

Claire Tyler
Consumer Policy and Insight
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Dear Claire,

PROPOSALS FOR A NEW CONSUMER VULNERABILITY STRATEGY

Thank you for the opportunity to provide views on Ofgem's proposed Consumer Vulnerability Strategy. This response approaches the issues generally from a supply point of view – you will have already heard from ScottishPower Energy Networks in relation to the proposals as they affect the particular responsibilities of power networks.

Our response to the specific consultation questions are contained the Annex accompanying this letter. A summary of the main points is provided below.

- We believe the themes outlined in the proposed strategy reflect the areas where Ofgem should focus their work. However, the themes as currently outlined are fairly broad and more detail is required for us to fully assess their implications; we welcome future engagement with Ofgem to further develop the themes.
- ScottishPower already assesses vulnerability on a case by case basis and would continue to do so based on the information available or offered to us by the customer. It is important that this is considered if Ofgem continues to develop the proposals for a risk based approach to identifying vulnerability. It is therefore important that any risk factors proposed by Ofgem are related to the energy industry and the information which would be available to suppliers to identify vulnerability.
- We support the workplan proposed for 2013/14 will continue to engage with Ofgem to take these areas forward. In addition we have suggested additional areas of focus for Ofgem.

If you would like to discuss this in more detail, please do not hesitate to contact me.

Yours sincerely,



Rupert Steele
Director of Regulation

Ofgem Consultation: Proposals for a new Consumer Vulnerability Strategy

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

We believe the themes outlined in the proposed strategy reflect the areas where Ofgem should focus their programme of work. However, the themes as currently outlined are fairly broad and more detail is required for us to fully assess their implications.

It is important that these themes are further developed to complement existing policies which help fuel poor and vulnerable customers such as the Warm Home Discount scheme, the Energy Company Obligation etc. to avoid duplication and to establish a clear road map of assistance for consumers experiencing vulnerability.

2. Do you agree with Ofgem's proposed perspective on vulnerability? Are there other risk factors or features in the energy markets that could present issues that have not been covered?

ScottishPower already assesses vulnerability on a case by case basis and would continue to do so based on the information available or offered to us by the customer. However, the risk based approach being proposed by Ofgem appears to make vulnerability very transitory, e.g. reasons such as bereavement or breakdown of a relationship. On such a broad spectrum, almost all customers could be deemed vulnerable to some extent.

It is therefore important that any risk factors proposed by Ofgem are related to the energy industry and the information which would be available to suppliers to identify vulnerability. An approach based on risk factors is likely to make it more difficult to identify vulnerability. This is already a challenge under policies such as the Warm Home Discount Broader Group where proxies such as the receipt of benefits are used to determine both income and 'social' vulnerability. Broadening the definition of vulnerability beyond this will be increasingly difficult to evidence. It is also important to note that many customers do not see the relevance/appropriateness of sharing sensitive details such as their vulnerabilities with their energy supplier. Therefore consideration must be given to how we encourage customers to see the benefit of accurately informing energy suppliers about their vulnerability, and data sharing with other organisations (such as DWP) may be required to help enable and verify details.

If Ofgem continues to pursue this risk based approach, it would be useful for Ofgem to develop a vulnerability matrix that incorporates the various levels of vulnerability and suggested mitigating actions that they would expect suppliers to take.

Additionally, a risk based approach to vulnerability is more subjective. The impact of a particular life event for one customer may make them vulnerable but it may not have the same effect on another customer. Therefore any approach that Ofgem may pursue in relation to regulation in this area must be flexible to reflect the subjective nature of vulnerability being proposed.

For the above reasons, the proposed changes must also consider how this sensitive information will be captured, verified, maintained and shared.

3. What is your view on whether the BSI standard on inclusive services could provide a practical approach to adopting our perspective on vulnerability?

The BSI standard on Inclusive Services acknowledges that vulnerability is a complex area for many organisations and it appears to offer a useful framework which aligns with many actions suppliers already undertake.

A standard provides useful guidelines for organisations to work towards as a 'best practice' approach and is, to an extent, the opposite of regulation. We are therefore unsure how Ofgem would approach the standard in a regulatory context and we would welcome more detailed engagement with Ofgem in this area.

One suggestion would be for suppliers to be encouraged to work towards the key principles of the standard.

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

We believe this is an important area and presents opportunities for partnership working to assist vulnerable consumers. In so doing it would be helpful if there was a shared definition of vulnerability between suppliers and distributors to introduce commonality in the approach taken when identifying those in need of assistance.

