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for all gas and electricity customers

# Proposals for a new Consumer Vulnerability Strategy

## Consultation

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### Overview:

This document outlines our proposals for a new Consumer Vulnerability Strategy and proposed workplan for 2013/14. When finalised, the Strategy will set out our priorities to help protect gas and electricity consumers in vulnerable positions. This paper has been informed by extensive stakeholder engagement through, amongst other things, responses to a discussion document on energy affordability published in March 2012 and contributions to three roundtables during May.

We are now seeking views on our proposed Strategy approach, in particular the five suggested themes and our fresh perspective on vulnerability centred on risk factors. We are also seeking views on our outline workplan for 2013/14. This includes reviewing suppliers' and distributors' Priority Services Registers, identifying new ways distributors can help vulnerable and fuel poor consumers, promoting best practice in the identification of vulnerability and identifying new methods of providing advice and support to vulnerable consumers on energy matters, including face-to-face.

## Context

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Energy is an essential service for everyone, but there are particular concerns about the ease with which some consumers in vulnerable positions are able to engage in the market and receive the services they need. This is not wholly about price, although rising energy prices may have exacerbated the problem.

In line with our principal objective to protect the interests of existing and future gas and electricity consumers and our duty to have regard to the interests of particular groups of consumers, we have committed to developing a new Consumer Vulnerability Strategy.

This document is a consultation on our proposals for that Strategy and our proposed workplan for 2013/14. It is a Corporate Plan deliverable for Q2 2012/13.

## Associated documents

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Energy Affordability: helping develop Ofgem's Vulnerable Consumer Strategy, March 2012 (Ref: 49/12)

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=54&refer=Sustainability/SocAction>

Ofgem Corporate Strategy

<http://www.ofgem.gov.uk/About%20us/CorpPlan/Pages/CorpPlanning.aspx>

Social Action Strategy

<http://www.ofgem.gov.uk/Sustainability/SocAction/Pages/SocAction.aspx>

Retail Market Review:

<http://www.ofgem.gov.uk/MARKETS/RETMKTS/RMR/Pages/rmr.aspx>

RIIO-ED1:

<http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/riio-ed1/Pages/index.aspx>

Reporting on suppliers' social obligations page:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=71&refer=Sustainability/SocAction/Monitoring/SoObMonitor>

Simplification plan 2012-13

[http://www.ofgem.gov.uk/About%20us/BetterReg/SimpPlan/Documents1/Ofgem%20Simplification%20plan\\_WEB.pdf](http://www.ofgem.gov.uk/About%20us/BetterReg/SimpPlan/Documents1/Ofgem%20Simplification%20plan_WEB.pdf)

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## Executive summary

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Gas and electricity are essential services for households across Great Britain. Upward pressure on gas and electricity bills is having a significant impact on consumers' ability to afford to pay their fuel bills. This situation is exacerbated when consumers are in vulnerable positions and are potentially at a disadvantage when interacting with the energy market. In addition, the importance of energy and continuing concerns about specific features of the market has a particular affect on consumers in such situations.

Against this background we have developed proposals for a new **Consumer Vulnerability Strategy** which aims to advance our work in this area by recognising the potentially dynamic nature of vulnerability. This is consistent with Ofgem's principal duty to protect the interests of existing and future gas and electricity consumers, and in doing so have regard to the interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes or live in rural areas, as well as to those of other consumers.

Our current approach to addressing vulnerability issues was set out in our 2005 Social Action Strategy. The development of this new Strategy has been informed by extensive stakeholder engagement over the last 6 months. Respondents have welcomed its development and many have recognised that a fresh perspective on vulnerability is both necessary and timely.

We propose to adopt the following five themes to guide our work under the new Strategy:

- **Theme 1: developing targeted and effective regulatory obligations**
- **Theme 2: promoting best practice amongst suppliers and distributors**
- **Theme 3: taking account of vulnerability in our work and being informed by research and insight**
- **Theme 4: prompting innovation in the provision of advice and support**
- **Theme 5: using our expertise and working with others to inform wider policy-making to address vulnerability.**

As part of this Strategy, we propose to embed a more sophisticated understanding of the nature of vulnerability, which would in turn be reflected in our expectations of suppliers and distributors as a matter of best practice. This approach would recognise the dynamic and multi-dimensional nature of vulnerability, which may vary over time and in different settings as a result of their changing circumstances and capabilities.

We want to develop this more sophisticated understanding of vulnerability in a way that allows it to be embedded and applied easily across Ofgem and the companies we regulate. We recognise that there may be some practical challenges around implementation. However, we believe that one approach would be for the industry to adopt the existing BSI Standard 'Inclusive Service Provision: identifying and responding to vulnerability' on a self regulatory basis. The standard applies to any

organisation dealing with the public, regardless of type, size, sector and service provided. We are seeking views on this approach and the practical use of the standard in helping suppliers and distributors to identify and respond appropriately to differing consumer needs.

Alongside the new Strategy, we propose to publish an annual workplan, against which we will report progress. For our first workplan, our proposed projects include:

- **Priority Services Registers (PSRs)** - We propose to review the effectiveness and awareness of suppliers' and distributors' PSRs with the aim of sharing best practice and where possible making tangible improvements. This includes considering how PSR data can be better co-ordinated and utilised across the industry.
- **Suppliers' social obligations** - We have recently announced changes relating to Prepayment Meter (PPM) consumers switching when in debt. We propose to monitor the impact of these changes and consider the wider issues associated with debt objections and consumer engagement in the energy market. We will continue to monitor and address issues around suppliers' social obligations.
- **Off-gas-grid consumers** - We will consider what more electricity distributors can do to help consumers in vulnerable positions as part of RIIO-ED1. We will facilitate joint working between electricity and gas distributors to look at alternatives to extending the gas network for fuel poor off-gas-grid consumers.
- **Consumer Vulnerability Network** – We propose to establish a Consumer Vulnerability Network to develop our connection with grassroots organisations that work with consumers in vulnerable positions. The network will assist us in developing future policy in this area and in understanding more fully the issues that face consumers when interacting with the energy market.
- **Consumer engagement** – We propose to consider how consumer engagement with the energy market might be enhanced, particularly for those consumers in vulnerable positions. In particular, we will examine the role of collective switching in this area and the ongoing work in our Retail Market Review to increase engagement across the market.
- **Advice and support** – We propose to investigate new ways of providing consumers with advice and support, including face-to-face support for those who require it. We will also consider what can be done to facilitate collective switching for those who are disengaged and in a vulnerable position. We will continue our partnership with Citizens Advice under 'Energy Best Deal' and consider how the campaign can be further developed.

