



Ms Claire Tyler  
Senior Manager  
Consumer Policy and Insight  
Ofgem  
9 Millbank  
London SW1P 3GE

**E.ON Energy Solutions Limited**

Newstead Court  
Little Oak Drive  
Sherwood Park  
Annesley  
Nottinghamshire  
NG15 0DR  
eonenergy.com

Jill Laurie  
T 02476 183747  
jill.laurie@eonenergy.com

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Dear Claire

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

E.ON welcomes the opportunity to respond to the above consultation and Ofgem's proposal to develop a new Vulnerable Consumers' Strategy. Rising energy costs in these times of austerity can only lead to more consumers being affected by fuel poverty.

E.ON believes there is an important role for Ofgem to play in supporting the efforts of suppliers and other stakeholders in helping vulnerable consumers – their support could help to develop greater trust in suppliers.

We are concerned, however, that there is a lack of clarity in the definition of 'vulnerable'. In order to maximise the effectiveness of this strategy, we believe it is important that all parties have a common view of what is meant by 'vulnerable consumers'. Is it just those who are in or at risk of fuel poverty? Does it include those who, while not fuel poor, have difficulties taking full advantage of the liberalised market, for example because they are blind or otherwise disabled? Should those who are in temporary financial difficulties be included? There may be a need for further consultation to establish a common view of who this strategy should be aimed at.

Our response to the three questions posed in Ofgem's consultation is provided below.

E.ON Energy Solutions Limited

Registered in  
England and Wales  
No 3407430

Registered Office:  
Westwood Way  
Westwood Business Park  
Coventry CV4 8LG

- Q1 What should be the key factors or actions that we should consider incorporating in our Vulnerable Consumers' Strategy? How should the themes of our strategy be changed?**
- Q2 What can Ofgem do differently to help address affordability concerns?**
- Q3 We welcome views on how Ofgem can help stakeholders with their contribution**

We broadly agree that the four themes that make up Ofgem's current Social Action Strategy are appropriate for the new Vulnerable Consumer's Strategy. We have set out below some thoughts on how those themes might be developed further.

#### *Research*

Ofgem already obtains, on a regular basis, a great deal of information from suppliers on various aspects of energy supply likely to affect vulnerable consumers, as well as information provided by suppliers in relation to government schemes (Carbon Emissions Reduction Target (CERT), Community Energy Savings Programme (CESP), Warm Home Discount scheme (WHD)). Information is currently used to determine suppliers' compliance with the regulations; we believe this information could also be used to help determine better ways of assisting vulnerable consumers, or as an indication of where additional research is required.

We would also welcome research in other areas, for example how to provide those without internet access a simple and effective way of comparing energy prices, and barriers to the take up of energy efficiency measures by vulnerable consumers.

#### *Best practice*

Energy suppliers have, individually, developed a great deal of knowledge and experience in helping vulnerable consumers; Ofgem is uniquely placed to help to pull some of this together and develop and share best practice. There may be a role for a suppliers' working group to look at some of the issues specific to vulnerable consumers. This type of activity could help build trust in suppliers, without which it is extremely difficult to reach those who are most in need (who would want to share financial information or details of a disability with an organisation they don't trust?).

#### *Stakeholder engagement*

It was obvious from Georgia Klein, Ofwat's presentation at the roundtable held by Ofgem on 10<sup>th</sup> May, that issues relating to vulnerable consumers are not unique to the energy industry. Ofgem should work more closely with other regulators and stakeholders, such as Ofwat and Ofcom and LGAs, to help establish common strategies. There is also a lot that could be gained from working more closely with NGOs and charities who work with vulnerable consumers.

#### *Influencing*

As it acquires greater expertise from its research and the development of best practice, Ofgem will be ideally placed to influence stakeholders in developing their own policies and strategies to help vulnerable consumers. One example of how Ofgem can use its influence relates to the way the costs of environmental and social strategies are structured: E.ON supports Ofgem's view that basing this on consumption rather than customer numbers would be more progressive. Research based on our

own portfolio of consumers broadly mirrors the findings of the Centre for Sustainable Energy<sup>1</sup>, showing that there is a positive relationship between income and energy usage.

We would also like Ofgem to use its influence to allow for more data sharing, particularly with the DWP, in order that suppliers can better reach those most in need. There are concerns that this may be less useful once the government introduces the new universal credit and changes to pensions; here again, Ofgem may be able to use its relationship with government to ensure some means of recognising different types of vulnerability is still possible via the benefits system.

### *Informing*

Much good work is being done through CAB with the Energy Best Deal. E.ON believes that there is more Ofgem could do to help vulnerable consumers take advantage of both the best energy prices and energy efficiency measures that are available. Currently, trust in energy suppliers is low and vulnerable consumers are not easily persuaded that advice we give them is in their best interest; Ofgem is more likely to be seen as impartial, while organisations such as CAB are already well-trusted. There may also be work that Ofgem could do with schools, helping to inform the next generation about energy efficiency.

### *Regulation*

Regulation is most useful where it ensures consistency and provides clear guidelines, for example in determining common language and formats so that consumers can more easily make a comparison between information provided by different suppliers.

Where, however, it prescribes detailed methodologies it can deter innovation. There could be a tendency, for example, for licensees to meet the letter of the regulation but still fail to adequately address the underlying issues.

On the other hand regulations expressed as wide generalisations can result in licensees being fearful of breaching the regulation and therefore they may take a safe approach rather than taking the bold action that is often needed to address issues relating to vulnerable consumers.

We therefore believe that the other three themes provide the greatest opportunities to improve fuel poverty, and that regulation should be a backstop, where all else has failed, rather than the starting point.

We would also point out the cost to suppliers and, ultimately, consumers, if regulation is over-zealous, particularly in respect of energy efficiency schemes such as CERT, CESP and WHD. It is, of course, vital that money spent on these schemes is spent wisely and cost-effectively and that the schemes benefit those they are aimed at. However, the higher the burden of proof the greater the cost to suppliers and hence to consumers, therefore a sensible balance has to be achieved.

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<sup>1</sup> 'Understanding High Use Low Income Energy Consumers', Centre for Sustainable Energy, November 2010

We would be happy to discuss any aspects of our response with you further.

Yours sincerely

Jill Laurie  
Senior Regulatory Analyst