

Workshop – Proposed perspective on vulnerability

The workshop was organised to stimulate discussion/thoughts on Ofgem’s proposed perspective on vulnerability and how it can be put into practice.	From	Ofgem	20 December 2012
	Date and time of Meeting	26/11/12 2pm	
	Location	10 Greycoat Place, London	

1. Attendees

1.1. A list of attendees can be found at Annex one of these minutes.

2. Welcome from Ofgem: context and purpose of session

2.1. Phillip Cullum explained that Ofgem was consulting on its proposal for a new Consumer Vulnerability Strategy and that the response deadline for that consultation was 3 December 2012. He explained that the purpose of the workshop was to discuss Ofgem’s proposed perspective on vulnerability ahead of its consultation closing.

2.2. Phillip set out the agenda for the workshop. He explained that:

- 1) Kate Smith would describe Ofgem’s proposed perspective on vulnerability and that a group discussion would follow
- 2) attendees would be bit split into five groups to discuss the benefits and challenges of the proposed perspective (the groups would then feedback to the workshop)
- 3) Nick Fleming from the British Standards Institute (BSI) would describe the BSI Standard BSI18477 ‘inclusive service provision: Requirements for identifying and responding to vulnerability’
- 4) Caroline Wells from the Financial Ombudsman Service (FOS) would discuss, through FOS’ own experience, putting the BSI Standard into practice
- 5) attendees would be split into groups to discuss the potential benefits of implementing the standard, any concerns and potential alternatives to the standard (they would then feedback to the workshop).

3. Understanding Ofgem’s proposed perspective on vulnerability

3.1. Kate Smith explained that the Gas and Electricity Markets Authority (GEMA) is required to have regard to certain groups of gas and electricity consumers, including those who are of pensionable age, have a disability, are chronically sick, living on low incomes or living a rural location. However, she explained that it is becoming increasingly recognised that indentifying vulnerability is not just about focusing on certain groups of people. Not all customers in these groups will be vulnerable, some customers outside of these groups may be vulnerable and people may fall in and out of vulnerability at various times (hence its dynamic nature).

3.2. Kate explained that to address this, Ofgem has proposed a new approach which focuses on risk factors and aims to encourage suppliers and distributors to embed

considering this approach to vulnerability into how they operate. She described the dimensions of risk being considered by Ofgem as:

- 1) The characteristics and capacity of the individual - this might include literacy and numeracy skills and other aspects of personal capacity.
- 2) The circumstances facing the individual - this might include being unemployed, a full time carer or lone parent, experiencing relationship breakdown or bereavement, or living in poor accommodation etc.
- 3) The nature of goods or services or the way they are purchased – e.g. as a result of pricing complexity, contract lock-ins, exit fees etc.
- 4) The extent to which the consumer is aware of his or her vulnerability - this may have an impact on the depth of likely detriment or the consumer's ability to limit the impact.

3.3. There was then a discussion about whether the proposed perspective reflected companies' experiences of working with consumers in vulnerable positions. The following points were made:

- 1) Consumers can experience transient periods of vulnerability caused by their circumstances. Vulnerability is wider than what is suggested by a group approach. People have the potential to find themselves in a vulnerable position at different times in their life.
- 2) A customer's vulnerability is also affected by their engagement with the energy company. Customers are wary of approaching energy companies when they find themselves in difficult circumstances.
- 3) When network companies attend power outages they often find customers (not listed on the PSR) who are in vulnerable positions.

4. Application in a regulatory context

4.1. The attendees were split into five groups. In those groups they discussed the benefits and challenges of the proposed perspective. The following is a compilation of the points that each of the groups noted on their flip charts.

Benefits

- 1) It should enable companies to identify areas of vulnerability earlier and assist consumers before they reach crisis point, e.g. with issues related to debt, health, warmth etc.
- 2) It is more inclusive. It considers whether a consumer is currently in a vulnerable position rather than whether they are a vulnerable consumer.
- 3) It allows for companies to provide a more sophisticated/targeted response to consumers' needs. It avoids companies automatically categorising consumers without fully understanding their needs. Some companies are already considering vulnerability on a case by case basis.
- 4) It could increase levels of customer satisfaction and trust which should result in benefits for both suppliers and network companies.
- 5) It should allow/encourage companies to think about risk factors and issues as new products and services are designed and developed.

- 6) If companies can share information, feedback from distribution companies out in the field could be helpful for suppliers.

