

Lisa Taylor  
Consumer Policy and Insight  
Ofgem  
9, Millbank  
SW1P 3GE

May 25, 2012

Dear Lisa,

### **Energy Affordability: developing Ofgem's Vulnerable Consumers' Strategy**

Age UK is pleased to respond to this consultation from Ofgem. We think that vulnerability is a word that is commonly used, but has many meanings to different people. It is hard to define without stereotyping certain groups of people. Many regulators, including Ofgem, are required to take account of the needs of vulnerable consumers. This is defined in various ways depending on the regulator, but commonly includes those who are of pensionable age and disabled people. While it is true that, unlike other regulated industries, all older people are vulnerable with regard to energy since they are particularly susceptible to the cold, Ofgem has realised for sometime that while some older people are vulnerable, not all older people are vulnerable in every situation.

Energy affordability has become a major concern for many consumers due to the above average prices experienced in the UK. During the four years to December 2011, the typical annual electricity bill increased by 40% and the gas bill by 69% and the Government estimate the numbers in fuel poverty living in the UK in 2010 was 4.75 million<sup>1</sup>. We acknowledge that Ofgem has a role to play in ensuring prices are not higher than they need to be. However, there are limits to what Ofgem can achieve in regard to pricing given that most sources estimate energy prices will continue to rise in the foreseeable future. This is mainly due to the significant investment needed to renew the energy infrastructure and improve the scale of renewables and, in the short term, the increasing reliance on having to buy energy from foreign sources at a time when there is an increased global demand for energy.

We welcome the steps that Ofgem has recently taken to help address the problems of affordability for some households, within the limits of their jurisdiction. These include:-

- The requirement for gas distributors to extend the gas network to help fuel poor communities. However it seems that some households are unable to take advantage

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<sup>1</sup> 2012 Annual Report on Fuel Poverty Statistics. DECC. May 2012

of this policy because they cannot afford to replace their heating systems and we wonder whether the new Energy Company Obligation could be used to install new heating for such households.

- The decision to persuade EDF Energy to pay £4.5 million in the form of a package of measures to help vulnerable customers instead of imposing a fine. We think this was a very creative idea and have suggested to the regulator Ofcom that they might like to consider taking similar actions in the communications market. We hope that the Department for Energy and Climate Change will decide to allow Ofgem to require energy companies to provide redress following their current consultation on the subject. The financial services regulator already has this power.
- The emphasis Ofgem placed on the importance of monitoring supplier behaviour in their latest consultation on the Retail Market Review. It is particularly important that Ofgem ensure that those customers who do not switch do not end up paying the highest tariffs. As the Market Probe found, vulnerable customers are the least likely to switch and those remaining with their original monopoly electricity supplier were paying the highest tariffs.

In addition, Ofgem has actively sought the views of organisations such as Age UK who represent vulnerable consumers. We were pleased to have been asked to be a judge in the discretionary awards scheme which were designed to encourage monopoly electricity and gas distributors to focus more on their customer needs, particularly their vulnerable customers. We have now been invited to participate in the both the gas and electricity RII0 (Revenue = Incentives + Innovation + Outputs) working groups that will replace the discretionary awards scheme. We were also pleased to be invited to be a member of the Ofgem Smart Meter Consumer Group with many of our recommendations being taken on board in the Ofgem document 'Promoting Smarter Energy Markets'. We also welcome the occasional round table events held by Ofgem for stakeholders such as Age UK designed to discuss issues raised in their consultations such as the one recently held to discuss this one. We think this recognises the fact that consumer organisations cannot match the resources of the energy companies and offers an opportunity for their input even if they are not able to submit a formal response.

We are encouraged to see that Ofgem are intending to work with the Centre for Consumers and Essential Services at the University of Leicester. Their report 'Too many hurdles: information and advice barriers in the energy market' identified a number of problems which we think could be resolved by Ofgem encouraging good practice. The report highlighted the fact that people are often put into a vulnerable situation by a company's policies and procedures. Ofgem has already identified tariff complexity and the difficulties consumers have in understanding their bills as two examples. Age UK would confirm the report findings

that call centres are another problem. Whilst many people find them difficult, they can be particularly difficult for older people with hearing and dexterity problems and whose reaction times tend to be slower. We have also found difficulties in getting accurate information about assistance schemes. Recently our local Age UKs have reported considerable difficulties in finding out about the details of the Warm Home Discount Scheme from energy companies.

In short we hope that Ofgem will continue doing what it has already started to do. In particular to carry on consulting with stakeholders such as ourselves, continue to encourage energy companies to fund packages that give particular help to vulnerable customers and continue to actively monitor supplier behaviour taking swift action when they are found to be failing.

Yours sincerely

A handwritten signature in black ink that reads "Gretel Jones".

Gretel Jones  
Consumer Markets Policy Adviser