We welcome views on our proposed Strategy and the focus of our workplan for 2013/14 by **3 December 2012**.

# 1. Introduction

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## Chapter Summary

This chapter sets out the background to the development of a new Consumer Vulnerability Strategy and outlines the structure of the document.

1.1. Gas and electricity are essential services for households across Great Britain. Upward pressure on gas and electricity bills is having a significant impact on consumers' ability to afford to pay their fuel bills. This situation is exacerbated when consumers are in vulnerable positions and potentially at a disadvantage when interacting with the energy market. In addition, the importance of energy and continuing concerns about specific features of the market has a particular affect on consumers in such situations.

### Ofgem's statutory duties

1.2. Ofgem's principal objective is to protect the interests of existing and future gas and electricity consumers in relation to gas provided through pipes and electricity provided across wires. Consistent with our statutory duties, our approach is to protect consumers through promoting competition, regulating where this is not sufficient and price regulating monopoly networks. We are also able to use other regulatory tools to effect change, for example promoting best practice and facilitating the joint working of companies we regulate and others.

1.3. In performing our duties we must take into account the needs of the following particular groups of consumers:

- those of pensionable age
- those that have a disability
- those that are chronically sick
- those on low incomes
- and those living in rural areas.

1.4. We are also able to take into account the needs of other groups of consumers.

1.5. Consumers' interests include their interests in maintaining secure and affordable energy supplies and the reduction of greenhouse gas emissions caused by the supply and use of gas and electricity. Consumers' interests also include the fulfilment of the general objectives of the Gas and Electricity Directives<sup>1</sup>. These objectives include 'ensuring that customers benefit through efficient functioning of their national market, promoting effective competition and helping ensure consumer protection' and 'helping to achieve high standards of universal and public service in electricity supply, contributing to the protection of vulnerable customers [...]'.

1.6. In addition we are required to meet the general and specific duties placed on public sector bodies in the Equality Act 2010 ("the Act"). The general duty requires that in the exercise of functions, including during our policy development, we need to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
- advance equality of opportunity between people who share a protected characteristic and those who do not, and
- foster good relations between people who share a protected characteristic and those who do not.

1.7. The protected characteristics under the Act are:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation

1.8. We are also required to have regard to statutory guidance issued by the Secretary of State on social and environmental matters which includes helping Government achieve its targets to eradicate fuel poverty.

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<sup>1</sup> Directive 2009/73/EC concerning common rules for the internal market in gas; and Directive 2009/72/EC concerning common rules for the internal market in electricity.

## **Social Action Strategy**

1.9. In 2005 we published our Social Action Strategy which was positioned to run for five years. The strategy set out how we aimed to protect consumers in vulnerable positions and help Government to tackle fuel poverty. We reported annually on our work.

1.10. The four themes of our Social Action Strategy were:

- securing compliance with regulatory obligations and effective monitoring and reporting by companies
- encouraging best practice among energy suppliers, using research to identify effective ways to address fuel poverty and help consumers in vulnerable positions
- influencing the debate about measures to tackle fuel poverty, working with other stakeholders, helping to promote a joined up and holistic approach
- informing consumers about ways to lower their energy bills.

## **Consultation and stakeholder engagement**

1.11. In March 2012 we published a discussion document, 'Energy Affordability: helping develop Ofgem's Vulnerable Consumer Strategy', in which we committed to develop a new strategy and sought views on:

- what we should incorporate in our new Strategy
- what we can do differently, and
- how we can help stakeholders with their contribution.

1.12. We also held three roundtables in Cardiff, Glasgow and London in May 2012 seeking further views on the development of our Strategy. It was also the main item at a meeting of our Sustainable Development Advisory Group in June.

## **Structure of this paper**

1.13. This document is structured as follows:

- Chapter 2 sets out our proposed Strategy themes and approach
- Chapter 3 sets out our proposed perspective on vulnerability
- Chapter 4 sets out our proposed 2013/14 annual workplan against each of the five themes of our new Strategy

1.14. Chapter 5 sets out our next steps once the consultation closes on 3 December 2012, including that we plan to publish our final Strategy in March 2013.



## 2. Strategy approach

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### Chapter Summary

This chapter sets out the proposals for our Strategy, including its themes designed to guide our work, our new perspective on vulnerability and the development of a Consumer Vulnerability Network which is intended to improve our connections with grassroots organisations working directly with people in vulnerable positions.

### Questions

**Question 1: Do our proposed Strategy themes provide an accurate reflection of the work Ofgem should be doing to help protect consumers in vulnerable positions?**

**Question 2: Do you agree with our proposed perspective on vulnerability? Are there other risk factors or features of the energy markets that could present issues that we have not covered?**

**Question 3: What is your view on whether the BSI Standard on inclusive services could provide a practical approach to adopting our perspective on vulnerability?**

**Question 4: What are your views on other approaches suppliers and distributors could take to adopt our proposed perspective on vulnerability in practice?**

**Question 5: What are your views on our plans for developing a Consumer Vulnerability Network and are there additional organisations that we should engage?**

2.1. We have engaged extensively with stakeholders across Great Britain on the shape and content of our new Strategy and all respondents have welcomed its development. A summary of responses is provided in appendix 3 and all non-confidential responses are available on our website<sup>2</sup>.

2.2. Based on strong feedback from stakeholders, the following sets out our proposed approach to the Strategy.

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<sup>2</sup> [Link to responses](#) to the discussion paper 'Energy Affordability: helping develop Ofgem's Vulnerable Consumer Strategy'.

## Strategy themes

2.3. There was widespread support for the existing themes of the Social Action Strategy but many suggested developing specific areas of our work further.

2.4. Taking respondents' views into account, we propose that the Strategy has five themes:

Theme	Purpose
<b>Theme 1: developing targeted and effective regulatory obligations</b>	<p>Our work under this theme is in recognition that in some instances it is necessary to put enforceable requirements on suppliers and distributors in order to deliver specific actions for consumers in vulnerable positions.</p> <p>In terms of existing regulation, it is also necessary to keep protections under review and continue to monitor and report on them to enable us to track progress and assess their continuing relevance and success. This reflects the approach set out in our Simplification Plan, published in June 2012.</p>
<b>Theme 2: promoting best practice amongst suppliers and distributors</b>	<p>A best practice approach can, in our view, deliver positive benefits for suppliers, distributors and consumers. It will allow suppliers and distributors the freedom to innovate and differentiate themselves from their competitors whilst seeking to ensure quality and a degree of consistency for consumers.</p>
<b>Theme 3: taking account of vulnerability in our work and being informed by research and insight</b>	<p>Consumer research and insight into vulnerability plays a vital role in informing our wider work and future plans, as well as being a key input into our policy decisions. We already undertake a considerable amount of consumer research, either focused on vulnerable consumers alone or incorporating them into wider research, and we aim to build on this.</p>
<b>Theme 4: innovating in the provision of advice and support</b>	<p>Developing and facilitating innovative ways of providing advice and support from trusted third parties is an important part of helping and engaging consumers in vulnerable positions.</p>
<b>Theme 5: working with others to inform wider policy-making to address vulnerability</b>	<p>Our work under this theme will involve using our expertise of regulating the energy markets and our work administering Government's social and environmental schemes to inform wider policy-making. It will also involve working with others to deliver benefits for consumers in vulnerable positions. This will of course be shaped by our remit and a recognition that some matters are for others, such as Government, rather than a regulator.</p>

