

Carillion Energy Services response to the Ofgem consultation on Proposals for a new Consumer Vulnerability Strategy

Carillion Energy Services – Background

Carillion Energy Services (CES) welcomes this opportunity to respond to this consultation on Proposals for a new Consumer Vulnerability Strategy.

In order to put our comments into context, it may be helpful to outline briefly our role in the provision of energy services across the UK and Ireland.

Carillion is one of the UK's leading support services companies with a substantial portfolio of Public Private Partnership projects and extensive construction capabilities. The Group has annual revenue of over £5 billion, employs around 46,000 people and operates across the UK, in the Middle East, Canada and the Caribbean.

Carillion Energy Services, a division of the group, is a leading independent energy services provider and one of the largest installers of renewable technologies and domestic heating services in the UK. We currently operate within the private domestic, social and commercial market sectors offering a wide range of energy efficient renewable technologies and domestic heating services to our customers. CES has the ability to source responsive funding solutions, design & implement a customer centric offering and deliver the installation of required measures with the support of an established supply chain network.

We manage Warm Front on behalf of the Department of Energy and Climate Change and we also have experience of working for the Welsh Assembly Government on the Home Energy Efficiency Scheme, the Warm Homes initiative in Northern Ireland and the Central Heating and Warm Deal programme in Scotland. We also worked closely with utilities and local authorities in managing the delivery of energy efficiency programmes.

Carillion Energy Services is committed to helping the environment and combating climate change; as referred to above we have a history of providing energy efficiency and renewable energy solutions to private housing and social housing and we will be increasing our activity in these sectors as well as expanding our commercial energy services offer taking a total energy management approach.

For further information on Carillion Energy Services and our work across the principal market sectors of Defence, Education, Health, Facilities Management & Services, Rail, Roads, Building, Civil Engineering and Utilities Services please visit - <http://www.carillionplc.com/>

Questions for consultation:

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?

CES agrees with the themes outlined in the proposed Strategy.

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?

CES welcomes Ofgem's approach to consumer vulnerability, particularly the recognition that vulnerability is more fluid than the group of individuals who have been defined as vulnerable to date. We agree that both an individual's characteristics and external circumstances can contribute to vulnerability and that companies' own structures can sometimes contribute towards causing someone to be vulnerable in a particular market as highlighted in the Eaga Charitable Trust report, "Too many hurdles: information and advice barriers in the energy market."¹

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?

CES would support suppliers adopting BS 18477; however, organisations are likely to require a change in culture in order for the standard to be implemented successfully. We would also welcome further details on how Ofgem intends to 'encourage' suppliers to adopt the standard if the proposal is voluntary.

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

We believe that suppliers and distributors need to take a more proactive approach to identifying potentially vulnerable consumers and they should take greater steps to make consumers aware of assistance such as the Warm Home Discount scheme and the Priority Services Register. Furthermore it would be helpful if companies' approach to vulnerable consumers was more joined-up, with consistent eligibility criteria to access services, coupled with common branding and better data sharing when consumers change suppliers.

We would also encourage more dialogue between Ofgem, suppliers and distributors and stakeholder organisations to share best practice in identifying vulnerable consumers based on risk factors and to ensure that understanding continues to develop and improve.

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

¹ Too Many Hurdles: information and advice barriers in the energy market, George, Graham and Lennard, University of Leicester and Eaga Charitable Trust, November 2011.

CES wholly supports introduction of a Consumer Vulnerability Network and recognises that organisations on the ground are best placed to assist Ofgem in developing responses to consumers' needs. CES would be happy to play a part in the Network and could build on our expertise working with a number of partner organisations and local authorities to deliver locally based fuel poverty and energy efficiency initiatives.

We would also welcome improved data sharing among stakeholder organisations in order to build up an informed and cohesive understanding of vulnerability.

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

We support the proposals within the annual work-plan though we would welcome further detail on developments for vulnerable rural and off-grid consumers. Whilst we accept that the OFT found no evidence that the heating oil market required price regulation in its 2011 study, it is clear that vulnerable off-grid consumers remain especially disadvantaged by the lack of regulatory protection available to them in comparison to provisions made for vulnerable on-grid consumers through the licence conditions. Furthermore the vulnerability experienced by off-grid consumers is often compounded by other factors, such as increased costs to serve rural communities due to their dispersed nature.

We note Ofgem's intention to review the policy of funding GDNs to extend the gas network to fuel poor communities in 2014, in light of policies such as the RHI. Whilst we accept that the RHI will be a more attractive solution to those off the gas network, it is unlikely that this policy will have a major impact on fuel poverty, given that it requires homeowners/occupiers to fund the capital costs of installation. Whilst we accept that some households may be able to do this through savings, conventional borrowing, or partially through Green Deal, these options are likely to remain closed to the most vulnerable consumers in the energy market.

We support the review of the PSR and we would like to see further detail on social support for vulnerable consumers as we move towards smart meter roll-out, particularly regarding remote disconnection. It is imperative that vulnerable consumers receive an adequate level of ongoing support in order to benefit from the programme rather than being focused solely on when the technology is fitted.

We also support review of the impact of the increased debt threshold from £200 to £500 and its effect on switching and wider consumer engagement.

Finally, we welcome the continued focus on collective switching, however, we realise that whilst this can engage hard to reach consumers; it is not a panacea to addressing disengagement with the energy market. There is a risk that if collective switching isn't properly targeted it could benefit consumers who are already engaged and the remaining consumers effectively subsidise those who are most able to get the best deal. We are hopeful that vulnerable consumers will benefit under the proposals for a simplified range of tariffs as this may enable consumers to feel confident navigating the market. However, it is important to ensure that innovation in the market is not stifled.

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

CES believes that Ofgem needs to consider vulnerability in the context of broader government policy, beyond what is currently enforceable through the licence conditions. For example, Ofgem has no remit over Green Deal plans, despite that these are collected via energy suppliers. It is important therefore that the final proposals complement broader approaches particularly as energy companies increasingly offer a broader range of services.