vulnerable at some point

Key debates (2)

- How we know what's happening 'on the ground' – effective consumer engagement
- How best to embed across all our work – what are the lessons from other organisations?
- Should Ofgem prescribe actions or facilitate exchange of best practice?
- Reward for doing the right thing or penalise for doing the wrong thing? (Reputational incentives?)
- What is Ofgem's role in helping identify vulnerable consumers (e.g. through data sharing)?

Key debates (3)

- Priority Services Registers – Single name, better publicised? A single cross-sectoral register? Or an energy sector register? Or automatic transfer between suppliers?
- How can we help shape the development of collective purchasing initiatives so that they reach disengaged consumers?
- How can more face-to-face services be provided? Is this about awareness and capability development (along the lines of Energy Best Deal)? Or greater supplier outreach? Or switching services?
- Should we aim to do more for off gas consumers?
- What will be the challenges and opportunities in a smart metered world?



Promoting choice and value
for all gas and electricity customers