**Question 1: Do our Strategy themes provide an accurate reflection of the work Ofgem should be doing to help protect consumers in vulnerable positions?**

**Perspective on vulnerability**

2.5. The Authority is required to have regard to gas and electricity consumers who are of pensionable age, have a disability, are chronically sick, living on low incomes and living in a rural location when carrying out its functions. These groups of consumers are more likely to be vulnerable and we are also able to have regard to the interests of other groups of consumers.

2.6. The Ofgem duties are similar to those in statutes establishing a number of sectoral regulators and consumer groups. But it is increasingly recognised that identifying vulnerability is not just about focusing on certain groups of people, not least because vulnerability is not as fixed as a group-based approach might suggest. Additionally, vulnerability may stem from more than an individual's personal circumstances, and it may vary from market to market.

2.7. Vulnerability has been described by BSI as 'the condition in which a consumer is at greater risk of mis-selling, exploitation or being put at a disadvantage in terms of accessing or using a service, or in seeking redress'. It is often noted that anyone can be vulnerable at some point in their lives.

2.8. While the groups mentioned above might be more likely to experience detriment than the population at large, there is no automatic link between, for example, age and detriment in any particular market. Not all older people are vulnerable and not all vulnerable people are old (the same is true for those in the other categories above). Not all older people who are vulnerable in relation to, say, some financial services products are vulnerable in energy markets (or vice versa). Some older consumers may be vulnerable in, say, financial services, communications and energy markets and as a result experience even greater detriment than those who are vulnerable in just one market, because multiple problems may reinforce one another.

2.9. The groups set out in statute are a useful starting point, but the statutory drafting allows us to consider other consumers too. We propose to take a fresh perspective on vulnerability that incorporates and goes beyond a narrow group-based approach. This would inform all of Ofgem's work and our expectations of regulated businesses.

2.10. Our fresh approach would recognise that consumer vulnerability is a dynamic state that can affect anyone at any time and for many different reasons. It may be permanent or long-term; but equally it can be transitory, for example following a bereavement or relationship breakdown. It may affect all aspects of a person's life or just one part. Importantly, vulnerability is not all about the individual; it may also be affected by the nature of the market concerned.

2.11. Our proposed approach focuses on the risk factors, long- and short-term, which could lead to disadvantage and aims to encourage suppliers and distributors to embed this into how they operate. This is not necessarily about putting in place detailed rules, but rather setting out our expectations of company cultures and their ability to provide services in a way that meets the need of all consumers.

2.12. The different dimensions of risk might include:

- **The characteristics and capacity of the individual.** This might include literacy and numeracy skills and other aspects of personal capacity. It is possible to think of many other factors, such as: living with physical health issues or a mental illness, suffering from a cognitive impairment, living with a learning disability, having a speech impairment, or not having English as a first language,
- **The circumstances facing the individual.** This might include being unemployed, being made redundant, being a full-time carer or a lone parent, leaving care for the first time, experiencing relationship breakdown or bereavement, or living in poor accommodation.
- **The nature of goods or services or the way they were purchased.** The Office of Fair Trading<sup>3</sup> has described this as situational or transactional vulnerability. This may continue beyond the purchase, as a result of contract lock-ins, exit fees, etc. Another such factor might be pricing complexity, which limits the ability of a consumer to understand what they are being offered and make – or even to try to make – an appropriate decision. The urgent nature of a matter may create additional vulnerability.
- **The extent to which the consumer is aware of his or her vulnerability.** This may have an impact on the depth of likely detriment or the consumer's ability to limit the impact. Access to support networks may be an important factor here.

2.13. This is not a list of 'vulnerable consumers' but a set of factors that may make someone more vulnerable than other people to experiencing detriment. It is not exhaustive, nor does it indicate that someone will always experience detriment if they exhibit any of these characteristics. However, people may be more vulnerable to detriment if they have such characteristics or find themselves in such a situation; and the likelihood of detriment tends to increase if consumers have more than one of these risk factors.

2.14. We believe that this approach better reflects the conclusions of our own and others' research and engagement with vulnerable consumers. It is also in line with what appears to be an emerging consensus on the nature of vulnerability in connection with essential services, for example:

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<sup>3</sup> Speech by John Fingleton, 'Consumer interest in fair markets particularly in a recession', 29 October 2009 <http://www.offt.gov.uk/news-and-updates/speeches/2009/1309>

- in the BSI Standard 'Inclusive Service Provision: Identifying and Responding to Vulnerability'<sup>4</sup>
- the National Council for Voluntary Organisations (NCVO)/Eaga Charitable Trust report 'Too many hurdles: Information and advice barriers in the energy market'<sup>5</sup>, and
- work by the Addressing Financial Difficulties (AFD) working party which was set up to take forward the Citizens Advice report 'Do the right thing'<sup>6</sup>.

**Question 2: Do you agree with our proposed perspective on vulnerability? Are there other risk factors or features of the energy markets that could present issues that we have not covered?**

2.15. We want to develop this more sophisticated understanding of vulnerability in a way that allows it to be embedded and applied easily across Ofgem and the companies we regulate as a matter of best practice and on a self regulatory basis. However, we recognise that there may be some practical challenges around implementation. A group-based approach may not reflect the reality of vulnerability, but is relatively straightforward; whereas an approach based on risk factors requires more flexible organisational cultures.

2.16. We believe that one aid to practical implementation might be to encourage suppliers and distributors to adopt the BSI Standard BS18477 'Inclusive service provision – Requirements for identifying and responding to consumer vulnerability' on a self regulatory basis.

2.17. The Standard is a useful indication of the types of behaviour that we expect from suppliers and distributors and it adopts a perspective on vulnerability that is based on understanding risk factors. It has been designed to:

- encourage the use of fair, ethical and inclusive practices
- help organisations understand how to identify consumers in vulnerable positions and how to treat them fairly to help them comply with the law
- help organisations to understand what consumers have a right to expect from them
- improve accessibility to services for all, and
- increase consumer confidence in service providers.

