

**British Gas response to Ofgem consultation on  
'Proposals for a new Consumer Vulnerability Strategy'  
(December 2012)**

**EXECUTIVE SUMMARY**

- British Gas welcomes the opportunity to participate in the development of Ofgem's consumer vulnerability strategy.
- We take our obligations to vulnerable consumers extremely seriously, recognising the essential nature of gas and electricity and the fact that some consumers may require additional assistance to access and engage with the energy market.
- We consider that the proposed Strategy themes broadly represent what Ofgem should be doing to help protect customers in vulnerable positions, though much will depend on the specific actions that Ofgem takes to implement the themes.
- However, we do not agree with Ofgem's proposed perspective on vulnerability. We consider that the approach represents an overly theoretical framework that cannot be translated into clear and workable obligations for regulated suppliers to undertake and for the regulator to measure compliance against.
- We believe that the dynamic approach to vulnerability proposed by Ofgem has other flaws:
  - It demands that suppliers regularly ask customers questions of a personal nature, which many people may feel are inappropriate and overly-intrusive and which they may therefore be unwilling to disclose to energy suppliers;
  - It would necessitate energy suppliers creating a database of the most sensitive customer data and ensuring that it was kept up to date;
  - It creates subjective assessments of vulnerability which are open to interpretation, meaning that suppliers would face considerable uncertainty over when and in what circumstances Ofgem might decide to take enforcement action;
  - There is a risk that adopting a more dynamic assessment of vulnerability will mean that the number of people deemed to be 'vulnerable' will rise. Since suppliers' resources are finite, this may lead to a dilution on the assistance that can be offered to those most in need;
  - It would run counter to the group-based criteria used to determine eligibility for other schemes, such as Warm Home Discount (WHD), the Affordable Warmth element of the Energy Company Obligation (ECO) and Winter Fuel Allowance – potentially confusing eligible customers and reducing the likelihood of self-identification or passporting.



## INTRODUCTION

1. This is the British Gas response to Ofgem's consultation for a new Consumer Vulnerability Strategy and proposed workplan for 2013/14.
2. We responded to Ofgem's previous consultation which sought views on the key areas which should form part of its Vulnerability Strategy and we are pleased that our comments have contributed to the development of Ofgem's proposals. We welcome Ofgem's continued openness in engaging with suppliers and other stakeholders on its proposed approach to consumer vulnerability – both in terms of the consultation itself and also in the workshops that Ofgem has held.
3. British Gas takes our obligations to vulnerable consumers extremely seriously, recognising the essential nature of gas and electricity and the fact that some consumers may require additional assistance to access and engage with the energy market.
4. We not only offer a range of services to vulnerable customers that are mandated by the regulator, such as the Priority Services Register (PSR), but make strenuous efforts to go further. For example, we have adopted the broadest industry definition of vulnerability, going well beyond the definition developed by the (then) Energy Retail Association (ERA) as a starting point.<sup>1</sup> We have also rolled out vulnerability training, which covered identification of vulnerability and potential triggers, to all of our customer-facing operations. To supplement this, we have created a specialist team dedicated to assisting more vulnerable customers with relevant topics (e.g. registration on the PSR, eligibility checking for WHD, energy efficiency assistance).
5. In addition to this, British Gas has the broadest eligibility criteria for the Warm Home Discount broader group, and we were the only supplier not to close the scheme in its first year when we reached our designated number of customers. This year we have committed to keep registrations for the Broader Group open until the end of the year. We also provide significant extra support (amounting to £28 million in 2011-12) to consumers struggling to pay for household bills and essential household items through the British Gas Energy Trust grant scheme, access to which is open to customers of all energy companies.
6. We are keen to work with Ofgem as it develops its Vulnerable Customers Strategy to ensure that what is proposed builds on best practice, can be adopted by suppliers and enables resources to be targeted at vulnerable customers in the optimum way and - of paramount importance - results in vulnerable customers being offered services which help them to engage with the energy market. Below we provide answers to the questions posed in Ofgem's discussion document.

