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The Renewable Energy Company (Ecotricity) Consultation Response to Ofgem's proposals for a New Consumer Vulnerability Strategy

Dear Claire Tyler,

Ecotricity is an independent renewable energy generator and supplier with over 65,000 domestic and non-domestic customer accounts. We welcome the opportunity to respond to this consultation on Ofgem's Proposed New Consumer Vulnerability Strategy and new definition of vulnerability.

As a company we pride ourselves on our award winning customer service and employ a very personalised approach to resolving customer issues. Although, as an independent supplier, we have a proportionately low number of vulnerable customers, vulnerability and fuel poverty are of increasing concern to us. We previously responded Ofgem's March 2012 consultation on Ofgem's Consumer Vulnerability Strategy and we have participated in various events focussing on vulnerability including the Ofgem's recent roundtable on the present consultation.

Ecotricity's response is divided into two parts:

- A) Answers to the questions outlined in the consultation and
- B) Our conclusion/summary views on the proposals outlined in the consultation.

A) Answers to questions outlined in the consultation paper

Question 1: Do our strategy themes (five listed above) provide an accurate reflection of the work Ofgem should be doing to help protect consumers in vulnerable positions?

Ecotricity is supportive of the principles behind the five themes: targeted and effective regulation; best practice among suppliers and distributors; ensuring work is informed by research; innovation from third parties and the building of a network of third parties; however, we would like to see greater clarity on what these themes mean in practice. In particular, what does the Ofgem consider effective regulations and best practice?

We are less concerned with the last three themes. It is important that Ofgem's work is based on actual consumers' needs that have been identified from extensive evidence based research and we strongly support the inclusion of third parties in assisting vulnerable consumers.

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?

Ecotricity already takes the individual and circumstantial risk factors listed into consideration, where we are aware of them. We do not do lock-ins and ensure maximum simplicity in our tariffs, which reduces the risk of "situational vulnerability". We work very hard on treating all customers as individuals and work on a case by case basis to take a customer's circumstances into account when we interact with them and work to resolve any problems.

We agree that the personal and circumstantial factors listed can indicate the potential for a consumer to be vulnerable; however we are very concerned about how Ofgem would ensure that we identify all potentially vulnerable consumers. We are also concerned about the lengths to which we would need to go in order to prove compliance. Once identified as vulnerable, it will be a challenge to keep records accurate when the consumers' situation changes and is no longer considered by themselves or the industry as vulnerable.

An effective vulnerability strategy should be based on a definition of vulnerable that strikes the correct balance between inclusion and allowance for a specific targeted approach. We are concerned that Ofgem's proposed approach would widen the net too far and prevent us being able to offer specific tailored help to those most in need. We would either be forced to spread our resources too thinly or pass on additional costs to all consumers.

A risk factors approach which views vulnerability as a transient state rather than a constant characteristic may better reflect the reality of vulnerability for individuals; however from a practical perspective it will be very difficult for energy suppliers to implement such an approach. Such an approach would likely result in uncertainty over who should be considered vulnerable.

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?*

We do not believe that the BSI standard is appropriate for the energy industry and we are concerned that its implementation will result in high staff training costs. A requirement to pick up signs at the front line, for example, will be very difficult to implement in practice and presents a high risk for suppliers. It should therefore not be more than a recommendation that suppliers adopt the standard and must not become a licence condition or an obligatory requirement.

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

We do not believe that there is any practical way of implementing this new approach through regulation. It would be better to use the "transient state" definition of vulnerability as guidance, which may help suppliers when they are already aware of a potential for vulnerability in a consumer. This would be a better use of resource than requiring suppliers to actively seek to identify consumers in that state.

We would not, for example, want to require all customers to complete a survey about their circumstances in an attempt to identify those that were vulnerable. This would at best be irritating and at worst an intrusion of their privacy.

Ofgem have stated that suppliers must always take a consumer's word that they are in a vulnerable state. Whilst we appreciate that it would be inappropriate for suppliers to require irrefutable proof of a consumer's vulnerable status, we fear that an obligation on suppliers to set aside any reasonable scepticism, particularly in relation to bill payment and debt collection, would leave the system open to abuse by consumers that claim to be vulnerable but are not in reality. Such abuse would detract resources away from the genuinely vulnerable and undermine the system.

On the question of how to deal with vulnerable consumers that are in debt, it is important to note that allowing them to rollover their debt may not always be helping them in the long run. The new definition of vulnerability as a transient state may result in a policy of suppliers waiting until the customer is out of vulnerability before chasing debt. This could result in a substantial and unnecessary build up of debt.

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

We would support the development of a Consumer Vulnerability Network. We believe that Ofgem's approach to identifying vulnerability should focus more on the involvement of dedicated organisations within this network rather than rely on proactive attempts by suppliers' customer service personnel to identify these.

We support the creation of a network of organisations that support vulnerable consumers and believe that the support available should not be limited to assistance with energy bills. Whilst an approach that requires suppliers to identify vulnerability based on a broad and vague definition could result in spreading resources thinly and missing those most in need; an approach that properly engages third party organisations will ensure that those most in need have the proper assistance they require.

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

We broadly support the proposed work plan as laid out by Ofgem. We believe that it is important to promote the Priority Services Register and support measures to enable transfer of PSR data on change of supplier. We are pleased that Ofgem plans to do this.

We strongly support the inclusion of network companies in the vulnerability strategy and support the examination of how they can play their part with regards to extensions and renewable heat technologies.

We would not object to the review of the Debt Assignment Protocol, but our own participation as a receiving supplier would impose a high cash flow risk.

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

We would like to see more focus on network charging and reviewing how network companies could lower their prices. Network charges to suppliers are ultimately passed onto consumers and make up around 30% of the customers' bill. A vulnerability strategy will be inadequate if it does not address this critical element of cost to consumers.

2) Conclusion/Summary

In conclusion, whilst we appreciate that a transient, risk factors approach to vulnerability may be more reflective of the experience of vulnerable consumers; the practice of applying this definition to energy suppliers' treatment of customers will be difficult, potentially costly and risk missing the most vulnerable.

We do not believe that the BSI standard is appropriate for the energy industry unless provided purely as guidance for best practice.

If, as a result of Ofgem's new vulnerability strategy significant changes are required this could be costly to the supplier and these costs will inevitably be passed on to consumers through their bills including the vulnerable. Cost must therefore be a serious consideration in all avenues that are explored.

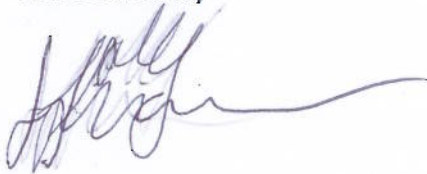
We strongly support the inclusion of distributors for treatment of vulnerability and believe that consideration must be given to their costs.

We also support working with third parties and believe that this should be a core element of Ofgem's strategy.

Ofgem have not been clear on what the aims of this new definition are. Whilst we support the principle that suppliers should have a general company ethos to look out for vulnerability, we are concerned that a definition this vague will either mean that people slip through the net or it will be so broad as to be meaningless.

We hope that you will take our comments on board and would welcome any further contact in response to this letter. Please contact Emma Cook on 01453 769301 or emma.cook@ecotricity.co.uk.

Yours sincerely



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Emma Cook
Head of Regulation, Compliance & Projects