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<sup>4</sup> [BSI Standard, BS 18477:2010, 'Inclusive Services Provision: Identifying and responding to consumer vulnerability'](#)

<sup>5</sup> [Centre for Consumers and Essential Services, 'Too many hurdles: information and advice barriers in the energy market', November 2011](#)

<sup>6</sup> [https://www.citizensadvice.org.uk/index/.../how\\_to\\_do\\_the\\_right\\_thing.htm](https://www.citizensadvice.org.uk/index/.../how_to_do_the_right_thing.htm)

2.18. The Standard gives guidance on how organisations can interact with all consumers so that no-one is inappropriately excluded and helps organisations to identify and assist those consumers who could be vulnerable or at risk of disadvantage. It assumes that organisations already have customer service standards in place and focuses on:

- Identifying consumer vulnerability risk factors
- Planning and development of inclusive services
- Policy, procedures and training to enable the needs of consumers in vulnerable circumstances to be met
- Customer satisfaction measures, advice and redress
- Demonstrable senior-level commitment to these issues.

2.19. The Standard was identified by a number of respondents as representing best practice in this area and is starting to be adopted by a range of consumer-facing bodies, so far predominantly in the financial services sector.

2.20. We propose to encourage suppliers and distributors to adopt the Standard as best practice and we propose to use it in our assessments of suppliers' and distributors' approaches to vulnerability in the future.

**Question 3: What is your view on whether the BSI Standard on inclusive services could provide a practical approach to adopting our perspective on vulnerability?**

**Question 4: What are your views on other approaches suppliers and distributors could take to adopt our proposed perspective on vulnerability in practice?**

### Consumer Vulnerability Network

2.21. A number of respondents have highlighted that Ofgem should explore how it can develop links with a wider network of organisations, particularly agencies and other bodies working directly with people in vulnerable positions. This could help us:

- identify issues that people are facing at an early stage and understand the reality of their situations
- with our policy development
- identify new ways of engaging consumers, such as partnering with organisations to aid advice and support on energy matters.

2.22. We have good connections with national groups representing the interests of consumers in vulnerable positions. We also established a Disability Advisory Forum in 2009 to ensure that we understand and take into account the particular needs that people with disabilities have in relation to energy use and the energy markets. However, we recognise there is a need to gain further insight into attitudes and experiences on the ground and also ensure that we are having regard to equality considerations in relation to those with protected characteristics under the Equality Act 2010. We therefore plan to establish a new network of grassroots organisations that have direct contact with a broad range of consumers in vulnerable positions.

2.23. To aid us in this we commissioned George and Lennard Associates to interview organisations with the aim of developing a new approach to engaging with organisations that provide direct help and advice to consumers in vulnerable positions, particularly organisations which are not typically already in contact with Ofgem.

2.24. The main objectives were to:

- identify a range of organisations that have 'on the ground' experience of working with and/or representing people in vulnerable positions that face challenges dealing with the gas and electricity markets
- interview these organisations to understand their appetite for participating in discussions with Ofgem on gas and electricity issues
- identify approaches other regulators use to engage with organisations that work with consumers in vulnerable positions, and
- identify a number of options that Ofgem can use to engage with these organisations, including location, frequency, method (e.g. phone, web, email etc.).

2.25. Around 40 organisations were approached to discuss their participation and 22 of these were interviewed. Almost all of those interviewed were interested in developing contacts with Ofgem. A list of the organisations interviewed is in appendix 2. We are aware that this list does not include many of those organisations working specifically in Wales and Scotland, although it is our intention to develop more contacts in these nations. We are also looking to increase involvement of organisations working specifically with people from black and minority ethnic (BME) communities.

2.26. The organisations interviewed suggested a varied approach to the methods we use to engage them, including:

- one or more named contacts at Ofgem for organisations to contact with issues or to discuss elements of Ofgem's work
- relevant and easily understandable newsletters via email

- very short alerts about consultations etc. via email, facebook or twitter
- information via means that does not rely on access to the internet
- a dedicated section of Ofgem's website, particularly to get information and access documents easily
- regional meetings, including participating in organisation's own forums
- meetings in London, as long as the purpose was clear and relevant to their work.

2.27. It was also apparent that a number of organisations had questions about Ofgem's role and what it could and could not do. To address this we agreed we would develop easily understandable material which explains this to organisations.

2.28. We recognise that many of the organisations that we would like to engage with are facing considerable constraints on their time and resources. We therefore propose to use a variety of methods of communicating to try to make it easier for organisations to engage in our work. We will take these methods of communication forward over the coming months.

2.29. We are also aware that a number of the organisations that have been contacted provide information and advice directly to consumers in difficulties in one form or another (for example, through advice lines, local centres, fact sheets). We will discuss further with these organisations the potential for partnering with them to help develop information to help their advisors assist people in dealing with energy issues.

**Question 5: What are your views on our plans for developing a Consumer Vulnerability Network and are there additional organisations that we should engage?**

### Annual workplan

2.30. The majority of respondents suggested that we should prioritise our work according to where we can really make a difference, especially where we might have a unique contribution to make as a result of our remit and expertise., while some have suggested that we should get more involved in policy areas under the Government's control. It was also suggested by some that we report periodically on the effectiveness of our work in this area.

2.31. We propose to publish an annual workplan and report on progress each year. We will also look to set objectives for our work. The following chapter outlines our proposed workplan for 2012/13.



## 3. Proposed annual workplan

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### Chapter Summary

This chapter provides an outline of our proposed annual workplan for 2013/14. This includes a review of the Priority Services Registers (PSRs), continued monitoring of suppliers' social obligations, further work on off-gas grid consumers, the creation of a Consumer Vulnerability Network, and measures to increase consumer engagement and provide advice and support where required.

### Questions

**Question 6: What are your views on our proposed annual workplan for 2013/14?**

**Question 7: Do you believe that there are other areas that we should be specifically addressing in the workplan for 2013/14?**

3.1. The following outlines our first proposed annual workplan for 2013/14 that has been developed in conjunction with our proposed five strategy themes outlined in Chapter 2.

3.2. The plan below focuses on new areas of work and does not explicitly include ongoing projects that relate to vulnerability issues, such as the Retail Market Review (RMR) and our Smarter Markets Strategy. The next steps on the RMR will be published before the winter. The Smarter Markets Strategy includes a work programme to consider whether the regulatory protections need to change ahead of the smart meter roll-out to ensure all consumers continue to be protected<sup>7</sup>.