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<sup>1</sup> The ERA definition states that "A customer is 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." To enable us to apply this framework, we defined more specific criteria



## RESPONSES TO SPECIFIC 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?**

7. We consider that the proposed Strategy themes broadly represent what Ofgem should be doing to help protect customers in vulnerable positions. Understandably, these are framed at a high-level and much will depend on the specific actions that Ofgem takes to implement the themes.
8. It is important that in developing more specific actions, Ofgem's work is based on consumers' needs and robust evidence about the benefits and costs of any particular approach. In this regard we are heartened that proposed Theme 3 includes a commitment from Ofgem to take account of vulnerability in its work and for this to be informed by research and insight.
9. More broadly, it is imperative that Ofgem's Vulnerability Strategy and associated workplan is developed so that it complements and works with the grain of both the existing and future policy framework. Relevant interactions to consider should include the Warm Home Discount and future mandated social programmes, the Energy Company Obligation (ECO), proposals emerging from the Retail Market Review and the definition of fuel poverty that it is currently proposed to revise.
10. In terms of its overall approach, Ofgem must strike a balance between its desire – shared by British Gas – to ensure that vulnerable customers have reasonable access to the energy market, whilst not imposing overly onerous requirements on suppliers which will ultimately add costs to customers' bills, including those of vulnerable customers.
11. We consider that Ofgem's role should be to mandate a minimum level which all suppliers must adhere to, and then incentivise suppliers to go beyond this. One way to do so would be for Ofgem to do more to promote best practice. We are therefore pleased to note that Theme 2 of Ofgem's proposed Strategy is 'Promoting best practice amongst suppliers and distributors'. As Ofgem observes, this approach "*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*". To inject an added dynamism into efforts to differentiate offerings, we suggest that Ofgem itself and consumer groups such as Consumer Focus or Citizens Advice could do much more to publicise and promote externally the positive work conducted by suppliers and to highlight laudable initiatives. Such activities could also have an important role to play in changing perceptions about energy suppliers and help to rebuild trust.

**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?**

12. No, we do not agree with Ofgem's proposed perspective on vulnerability. We can understand the philosophical rationale behind Ofgem's proposal to adopt a more dynamic approach to vulnerability which asserts that a person's membership of a particular group does not automatically render that person vulnerable. However, we consider that the approach represents an overly theoretical framework that cannot be translated into clear and workable obligations for regulated suppliers to undertake and for the regulator to measure compliance against.
13. As we make clear in the Introduction above, British Gas takes its obligations to vulnerable customers extremely seriously. However, our core purpose is to deliver energy to customers' homes safely, reliably and efficiently. Our front line agents are energy experts, not social care professionals, and it may therefore be inappropriate and intrusive for them to ask about the types of issues highlighted in the consultation document as identifying vulnerability. Customers, too, are likely to be uncomfortable in disclosing personal information to their energy supplier, and indeed in knowing that such information about them is retained and could be passed to other organisations (e.g. the network distributor or, under suggestions floated in the consultation document, to other energy suppliers upon a customer transferring to them). It would be helpful to understand whether Ofgem has consulted with the Information Commissioner's Office (ICO) as to whether it is appropriate for suppliers to record highly sensitive and personal information on their billing systems, and indeed to pass this information to another supplier in the event the customer wishes to transfer supplier or to another third party (e.g. care agencies).
14. Such intrusive questioning would not be confined to one-off assessments. In line with the dynamic nature of the proposed approach to vulnerability, suppliers would presumably be required to regularly check to ensure that vulnerability remained, had now passed or had in fact emerged. The evidential requirements of recording this information and keeping it up to date should not be underestimated. Ofgem's proposals also appear out of step with current opinion, since increasing numbers of people appear increasingly wary about divulging information to corporate organisations and about the amount of data held in private databases.
15. Adopting a dynamic approach to vulnerability also poses other difficulties. Suppliers already have a number of obligations to specific sets of vulnerable customers. Failure to comply with these – which can usually be clearly determined and evidenced – leads to enforcement action. Under a dynamic approach to vulnerability, assessments over who is and who is not deemed to be vulnerable are inevitably more subjective and open to personal interpretation. As such, it would be far less clear-cut when Ofgem would decide to take enforcement action for a supplier's failure to classify a customer as vulnerable and treat them appropriately. Faced with such regulatory uncertainty, there is a risk that the number of customers labelled as 'vulnerable' will rise, potentially diluting the services offered to those most in need and rendering the term less meaningful. In our opinion, the finite amount of support that suppliers are able to offer vulnerable customers should most properly be targeted at those most in need, not least since such support is, ultimately, paid for by other customers. We urge



Ofgem to undertake research to consider how many people might be classified as vulnerable at any point in time under the proposed dynamic definition of vulnerability, and what the costs to suppliers – and ultimately other customers – may be.