ScottishPower's experience in delivering our obligations utilising the Warm Zone model has been positive and there are lessons from this model which could be applied, such as pooling resources and funding streams to deliver a holistic and sustainable package of assistance to consumers.

In addition, further work could be undertaken in the following areas:

- facilitating the sharing of data about households between suppliers and distributors to help identify those in need of help,
- establishing a common Priority Services Register,

We are keen to engage further with Ofgem in this area.

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

Rather than establish a new contact network we believe Ofgem's efforts should first focus on developing a roadmap to help consumers identify the organisations that already exist and would be best placed to assist them with issues relating to vulnerability.

This much needed clarity would also be useful for the numerous organisations to engage with each other and better understand the range of services available which will assist when signposting consumers for help.

As custodians of this roadmap, Ofgem could establish a process to ensure this is kept updated and such a process would provide the opportunity for more engagement between Ofgem and the grassroots organisations.

Alternatively, Ofgem should consider working more closely with existing networks such as Financial Capability Forums as a method of engagement rather than seeking to establish another network within this already crowded arena.

6. What are your views on the proposed workplan for 2013/14?

It is helpful to know the areas of focus for the coming year that are planned within the overall strategy. We have some comments on each area and these are outlined below:

Priority Services Register (PSR) – We support an industry wide review of the PSR but believe that this needs to take place against a clear understanding of original purpose of the register, so that suppliers are able to develop a useful tool that can help direct assistance to those most in need.

Any PSR review would also need to align with Ofgem's proposed risk based approach to vulnerability which, as outlined in previous questions, could be very transitory and an evolved PSR would need to be flexible enough to cope with this.

Suppliers' Social Obligations – We believe that the recent changes to the Social Obligations Report during Q3 2012 should be given time to bed in before Ofgem review further. Any future changes should be subject to consultation.

Off-gas-grid Customers - We recently participated in the workshop organised by Ofgem to explore this topic and welcomed the opportunity to share discussions with distributors. This is an important area and we agree it should feature within the 2013/14 workplan. We believe Ofgem should take an active role in lobbying for regulation within some of the other areas related to off-gas-grid customers such as the heating oil industry.

Consumer Vulnerability Network – Please see our comments in response to Q5 above.

Consumer Engagement – We believe there is a real need for ongoing customer engagement and we are looking at a range of ways in which we can help our customers make more transparent, informed choices.

This includes new product information, clearer information on our performance on our website (Customer Service Information) and more helpful tools to help customers choose the product that is right for them.

In 2012 we introduced our 'Fixer Panel', starting with those customers impacted by debt or vulnerable circumstances. We have held meetings with those directly impacted, chaired by consumer champions (including the Extra Help Unit, Consumer Focus and Citizens Advice Scotland) and senior ScottishPower managers, to discuss improvements to our approach in this sensitive area. At the end of each Panel, customers have the opportunity to meet with our Community Liaison Officers to 'fix' any outstanding issues of concern. Ideas from these meetings are currently being reviewed and we will shortly be feeding back to all panellists on our progress. This approach will continue throughout 2013.

We will continue to engage with Ofgem to discuss this important area for consumers.

Advice and Support – In addition to advice and support provided to our customers as part of our business as usual processes, suppliers also support additional work in this area such as the Home Heat Helpline and the Energy Best Deal campaign. Further work

in this area should enhance existing effort and avoid duplication. Reflecting on the comments made above in response to Q5, we believe Ofgem should focus effort on developing a roadmap to help consumers identify the organisations that already exist and would be best placed to assist them with issues relating to vulnerability.

Our Community Liaison Officers are working at grassroots level with key organisations, such as Citizens Advice, to provide support in person in areas most in need of this assistance.

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

Welfare Reform - The Government's proposed reforms to the welfare system and the introduction of Universal Credit could create challenges for the energy industry as customers transition onto the new system.

This is an important area where Ofgem have a role to liaise with Government to ensure there are no unintended consequences for customers in relation to energy that may arise during the transitional phase as the payment of benefits moves from fortnightly to monthly frequency.

Data Sharing – The data sharing model used for the Warm Home Discount scheme has proved successful in targeting assistance at some of the most vulnerable customers. Permitted use of this data also enables suppliers to target other relevant forms of assistance such as access to the Priority Services Register which addresses some of the broader aspects of vulnerability.

We believe there is a role for Ofgem to influence Government thinking in this area to expand data sharing beyond the pensioner population to maximise the investment in delivering solutions to vulnerability rather than funds being used to find customers.

ScottishPower
4 December 2012