### Theme 1: Developing targeted and effective regulatory obligations

3.3. We recognise that in some instances competition and self regulation alone are not enough to deliver protection for consumers in vulnerable positions. In some instances we need to put requirements on suppliers and distributors in order to deliver specific actions for consumers and sometimes specifically for those in vulnerable positions.

3.4. In terms of existing regulation, it is also necessary to keep protections under review and continue to monitor and report on them to enable us to track progress and assess their continuing relevance and success.

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<sup>7</sup> [Promoting smarter energy markets: A work programme](#), July 2012

3.5. The following sets out actions concerning regulatory obligations that we will continue to undertake and propose to begin over the coming months.

### **Priority Services Register**

3.6. Each domestic supplier has a licence obligation to maintain its own Priority Services Register (PSR). The PSR is a list of consumers who are of pensionable age, have a disability or a chronic sickness that have asked to be added to their supplier's register. Suppliers are required to provide the following free services on request:

- quarterly meter readings where the customer is unable to read the meter
- a password to be used by any person acting on behalf of the supplier
- the relocation of a PPM to ensure it is accessible, and
- the provision of bills and information relating to the customer's account in an accessible format for blind, partially sighted, deaf or hearing-impaired customers.

3.7. Suppliers are required to take all reasonable steps to tell each of their consumers about the PSR at least once a year.

3.8. Each gas and electricity distributor also has a licence obligation to have its own PSR. In this case, the PSR covers those consumers who are of pensionable age, disabled, or chronically sick and have a special communication need or are dependent on electricity for medical reasons and require certain information and advice about interruptions in the supply of electricity or gas to their premises.

3.9. Distributors have a number of obligations to PSR consumers relating to providing information, advice and help during supply interruptions. Distributors are also required to tell a consumer's supplier when they add them to the PSR.

3.10. Both suppliers and distributors are required to make information available free of charge in a format that is suitable for PSR consumers who are blind, partially sighted, deaf, or hearing-impaired when asked to do so.

3.11. A large number of respondents have suggested that there should be more joining up of PSRs across the industry and, potentially, between sectors and that we should consider driving forward a common name or brand for PSRs to be used by all suppliers and distributors. One stakeholder suggested that the common name should promote a positive association, for example like frequent flyer schemes, rather than being linked to consumers requiring special help. A small number of respondents have also said that we should review the licence requirements relating to PSR consumers, particularly the free services that licensees are required to offer.

3.12. As part of our action plan for 2013/14 we are proposing to conduct a full review of suppliers' and distributors' PSRs. We propose the review should include:

- the potential for joining up, sharing lists, or transferring data during the change of supplier process to indicate when a consumer is on a PSR

- the potential for a common name or brand for PSRs
- consumer research on the awareness amongst eligible consumers of PSRs, their attitudes to PSRs, their views on the services that should be offered free of charge and their experiences of being on a PSR
- additional eligibility and services offered beyond those required in the licences in order to potentially promote best practice in this area
- the licence requirements on suppliers and distributors, including the free services that must be offered.

### **Securing compliance with social obligations**

3.13. We will continue our monitoring and reporting of suppliers' compliance with their social obligations relating to debt and disconnection, prepayment meters, suppliers' PSRs and provision of energy efficiency advice.

3.14. In October 2012 we will publish our 2011 annual report on suppliers' performance against their social obligations<sup>8</sup>. Earlier in 2012 we also reported on the changes we are making to the data we collect from suppliers. The first report covering the new data will be provided to us by suppliers at the end of October 2012 and will include information on the number of smart meters installed and the number of these that have been remotely disconnected or switched to prepayment mode. This, along with data on suppliers' other social obligations, is an area that we will continue to monitor closely.

### **Review of the Debt Assignment Protocol**

3.15. In September 2012 we concluded a review of the process for PPM consumers switching supplier with a debt, known as the Debt Assignment Protocol (DAP)<sup>9</sup>. As a result of the review we have agreed a voluntary package of measures with the six big suppliers aimed at increasing prepayment consumers' awareness of being able to switch supplier with a debt and making the process for doing so much simpler. We have also achieved an agreement with the suppliers to increase the amount of debt that can be switched from £200 to £500.

3.16. We hope that these changes will mean that more prepayment consumers in debt will switch to a cheaper energy supplier. However, we plan to monitor the impact of these changes going forward while also considering the wider issues associated with debt objections and consumer engagement in the energy market.

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<sup>8</sup> [Suppliers' social obligations: 2011 annual report](#), October 2012

<sup>9</sup> [Debt Assignment Protocol review: the process for prepayment consumers switching with a debt](#), September 2012

## **Network companies**

3.17. We believe that electricity and gas distributors have an important role in helping to address certain social and vulnerability issues. For instance, due to the essential nature of the service they provide distribution companies need to be able to identify, and where appropriate meet the requirements of, consumers in vulnerable positions.

3.18. A number of respondents, particularly those that took part in the roundtables in Wales and Scotland, highlighted that through its regulation of the distribution networks Ofgem is in a unique position to help consumers that are not connected to the gas network.

3.19. Consumers who are not connected to the gas network can be affected by high energy bills because they are forced to use expensive fuels to heat their home which increases the risk of fuel poverty for these consumers. Based on figures that were available, 29 per cent of consumers not connected to the gas network in England and 45 per cent of those not connected in Scotland were fuel poor in 2010<sup>10</sup>.

3.20. As part of the current gas distribution price control, Gas Distribution Networks (GDNs) are funded to extend the gas network to fuel poor communities where it is cost efficient to do so. We are proposing to extend this policy for the next price control period (RIIO-GD1, 2013-2021) but we will be reviewing this policy in 2014 to consider whether gas network extensions continue to be the best option for fuel poor consumers off the gas network. This is because the introduction of Government policies, such as the Renewable Heat Incentive (RHI), has the potential to make other options more cost effective.

3.21. Given the potential role of other renewable technologies, as part of the next electricity price control (RIIO-ED1) we are looking at how electricity distribution companies can work with GDNs and others to consider solutions such as renewable heat technologies, alongside connections to the gas grid, as cost effective ways of helping fuel poor consumers who are currently off the gas network.

3.22. To aid this work we are holding a Forum on 19 October 2012 to discuss how gas and electricity distributors and others can work together to find solutions for fuel poor consumers who are not connected to the gas network. Our key aim in holding this Forum is to facilitate future joint working.

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<sup>10</sup> Figures for England on fuel poverty are [published by DECC](#), [figures for Scotland are published by the Scottish Government](#).

## **Theme 2: Promoting best practice amongst suppliers and distributors**

### **Best practice in identifying vulnerability**

3.23. A best practice approach can, in our view, deliver positive benefits for suppliers, distributors and consumers. It allows suppliers and distributors the freedom to innovate and differentiate themselves from their competitors whilst seeking to ensure quality and a degree of consistency for consumers.