16. We also have concerns about the contradictions and practical difficulties that would be caused by moving to a risk-based approach to vulnerability at the same time as other measures intended to deliver benefits to vulnerable customers (e.g. Warm Home Discount, the Winter Fuel Payment and the Affordable Warmth element of ECO) continue to rely on strict eligibility criteria. This mixed approach is potentially confusing for both frontline staff and – critically – for (potentially) vulnerable customers themselves. Since part of the problem with registrations for such schemes is people's lack of knowledge or unwillingness to self-identify, we consider that efforts should be made to simplify and streamline eligibility. Taking a radically different approach may simply serve to further confuse.
17. Ofgem's vulnerable strategy does not make clear whether Ofgem intends vulnerability to apply to business customers. The notion of vulnerable customers makes little sense in the non-domestic sector. It requires some creativity to imagine the circumstances which could lead to a limited company being described as vulnerable. We believe that vulnerability should be retained as a domestic-only concept. We do not see any merit or rationale for extending the current or the proposed domestic regime, designed to protect individuals' welfare in the home, to the commercial sector.
18. We recognise that there may be instances of domestic use at non-domestic sites where it is appropriate that suppliers should seek to establish vulnerability and then offer appropriate support; for example, residential flats above shops or pub landlords who live in their premises. We believe that non-domestic suppliers should offer these customers payment plans when in financial difficulty or, even allow affected customers to transfer to a domestic supplier. It is important to ensure that vulnerability at site is not used as a means to avoid payment of energy debt and/or ongoing consumption. We have case studies of where this has happened.
19. We believe that non-domestic suppliers should do more to support indebted but viable business customers with good payment histories. We offer such Micro Business customers "Time to Pay", providing payment plans and signposting to debt advice agencies such as Business Debt-Line. This support is also targeted at what we call "Watch-List" customers, e.g. care homes, where continuity of supply is important. We are currently working with consumer groups on how best to promote "Time to Pay" to eligible business customers.

**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?**

20. As we state above, we do not support the adoption of Ofgem's proposed perspective on vulnerability, since its adoption would raise a number of significant practical difficulties across a wide number of areas.
21. However, we are always keen to hear others' perspectives on what we as a company offer, or indeed should offer. In this context, we acknowledge that the BSI Standard



on inclusive services could provide a helpful framework to assess our current practices against and to identify areas where we may need to undertake additional work. Although not every aspect of the Standard may be relevant to the energy industry, in some areas it would appear that the Standard helpfully codifies behaviours and practices that we consider suppliers should already be exhibiting.

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

22. As we state in our answer to Question 2, we do not agree with Ofgem's suggestion that it should adopt a more dynamic approach to vulnerability.

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

23. We are supportive of Ofgem's proposals to broaden the range of consumer groups that it engages with. Seeking input from those organisations that have first-hand experience of dealing with vulnerable customers and the problems or difficulties they may experience with their energy supply should complement existing relationships and research, serve to deepen Ofgem's understanding of vulnerable customers and help it to develop appropriate responses.
24. In considering how best to institute this network, we would suggest that Ofgem investigate whether networks of organisations dealing with vulnerable customers may already exist which could perform the role sought by Ofgem. Many of the organisations that Ofgem is seeking to engage with will already face considerable demands on both their time and resources so it may be preferable to 'piggyback' on existing networks rather than create an additional commitment. We would anticipate that proceeding in this way may also increase the likelihood of creating sustainable engagement. If this is not possible and it is necessary to create a new Consumer Vulnerability Network then we would suggest that:
- the remit for this must be formally set out with clear parameters;
  - the flow of information should be in both directions, with Ofgem learning about issues faced by vulnerable consumers but also taking the opportunity to explain how the energy industry works, to educate about vulnerable consumers' rights and to dispel any myths about the energy industry; and
  - It may also be appropriate to involve suppliers in the network to increase engagement. British Gas would be keen to be involved in any engagement with vulnerable customer groups.

