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Dear Claire,

Proposals for a new Consumer Vulnerability Strategy

We are pleased to be able to contribute to this piece of work as it addresses a number of interesting and important issues. Attached are our responses to the specific questions you have asked in your consultation.

This topic is one that we have been talking to our stakeholders about as part of our preparations for the submission of our business plans as part of the RIIO-ED1 process. Our overriding point in our response is, that for distribution network operators in particular, it essential to link the thinking from this consultation with the RIIO-ED1 work on-going in Ofgem.

As always, if you require any further information, please do not hesitate to contact me.

Yours sincerely,

Brian Hoy
Head of Market Regulation

CHAPTER: Two

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?

We do have some concerns regarding *Theme 1: developing targeted and effective regulatory obligations*.

Our first concern is that identifying specific obligations can be counterproductive. Whilst we recognise that there may be benefit from identifying some minimum standards, it is important to consider whether these are done through licence obligations or by identifying best practice. We will seek to provide enhanced services to our vulnerable customers and most notably when they suffer a loss of supply. We currently do this on a voluntary basis and provide enhanced services significantly above any current obligations. Moving this from a discretionary to obligated service significantly changes the basis on which it is provided and the associated costs. We believe it is in customers' interests overall to maintain a level of discretion. If services become licence obligations they must be provided in all circumstances at any cost. Discretionary services can be provided on a best endeavors basis which, whilst still at a high standard, is often a more cost effective basis for provision of service.

Our second concern regards the timing of the clarification on any such obligations. Distribution Network Operators will have to submit Well Justified Business Plans to Ofgem by July 2013 and therefore we are currently reviewing what we could do for vulnerable customers and verifying the extent that other stakeholders are prepared to pay for us to provide those services (and this is providing some interesting feedback that we could share with you separately). We are concerned that there is a disconnect between us having to establish those services (with associated costs) and any decisions made by Ofgem at a later date. If Ofgem identify specific obligations for Distribution Network Operators that have not been included in our Well Justified Business Plans, there is a risk that these services will not be provided by any Distribution Network Operators selected for the Fast Track approval process. Furthermore, obligations not included within Well Justified Business Plans may become unfunded obligations, creating a risk to the efficiency and efficacy of any service provision.

We support the principle of sharing best practice but note that the competitive aspects of the current regulatory regime tend to discourage it in practice. Ofgem needs to ensure that regulatory approaches are consistent. We have made this point in response to Ofgem's Strategy Consultation for RIIO-ED1 where we have suggested some changes to existing incentives to further facilitate the sharing of best practice.

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?

We recognise the benefits to individual consumers that arise from a broader definition of vulnerability. However we also have some concerns on the practical implementation of these approaches, particularly:

- Recording of the information in such a way we understand what enhanced services would be appropriate
- Information recorded may need to cover multiple individuals with different needs in a household
- The dynamic and transitory nature of some aspects of vulnerability
- The impact of different goods or services on vulnerability
- Alignment of our data and Suppliers' data on vulnerability
- What specific enhanced services could we actually provide to better meet the needs of vulnerable consumers

- Where Suppliers have a gas only customer who they consider vulnerable, should they share this information with the relevant Distribution Network Operator?

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 agree that the use of the BSI Standard provides a practical approach to identifying vulnerability as it helps companies consider the different ways that this may materialise and the impact a company might have on exasperating that potential vulnerability. As it is a general standard, we think it provides limited practical approaches to the enhanced services that we as a DNO would need to provide.

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

The proposed approach to move away from detailed rules and definitions will make it difficult for network companies and suppliers to exchange information. The recording and data sharing is going to need a high degree of standardisation and co-operation that may be in conflict with the principles of the proposed approach. There are potentially large IT costs for all companies to facilitate a harmonised exchange of information that will need further consideration.

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 see merit in develop such a network. We would though point out that we have to consider proposals for this group of stakeholders in conjunction with other stakeholders' views on our role and the costs that they will bear.

CHAPTER: Three

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

Theme 1: Developing targeted and effective regulatory obligations

We welcome the proposed work on improving the data and data sharing on Priority Service Registers. Whilst Distribution Network Operators have a role to play in this, we believe that it is essential that Suppliers improve the quality of the information that they hold and provide to us. As outlined above, we are concerned that Ofgem intend to identify free services by way of a licence condition and that the timing of that may be after we have submitted our Well Justified Business Plan.

Theme 2: Best practice in identifying vulnerability

We support the principle of sharing best practice but would note that the competitive aspects of the current regulatory regime tend to discourage it in practice. Ofgem needs to ensure that regulatory approaches are consistent. We have made this point in response to Ofgem's Strategy Consultation for RIIO-ED1 where we have suggested some changes to existing incentives to further facilitate the sharing of best practice.

Theme 3: Taking account of vulnerability in our work and being informed by research and insight

We agree that this seems a sensible approach.

Theme 4: Innovating in the provision of advice and support

We agree that this seems a sensible approach and happy to support how network companies can assist with this.

Theme 5: Working with others to inform wider policy-making to address vulnerability

We agree that this seems a sensible approach.

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

We have not identified any other areas.