3.24. We have looked to promote best practice in suppliers' debt and disconnections practices and policies. This has had a number of tangible benefits, including a significant reduction in disconnections from around 16,000 in 2003 to 1,252 in 2011 and, more recently, a reduction in average repayment rates. More information about suppliers' performance in relation to their social obligations is available in our 2011 social obligations report<sup>11</sup>.

3.25. A large number of respondents have suggested that Ofgem could make a significant contribution to the methods suppliers' use to identify consumers in vulnerable positions. Currently, the approach individual suppliers take to how they define vulnerability varies considerably, with some taking a wide approach that goes beyond their licence conditions. We propose to look at these approaches - including whether suppliers have embedded them across their organisations - and develop an understanding of best practice in this area. This area of work will complement our proposed approach to vulnerability, including the adoption of the BSI Standard on inclusive services, amongst suppliers and distributors.

## **Theme 3: Taking account of vulnerability in our work and being informed by research and insight**

### **Perspective on Vulnerability**

3.26. As outlined in Chapter 2, as part of our Strategy we are proposing to adopt an approach to vulnerability which includes the groups mentioned in statute but does more to recognise the dynamic and multi-dimensional nature of people's circumstances and the risk factors that may make someone susceptible to vulnerability.

3.27. However, we appreciate that our approach needs to be workable. Suppliers and distributors need to be able to spot vulnerability and we need to be able to identify where they are failing to do this. Given this we propose to take forward a number of work areas over the coming months, including working with suppliers, distributors, consumer groups and others, to help progress adoption of the approach at a practical level. These are as follows:

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<sup>11</sup> ['Suppliers' social obligations: 2011 annual report', October 2012](#)

- seek stakeholders' views and understand others' experiences of implementing the approach at a practical level, including through this consultation and a workshop in November
- encourage the adoption of the BSI Standard on inclusive services by suppliers and distributors as best practice on identifying and responding to vulnerability
- work with colleagues across Ofgem to embed this approach to vulnerability across our work.

### **Consumer Vulnerability Network**

3.28. We will establish a Consumer Vulnerability Network to develop our connection with grassroots organisations that work with consumers in vulnerable positions. The network will assist us in developing future policy in this area and in understanding more fully the issues that face consumers when interacting with the energy market. A key area of work for us over the coming months will be developing our communication channels with these organisations.

### **Consumer research**

3.29. Consumer research continues to be a key area of work to inform our wider work and future plans. It is also a key input for our policy development, including the RMR.

3.30. We will continue with our Consumer First panel which helps inform work areas across Ofgem<sup>12</sup>. It has recently fed back on issues about engagement with the energy markets for the RMR. We are also currently taking forward consumer research to help develop our Standards of Conduct and information remedies for the RMR.

3.31. Going forward, as part of our review of the PSRs we will undertake consumer research to understand consumers' awareness of suppliers' and distributors' PSRs, their experiences of being on a PSR and their expectations. This research will help inform what improvements could be made to the PSRs.

## **Theme 4: Innovating in the provision of advice and support**

3.32. A key message from respondents, particularly during the roundtable events, was that advice and support from trusted third parties is an important part of helping

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<sup>12</sup> Ofgem's Consumer First panel consists of 100 everyday domestic consumers recruited from five locations across Great Britain. The panel meets regularly to discuss key issues impacting on their participation in the gas and electricity markets. It is refreshed with new panel members once a year. Further information is available from Ofgem's [website page for the Consumer First panel](#).

and engaging consumers in vulnerable positions and that many of these consumers respond better when that advice and support is provided face-to-face. In response to this message, we propose to partner with organisations to develop more innovative ways of providing information and support to consumers.

### **Energy Best Deal**

3.33. We will continue our work with Citizens Advice on 'Energy Best Deal'. The campaign works by holding practical presentations delivered to low income consumers and front-line staff from Citizens Advice and other organisations who work with people at risk of fuel poverty. The presentations give advice on how to make homes energy efficient, ensure consumers are claiming the right benefits and check they are on the best tariff for their circumstances. Between October 2012 and the end of March 2013 at least an additional 750 sessions will be delivered across England, Scotland and Wales. These will directly reach at least 6,750 fuel poor consumers and frontline workers who support them. The information provided at the sessions will then be cascaded to consumers benefiting at least an additional 50,000; adding to the 200,000 already helped.

3.34. We are proposing to explore with Citizens Advice how Energy Best Deal could be developed in the future.

3.35. Over the coming months we will also work with other organisations to explore the potential for facilitating more face-to-face advice opportunities, including whether there are potential partners in our new Consumer Vulnerability Network.

### **Collective switching**

3.36. We have had mixed views from respondents on the potential for collective switching. Some are concerned that collective switching might only be used by consumers that are already engaged and that those that are disengaged and vulnerable will end up paying for the cheaper tariffs that collective switchers enjoy. On the other hand, some consider that collective switching, if focused on those in need, could be beneficial for consumers in vulnerable positions.

3.37. We will consider how consumer engagement with the energy market might be enhanced, particularly for those consumers in vulnerable positions. In particular, we will examine the role of collective switching in this area and the ongoing work in our Retail Market Review to increase engagement across the market.

## **Theme 5: Working with others to inform wider policy-making to address vulnerability**

3.38. We have had a number of comments from respondents that we should be using our knowledge to influence Government on its energy policies. However, we have also had comments from stakeholders that we should prioritise areas of work where we can make a difference. Where our knowledge can provide a unique

contribution, we will continue to inform Government of energy consumer matters relevant to its policy development.

3.39. We will also develop our links further with other sectoral regulators, such as Ofwat, Ofcom and financial services, to identify synergies. The Public Utilities Access Forum provides one method of doing this but we will ensure we look to make links in other ways too.



## 4. Next steps

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4.1. We are aiming to publish our final Strategy and workplan in March 2013. To inform this we would appreciate responses to the questions in chapter 2 and 3 by 3 December 2012.

4.2. Responses should be addressed to Claire Tyler, Senior Manager Consumer Policy, [claire.tyler@ofgem.gov.uk](mailto:claire.tyler@ofgem.gov.uk). Further details about responding to this document are provided in appendix 1.

4.3. In order to discuss how Ofgem and the industry can adopt our proposed approach to vulnerability in practice we will hold a number of workshops in November 2012. Invites will be sent out in due course but those wishing to attend can also contact Claire Tyler.

## Appendices

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## Appendix 1 - Consultation response and questions

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1.1 Ofgem would like to hear the views of interested parties in relation to any of the issues set out in this document.

