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Dear Lisa

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

Energy UK is the new trade association for the gas and electricity sector, representing a wide range of interests and driving forward the debates on the UK's strategy for achieving a low carbon, secure and affordable energy future. Our members include small, medium and large companies working in electricity generation, energy networks and gas and electricity supply, as well as a number of businesses that provide equipment and services to the industry.

Energy UK was established in April 2012 following a merger of the Association of Electricity Producers, the Energy Retail Association and the UK Business Council for Sustainable Energy.

Energy UK welcomes the opportunity to help develop Ofgem's Vulnerable Consumers' Strategy. This is a high level industry view and Energy UK's members will be providing individual responses. We would be happy to discuss any of the points made below in further detail with Ofgem if this is considered to be beneficial.

Suppliers take their responsibilities towards assisting vulnerable customers very seriously. Our members aim to help their most vulnerable customers and provide them with the appropriate support they need to manage their energy use. In 2010-11, suppliers spent almost £179m on providing voluntary assistance to 1.9 million of their most vulnerable customers¹. Following the introduction of the Warm Home Discount in 2011 this figure is expected to have risen to £250m for 2011-12.

In seeking to develop a broader understanding of the needs and issues facing consumers in vulnerable positions, we would, however, urge Ofgem to recognise that while there is some overlap between those customers who are fuel poor and those who are vulnerable, the two terms are not interchangeable. Fuel poverty is caused by a number of drivers, including energy efficiency of the home, fuel costs, household income, debt and low benefits take-up.

¹ <http://www.ofgem.gov.uk/Sustainability/SocAction/Suppliers/CSR/Documents1/Suppliers%20Social%20Spend%20report%202010-2011.pdf>

Assessing vulnerability has to be on a case-by-case basis, as each customer has their own needs – it is not possible to agree an exhaustive list of what constitutes vulnerability. To offer the most appropriate support, each customer’s individual circumstances must be taken into account. An exhaustive list of what constitutes vulnerability would undermine the industry’s ability to direct help to those most in need, while anything less risks excluding vulnerable consumers in need of assistance.

With this in mind, Energy UK in its ‘Safety Net for Vulnerable Customers’ defines a customer as vulnerable “if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household”.

It should also be noted that the energy industry already offers a wide range of support to vulnerable customers, often going above and beyond its regulated obligations. Support currently offered by the industry includes:

Warm Home Discount (WHD)

Between 2011 and 2015, under the WHD Energy UK members will be providing £1.1 billion worth of funding to support around two million vulnerable households annually. Under the scheme, around 600,000 poor pensioners should have received £120 off their electricity bill last winter. Each supplier also offered £120 discounts to a broader group of vulnerable customers who applied for assistance, helping at least a further 26,000 vulnerable households in 2011-12.

Suppliers also continue providing discounted tariffs to vulnerable consumers under the Legacy Spending component of the WHD, alongside non-financial benefits, under the Industry Initiatives component. This includes the provision of energy efficiency advice, support for customers in debt and referrals of eligible customers (activities which are currently undertaken by the Home Heat Helpline - see below).

Home Heat Helpline

The Home Heat Helpline is a free, not for profit phone line set up to help energy customers who are struggling to pay their fuel bills and keep warm. It was launched by the Energy Retail Association (now Energy UK) in October 2005 after research revealed that 75% of the most vulnerable customers were not aware of the assistance available from energy suppliers, and only a third would consider approaching their energy supplier. Calls to the Home Heat Helpline — 0800 33 66 99 — are free and answered by expert advisors. The advisors are trained to give quick, clear information on the grants, benefits and payment schemes that customers may be entitled to as well as basic steps that can be taken to save money on heating bills by making their home more energy efficient.

Since it began, the Home Heat Helpline has received over 200,000 calls from across Britain². Nearly half of callers said that they had cut down their energy bills after calling the Helpline and many more were able to access benefits and grants.

Safety Net

Suppliers have also signed up to Energy UK’s ‘Safety Net for Vulnerable Customers’. Under the Safety Net, signatories have pledged to never knowingly disconnect a vulnerable customer at any time of year, where for reasons of age, health, disability or serve financial

² <http://www.homeheathelpline.org.uk/about/>

insecurity, that customer is unable to safeguard their personal welfare or the personal welfare of other members of the household.

In addition, the Safety Net provides enhanced measures that are integrated into all suppliers' debt management processes, an agreed universal definition of a potentially vulnerable customer, improved communication with support agencies, a range of debt management and repayment options and follow-up procedures to support vulnerable customers.

Advice agencies

Suppliers have links with a range of local organisations, including Citizens Advice, Local Authorities, Housing Associations, charities and advice agencies and can often work with these organisations to resolve customers' difficulties.

Priority Service Register (PSR)

Domestic electricity and gas suppliers have licence obligations to offer special services to customers who are of pensionable age, blind, deaf, disabled or have a long-term medical condition (i.e. chronically sick). The following services are available to these customers on their supplier's Priority Service Registers:

- Password schemes,
- Repositioning of pre-payment meter where the customer finds it difficult to use
- Redirecting bills to third parties
- Quarterly meter readings where relevant to the technology used
- Free gas safety checks

Suppliers encourage eligible customers to take up their PSR options and the industry continues to work towards improving awareness of the PSR such as working with advisers, health workers and social service providers, to encourage eligible customers to register themselves on the PSR.

Energy Efficiency

Suppliers are also committed to improving the energy efficiency of Britain's housing stock. To date, energy suppliers have provided almost 2 million cavity wall insulations and over 2.6 million loft insulation (excluding DIY) measures under the Carbon Emissions Reduction Target (CERT)³. In addition, under the Community Energy Saving Programme (CESP), energy companies have been delivering efficiency measures to some of the most deprived areas in Great Britain.

Last December, Energy UK collaborated with the Department for Work and Pensions (DWP) and the Government in order to send over four million letters to the most vulnerable customers notifying them of free or heavily subsidised energy efficiency measures. These measures, provided by suppliers under the CERT programme, could help customers save hundreds of pounds off their bills. The letters were funded by energy suppliers and sent by HM Government via the Department for Work and Pensions

We look forward to continuing to work with Ofgem and the Department for Energy and Climate Change to ensure the success of the Green Deal and the Energy Company Obligation

³ http://www.ofgem.gov.uk/Sustainability/Environment/EnergyEff/CU/Documents1/OfGem%20CERT%20Q15%20March%202012_WEB.pdf

(ECO) following their launch. We continue to call for the eligibility criteria of the Affordable Warmth ECO to be widened to help a broader range of vulnerable households.

Next Steps

To ensure a new Vulnerable Consumers' Strategy works to deliver support to vulnerable customers, Ofgem must also be mindful of the wider political, regulatory and legislative environment and its impact on the workings of the energy market. Without taking the wider market context into account Ofgem risks unintended consequences for consumers and suppliers alike. We, therefore, welcome the consultation's recognition of forthcoming developments such as the Retail Market Review and smart metering roll out.

With this in mind, it is also vital that the Strategy's development is based on a robust impact assessment and evidence base to mitigate risks for consumers and suppliers. Any changes need to be equally based on evidence and be subject to a formalised and impartial consultation process, allowing time for the supply chain to make any necessary changes.

We urge Ofgem to continue working closely with the industry along with a wide range of stakeholders as they develop their new Vulnerable Consumers' Strategy. Energy UK and our members are always willing to discuss with Ofgem ways in which we can work together for the benefit of consumers and the industry.

I hope you find our comments helpful, should you require any more information please do not hesitate to contact me.

Yours sincerely,

Dan Alchin
Policy and External Relations Advisor