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

25. We welcome Ofgem's proposal to publish an annual workplan, to report on progress each year and to set objectives for its work on vulnerability. These proposals should help to improve transparency and allow suppliers to better understand Ofgem's key



priorities and how these may change over time. We provide comments on the specific suggestions set down for Ofgem's Vulnerability workplan for 2013-14 below.

### **Priority Services Register (PSR)**

26. We welcome the proposed review of the PSR obligations currently placed on both suppliers and distributors. In our view it is right to consider whether the services offered under the PSR, and the groups deemed to be eligible for assistance, remain appropriate.
27. As part of this review, consideration should be given to the interaction between the PSR and proposals for a dynamic interpretation of vulnerability. In some ways it would seem that the concept of the PSR as it currently stands, which has set criteria to determine eligibility regardless of personal circumstances, is not wholly consistent with a more personalised and dynamic approach to vulnerability which seeks to deal with customers on a case by case basis.
28. We are supportive of proposals to explore common branding and a common name for the PSR, and are aware of the positive impact that similar work had in the water sector where water companies adopted the 'Watersure' brand.<sup>2</sup>
29. We are also happy to explore the possibility of joining up, sharing lists, or transferring data during the change of supplier process to indicate when a consumer is on a PSR. As Ofgem acknowledge, there are a number of potential issues and concerns to be resolved with such proposals, most notably in relation to the Data Protection Act and the passing or sharing of sensitive personal data, and how this is communicated to customers. We are content, however, that these issues should be fully examined to determine whether they are indeed the obstacle to sharing data they are often considered to be.

### **Debt Assignment Protocol (DAP)**

30. British Gas has actively worked with Ofgem to review DAP and from 1 November 2012 we agreed to increase the limit to £500 and promote a package of measures to increase awareness of DAP.
31. While we can understand Ofgem's eagerness to discover the impact that such reform may have had, we would suggest that it may be necessary to give the DAP changes some time to work. As such, whilst it is legitimate for Ofgem to monitor the impact of recent reform of DAP, we would urge Ofgem not to take decisions prematurely about the success or otherwise of the changes.

### **Social Obligations reporting**

32. It is appropriate for Ofgem to continue monitoring and reporting on suppliers' compliance with their social obligations relating to debt and disconnection, prepayment meters, PSRs and provision of energy efficiency advice. We would,

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<sup>2</sup> Annual Review 2010-11, Consumer Council for Water, p.7

however, urge Ofgem that any future changes to social obligations reporting should involve sufficient lead times and be subject to consultation.

### **Advice and support**

33. Ofgem proposes to consider innovative ways of providing information and advice to consumers. This seems sensible, particularly to reach consumers who may not have online access or who may prefer to deal with someone on a face to face basis. However, this clearly needs to be done in conjunction with organisations that already have extensive networks which are accessed by more vulnerable customers, for example Citizens Advice Bureaux, Age UK offices.
34. The energy industry already undertakes a lot of work in this area, for example providing funding to CABs and other advice charities (e.g. Energy Best Deal), arranging for energy training for frontline advisers (e.g. most recently for up to 1,500 advisers as part of Big Energy Saving Week). Ofgem should not look to duplicate work that is already done by others but should instead look to promote what help is already available as well as identifying and plugging any gaps in the provision of such advice.

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

35. We consider that Ofgem's workplan for 2013-14 identifies the main areas on which it should focus attention. However, we also consider that it may be helpful for Ofgem to also consider whether there is scope for it to also consider undertaking work in the following areas:
- Working in collaboration with vulnerable groups, Government and energy suppliers, could Ofgem undertake an analysis of the Warm Home Discount Scheme in order to identify the best ways of helping those in need of financial assistance, with a view to informing development of whatever replaces the WHDS in 2015? This could include analysis of the effectiveness of data-sharing and lessons to be learned should such an innovative approach be extended to groups other than customers in receipt of Pension Credit.
  - Also, we are about to witness what is generally regarded as the most sweeping reform of the welfare system since Beveridge. This change will have significant impacts on many vulnerable customers – is there a role for Ofgem to develop understanding of Universal Credit, promote awareness, proactively identify issues as they arise?