1.2 We would especially welcome responses to the specific questions which we have set out at the beginning of each chapter heading and which are replicated below.

1.3 Responses should be received by 3 December 2012 and should be sent to:

Claire Tyler  
Consumer Policy and Insight  
9 Millbank  
London  
SW1P 3GE  
020 7901 7331  
[claire.tyler@ofgem.gov.uk](mailto:claire.tyler@ofgem.gov.uk)

1.4 Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website. Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.5 Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted electronically. Respondents are asked to put any confidential material in the appendices to their responses.

1.6 Next steps: Having considered the responses to this consultation, Ofgem intends to publish its final Strategy and annual workplan in March 2013. Any questions on this document should, in the first instance, be directed to Claire Tyler, as above.

### **CHAPTER: Two**

**Question 1: Do our proposed Strategy themes provide an accurate reflection of the work Ofgem should be doing to help protect consumers in vulnerable positions?**

**Question 2: Do you agree with our proposed perspective on vulnerability? Are there other risk factors or features of the energy markets that could present issues that we have not covered?**

**Question 3: What is your view on whether the BSI Standard on inclusive services could provide a practical approach to adopting our perspective on vulnerability?**

**Question 4: What are your views on other approaches suppliers and distributors could take to adopt our proposed perspective on vulnerability in practice?**

**Question 5: What are your views on our plans for developing a Consumer Vulnerability Network and are there additional organisations that we should engage?**

### **CHAPTER: Three**

**Question 6: What are your views on our proposed annual workplan for 2013/14?**

**Question 7: Do you believe that there are other areas that we should be specifically addressing in the workplan for 2013/14?**

## Appendix 2 – Consultation and stakeholder engagement

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1.1 We are grateful to everyone who has contributed to this work so far. The following lists those that have either responded or taken part in discussions about the Strategy.

### **Respondents to affordability discussion paper**

- Age UK
- Association for the Conservation of Energy
- British Gas
- Calor Gas
- Centre for Consumers and Essential Services
- Citizens Advice
- Consumer Focus
- Ecotricity
- EDF Energy
- E.ON
- Energy Action Scotland
- Energy UK
- Local Government Association
- Money Advice Trust
- National Energy Action
- npower
- Scottish Government
- Scottish and Southern Energy
- uSwitch
- Wales and West Utilities

### **Participants at the London roundtable**

- Age UK
- British Gas
- British Standards Institute
- Centre for Consumers and Essential Services
- Centre for Sustainable Energy



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- Consumer Credit Counselling Service
- Consumer Focus
- DECC
- Ecotricity
- EDF Energy
- E.ON
- Energy UK
- Good energy
- Local Government Association
- Money Advice Trust
- National Energy Action
- npower
- OFT
- Ofwat
- Scottish and Southern Energy
- uSwitch
- First Utility
- Chair of the Fuel Poverty Advisory Group in England
- Warm Zones and Energy Efficiency Partnership for Homes

### **Additional participants at the Cardiff roundtable**

- Citizens Advice Cymru
- Older People's Commission for Wales
- NEA Cymru
- Cynnal Cymru / Sustain Wales
- Age Cymru
- ScottishPower
- Energy Saving Trust
- Welsh Government
- Wales Co-operative Centre
- Money Advice Service
- Consumer Focus Wales
- Community Housing Cymru
- Carillion

### **Additional participants at the Glasgow roundtable**


- Consumer Focus Scotland
- Scottish Federation of Housing Associations
- Citizens Advice Scotland
- Scottish Government
- Office of Fair Trading
- Energy Action Scotland
- Member of the Scottish Fuel Poverty Forum

### **Consumer Vulnerability Network – stakeholder interviews**

1.2 As mentioned in chapter 2, we commissioned George and Lennard Associates to identify and consider how we could engage grassroots organisations in direct contact with consumers in vulnerable positions.

1.3 The following organisations were contacted and interviewed to provide their views on the best means of engaging them:

- Action for Communities in Rural England
- Arun District Council, Private Sector Housing and Public Health
- Brent Private Tenants’ Rights Group
- British Institute of Learning Disabilities
- Camden Federation of Private Tenants
- Care Leavers’ Association
- Child Poverty Action Group
- Federation of Private Residents’ Associations
- Greater London Forum for Older People
- Headway
- Mencap
- National Housing Federation
- National Pensioners Convention
- People First
- Refugee Action
- Scope



## Proposals for a new Consumer Vulnerability Strategy

- Shelter
- Tenants Information Service, Scotland
- Terrence Higgins Trust
- The Children's Society
- Wales and West Housing Association
- Welsh Tenants' Federation



## Appendix 3 – Summary of stakeholders' views

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1.1 The following summarises respondents' views to the questions in our March 2012 'Energy Affordability: helping develop Ofgem's Vulnerable Consumer Strategy' consultation as well as the three Roundtable discussions held in London, Cardiff and Glasgow.

### **Affordability discussion paper**

1.2 Responses to this paper were received from energy suppliers and network operators, consumer groups, NGOs, switching site providers and others such as academic bodies. There was broad support for the retention of the four themes in our existing Social Action Strategy. Issues raised included:

- The need to reflect in our Strategy the dynamic and multi-dimensional nature of vulnerability
- The identification of short and medium-term Strategy objectives, with a means of measuring effectiveness
- The development of a wider network of organisations working with people in vulnerable circumstances, to inform our thinking
- The provision by Ofgem of tools for energy companies to review their own systems and policies and/or a greater emphasis on identifying and sharing best practice
- Environmental and social obligations to be set on a kWh basis rather than per household
- More visible and/or joined-up Priority Service Registers
- Encourage adoption by suppliers of the BSI Standard on Inclusive Service Provision
- More work on the distributional impact of policies
- A recognition that some issues are for government not Ofgem, but that we should sometimes make the case for change e.g. with regard to the need for greater data sharing by Government to identify consumers in vulnerable positions.

### **Roundtable discussions**

1.3 These were designed as highly interactive sessions, involving suppliers, consumer organisations, relevant fuel poverty advisory groups, GB and devolved Government departments and a variety of NGOs. Each session included perspectives

from different sectors, so for example we had speakers from Ofwat (the Water Regulation Services Authority) and the Office of Fair Trading (OFT).

1.4 These sessions reinforced some of the key points from the written submissions. Participants welcomed our review of this area and confirmed the importance of Ofgem taking an active role, while recognising that some wider issues about fuel poverty are not within our statutory remit. The feedback from the sessions largely supported the relevance and focus of the existing Social Action Strategy themes; although it was recognised that the market has advanced considerably since the original strategy was developed and further work is required in some areas.

