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25 January 2013

Cc: Philip Cullum

Dear Sarah,

**Re: Ofgem's proposed Consumer Vulnerability Strategy**

As you know, Energy UK and our members take our role in protecting vulnerable customers very seriously and have always welcomed working with you and your colleagues as we feel that this brings the best final outcome for customers. Indeed, your November roundtable (26/11/12) on Ofgem's proposed 'risk-based' approach to vulnerability and the BSI Standard for Inclusive Service (BS 18477) was an important first step in helping to identify, and answer, some of the questions and challenges surrounding Ofgem's proposals for a new Consumer Vulnerability Strategy. However, we feel that more work is needed on this important issue, and I wanted to take this opportunity to raise with you directly a number of the points, building on our initial response to the Ofgem consultation.

Energy UK welcomes Ofgem's recognition that customer vulnerability should be considered on a case-by-case basis. We have long believed that each customer has their own needs and it is, therefore, not possible or desirable to agree an exhaustive list of what constitutes vulnerability (hence the definition adopted under Energy UK's 'Safety Net for Vulnerable Customers'). However, more information is needed to understand how and whether Ofgem intends to translate its proposed 'risk based' approach and BS 18477 into clear, workable practices for suppliers to adopt and for the regulator to measure compliance against. Given its subjective and dynamic nature, a 'risk based' approach is likely to add significant complexity to identifying, recording and evidencing vulnerability.

Our concerns are set out in more detail below:

- 1. Monitoring and enforcement:** A 'risk based' approach is by nature highly subjective and as such open to personal interpretation, providing less certainty as to when Ofgem or suppliers should be taking action. A 'risk based' approach would, therefore, likely necessitate a high degree of flexibility in monitoring to determine whether a customer is vulnerable and the appropriate course of action that should be adopted. Such an approach does not fit well with regulatory compliance requirements.
- 2. Impact on frontline staff:** Suppliers' frontline agents are energy experts, not care professionals. Energy suppliers already have to strike a fine, and sensitive, balance where vulnerability has been identified and make important but often difficult decisions on whether to take further steps

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into the lives of customers. In trying to identify vulnerability it is important Ofgem's proposals do not unintentionally force suppliers to place overly onerous requirements on their agents that could place them in personal, uncomfortable or compromising situations.

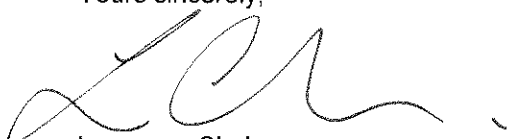
3. **Consumer engagement:** We know customers are often uncomfortable and reluctant to disclose even limited personal information to energy suppliers. The additional questioning likely required to determine 'risk based' vulnerability could act as a further deterrent to customers making contact. Such questioning may not be confined to one-off assessments either. In line with the dynamic nature of a 'risk based' approach, suppliers would (presumably) be required to regularly check that vulnerability remained. Linked to this is how such issues relate to the appropriate acquisition and use of customer data in line with the Data Protection Act (DPA). The evidential, resource and cost implications of collecting and recording sensitive customer data and keeping it up to date should also not be underestimated.
4. **Dilution of vulnerability:** Ofgem also need to consider the impact on suppliers' ability to offer support to those most in need. While we support ensuring that the individual needs of all customers are considered, this should be carried out in a proportionate and targeted manner. If not, then this could result in the dilution of the services available to those who are most in need of support and an overall increase in consumer bills.
5. **Impact on existing obligations:** There may also be practical difficulties caused by moving to a 'risk based' approach at the same time as existing and future social and environmental obligations, intended to deliver benefits to vulnerable customers, continue to use group-based criteria. Under the Warm Home Discount for example, obligated suppliers are required to target support at those households in, or at risk of, fuel poverty, based on criteria set by Government that identifies those who are both vulnerable and on a low income.

Having discussed further with our members, Energy UK would welcome Ofgem working with the suppliers to recognise and build upon existing industry-led best practice and the evolution of processes, rather than mandating a new approach to vulnerability via top-down change. Such an approach would offer the tangible prospect of making improvements in the recognition and treatment of vulnerable customers – a goal shared by both Ofgem and industry.

With this in mind, we are keen to work with Ofgem, the British Standards Institute and others to see if BS 18477 has suitable lessons to offer the energy industry, above and beyond existing practices, which may help suppliers identify and support their most vulnerable customers. It is, however, important to remember that the Standard was not designed for the energy industry and is not intended or appropriate to be imposed, either directly or indirectly, on businesses by a regulator. The Standard is also likely to be challenging for suppliers to operationalize. Additional work needs to be done to understand the implications of the Standard for the energy industry and the impact of its provisions in the light of existing obligations before Ofgem try to benchmark suppliers against the Standard or recommend it as best practice.

I hope you find my comments useful and would welcome the opportunity to discuss the points raised above in further detail. Mindful that you are very busy, if you are interested in discussing further please feel free to contact me directly on 020 7930 9390 or at [Lawrence.slade@energy-uk.org.uk](mailto:Lawrence.slade@energy-uk.org.uk) and we can try to arrange a mutually convenient time.

Yours sincerely,



Lawrence Slade  
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