1.5 There was particular interest in collective switching through a recognised and trusted intermediary, which could stimulate disengaged, 'sticky' consumers to take a first step into the competitive market. However, key issues may need to be considered including the behaviour of intermediaries, transparency of the process and specific nature of the tariffs offered to different consumer groups.

1.6 Similarly smart metering was seen as having the potential to deliver significant benefits to consumers in vulnerable positions but additional protection may be required during the roll-out and thereafter as a result of new tariff options or debt management practices introduced by suppliers.

1.7 Specific issues raised across all three roundtables included:

- Obtaining support in the identification and **definition** of consumers in vulnerable positions remains a key concern for a number of stakeholders. It was viewed that there was a need to reflect on the dynamic nature of vulnerability and the various definitions that currently exist across the industry and beyond. In particular it was seen as important that our future strategy is alive to the needs of consumers in vulnerable positions, as opposed to simply focusing on the needs of a narrowly-defined static group of consumers.
- It was considered that there was a need to review the **Priority Services Register** that currently requires energy suppliers to provide a range of free services to consumers of pensionable age or who have a disability, a hearing or visual impairment or chronic ill health. Numerous stakeholders suggested improvements to the current operation of this service including consistent branding, better information sharing, better publicity and broader entitlement. There was particular discussion in the London session about the establishment of a single Register, either for the energy sector or on a cross-sectoral basis (e.g. covering water too), though later discussions indicated a preference for automatic transfer between different suppliers' Registers.
- Stakeholders considered that the provision of more **face-to-face** contact with consumers in vulnerable positions was necessary in order to provide advice and support them in engaging with the market. This could mean further work along the lines of the Energy Best Deal model to build awareness and capability, the extension of the Confidence Code for switching sites to face-to-face services (and indeed post and telephone services), or the development of other outreach

approaches offering independent advice.


- Ofgem had a role in enabling innovative solutions to the problems faced by **off-gas-grid** consumers perhaps by greater information sharing, facilitating joint working by key stakeholders and continuing our work in this area through the Gas Discretionary Reward Scheme.
- Bringing about **behavioural change** through facilitating greater exchange of best practice and using reputational incentives to improve performance or encourage innovation when dealing with vulnerability, for example building on our experience in publishing company performance data on debt and disconnection.
- Working with key stakeholders to encourage the effective **sharing of relevant information** so that consumers in vulnerable positions can be easily identified and appropriate steps can be taken to engage them to take confident and informed decisions on issues such as tariffs, payment options, energy efficiency and potentially switching supplier. Further consideration should be given to the possibility of Ofgem facilitating greater stakeholder discussion in this area and using our own knowledge and understanding to inform a wider debate on key issues.

### 1.8 Issues given greater emphasis in the Scotland roundtable included:

- the low level of internet access in cities such as Glasgow and low broadband penetration in Scotland and the impact this has on consumers' ability to access the best deals and get information
- the degree of brand loyalty to ScottishPower, SSE/Scottish Hydro and to an extent Scottish Gas, and the extent to which this might explain much consumer stickiness
- the need for further research on what people want from Priority Services Registers
- greater use of local authorities as trusted intermediaries
- the extent to which consumers might find the term 'vulnerable' off-putting
- the number of different regional tariffs and the way this adds to the perception of complexity.

### 1.9 In Wales, issues given greater emphasis included:

- greater use of peer-to-peer support for switching
- the payment method which people use increasingly dictates the size of their bill and the extent to which these should be equalised
- the role for Ofgem in accrediting advice services
- a need for Ofgem to collect and disseminate data on vulnerability



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- the need to normalise switching by all kinds of consumers, including those who are vulnerable ('people like you').

1.10 One test posed in the Wales roundtable was: what could only Ofgem do? This was with a view to ensuring that we provided a unique contribution rather than duplicating the work of other stakeholders.

## Appendix 4 - Glossary

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### C

#### Carbon Emissions Reduction Target (CERT)

A government policy that requires all domestic energy suppliers with a customer base in excess of 50,000 customers to make savings in the amount of CO<sub>2</sub> emitted by householders. Suppliers meet this target by promoting the uptake of low carbon energy solutions to household energy consumers, thereby assisting them to reduce the carbon footprint of their homes.

#### Community Energy Saving Programme (CESP)

A government policy that targets households across Great Britain, in areas of low income, to improve energy efficiency standards and reduce fuel bills. Suppliers provide funding for the programme.

### D

#### Department for Energy and Climate Change (DECC)

The UK government department responsible for policy and regulations in the fields of energy and climate change.

### E

#### Energy Best Deal (EBD)

Ofgem and Citizens Advice consumer awareness campaign.

#### Energy Company Obligation (ECO)

A forthcoming government policy that will replace CERT and CESP. Suppliers would provide funding for this policy.

#### Essential Service

A basic need which is necessary for a person's health and wellbeing.

### F

#### Fuel poverty

Those households who need to spend more than 10 per cent of their annual income on fuel to maintain an adequately heated home are considered to be in fuel poverty.

### K

#### kWh

Kilowatt-hour is a unit used to measure energy consumption in both electricity and gas.

### P

#### Priority Services Register (PSR)

The standard licence conditions of the gas and electricity supply licences require suppliers to establish a list (the Priority Services Register) of domestic customers that are of pensionable age, disabled or chronically sick. Eligible customers can ask to be added to their supplier's list. These customers are then eligible for certain free services specified in the supply licences.

## **S**

### **Smart meter**

A generic term for innovative forms of metering that provide increased levels of functionality above that of a basic meter. It includes both compliant smart meters that will meet the Government's mandated technical specifications and count towards suppliers' roll-out obligations and Advanced Domestic Meters, that is those which provide measured consumption data for multiple time periods and can provide the relevant supplier with remote access to such data.

### **Supply Licence Conditions (SLCs)**

The legally binding conditions that gas and electricity suppliers must meet to supply to domestic and non-domestic customers, in accordance with the Gas Act (1986) and Electricity Act (1989).

### **Switching**

The process of changing gas or electricity supplier, or changing to a new tariff with the same supplier.

## **W**

### **Warm Home Discount**

The Warm Home Discount scheme mandates domestic energy suppliers to provide approximately £1.13 billion of direct and indirect support arrangements to fuel poor customers over four years from April 2011.

## Appendix 5 - Feedback questionnaire

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1.1 Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2 Please send your comments to:

**Andrew MacFaul**  
Head of Better Regulation  
Ofgem  
9 Millbank  
London  
SW1P 3GE  
[andrew.macfaul@ofgem.gov.uk](mailto:andrew.macfaul@ofgem.gov.uk)