Challenges

- 1) The proposal makes the checklist used to assess vulnerability longer. Could this increase the risk associated with missing something from the list? A longer list could be unworkable, it may be better to identify who needs help the most. How can/should different types of vulnerability be prioritised?
- 2) It is harder to implement woolly definitions than to fit people into set categories. In particular, this creates a training challenge. How do you ask the customer if they are in a vulnerable position? Questioning people is sensitive and it may be seen as invasive.
- 3) It can be hard to get people to identify themselves as vulnerable. The proposal remains reliant on customers self-nominating. The impact of this may be improved by using a different term, e.g. 'assistable'. In any case, pride can be an issue and customers may not wish to discuss their situation or be labelled. The proposals are also reliant on customers engaging and trusting energy companies. The hard to reach will remain hard to reach.
- 4) The roles of local authorities, network companies and suppliers need to be defined as responsibilities may become blurred. It is possible to train advisors to spot consumers in vulnerable positions but what additional help can/should energy companies provide? Energy companies have little scope for developing new and innovative products to address all consumers' needs.
- 5) Where states of vulnerability are transient, how can companies identify them remotely? When do they end? To keep the register live it will need to be continually updated.
- 6) Do suppliers and network companies need the same information? Do proposals need to distinguish between networks (supply interruptions) and suppliers? Or could one register covering networks and suppliers work? Sharing information could present a data protection challenge.
- 7) How do you regulate companies' application of the proposal? Will it be enforced or encouraged as a matter of best practice?

5. Potential practical approaches to implementing the proposed perspective on vulnerability

- 5.1. Nick Fleming, Sector Content Manager at the British Standards Institute presented the BSI Standard BSI18477 'Inclusive service provision: Requirements for identifying and responding to vulnerability'. See accompanying slide pack.
- 5.2. Caroline Wells, Head of outreach and consumer insight at the Financial Ombudsman Service (FCO) discussed how the FCO had implemented the BSI Standard.
- 5.3. The attendees split into their groups and discussed the potential benefits of implementing the BSI standard and their concerns. The following is a compilation of the points that each of the groups noted on their flip charts.

Benefits

- 1) If the companies can make the standard work the approach to vulnerability should reflect reality. The standard could also be applied to non-domestic customers. It

should allow companies to pick up on signs of vulnerability that could otherwise be missed (helping them comply with the RMR standards of conduct). It should allow them to identify/understand consumers' needs better.

- 2) The standard should provide structure to allow for staff training. It should allow for the broader application of vulnerability to be embedded throughout companies. It should also allow for consistency (structure and common language) across the industry and with companies outside of the industry that are applying the standard. The standard should also encourage companies to consider whether they can engage better with other agencies, eg relevant charities.
- 3) The standard should provide companies with a check and prompt to focus work that in many cases is already underway. It should give ownership to the companies (through self assessment).
- 4) The standard should allow companies to better target their services. Application of the standard should improve end to end experiences for customers and staff. It could increase loyalty and trust and in turn improve companies' reputations and customer retention.

Concerns

- 1) Without explicit guidance from Ofgem there could be differences in how companies implement the standard and what Ofgem expects. To achieve a consistent application of the standard companies need to work together. Who will be the arbiter for best practice?
 - 2) The success of the application of this standard will be reliant on customers being open with energy companies. Customers in vulnerable positions will remain difficult to identify. How will companies measure how long a customer will be in a vulnerable position?
 - 3) What will be the costs of implementing the standard? Will the number of customers considered vulnerable and the number of associated services provided rise? Where does the standard add value above what companies are already doing? Should all consumers pay for extra services or should costs be borne by customers requiring the service. For example if there is an outage some want/need help and others will simply decamp to a friend's house.
 - 4) The standard may not be as relevant to networks as it is to suppliers. What additional help can networks provide?
 - 5) Suppliers avoid disconnecting consumers in vulnerable positions. If the definition of consumers in vulnerable positions is extended it may result in more gas theft.
 - 6) There could be data protection issues associated with sharing information about customers in vulnerable positions.
 - 7) Will the introduction of the standard as a recommendation lead to Ofgem introducing a stringent obligation?
- 5.4. The groups also discussed other potential solutions to implementing the proposed perspective on vulnerability. The following is a compilation of the points that each of the groups noted on their flip charts.
- 1) A new industry code – ie, rules and regulations introduced and governed by industry.

- 2) Ofgem regulation rather than best practice– prescriptive requirements, enforceable.
- 3) Endorsement of practices by an external organisation. Regular audits. Possibly like BSI but more customised to the energy industry.
- 4) It was raised that if Ofgem expects companies to adopt the BSI standard as a matter of best practice it should also adopt the standard itself. It was also considered that Ofgem should name/fame/shame companies that do/do not apply the standard on an ongoing basis.
- 5) Work in this area needs to be part of a wider framework – vulnerability network. Companies could seek customers’ permission to share information about vulnerability with each other, suppliers to networks and vice versa, between suppliers when a customer switches, with other utilities and with voluntary organisations that can offer them help.
- 6) Companies could share case studies/scenarios with each other/Ofgem to help identify trends in vulnerability. A forum could be set up for this. Information could be used in staff training.

Annex one

Name	Organisation
Phillip Cullum (chair)	Ofgem
Alev Sen	Citizens Advice
Alex Wilkes	Western Power Distribution
Alice Gunn	SSE
Andy Gallacher	Scottish Power Distribution
Andy Jenner	UK Power Networks
Brian Hoy	Electricity North West
Caroline Wells	Financial Ombudsman Service
Claire Tyler	Ofgem
Daniel Alchin	Energy UK
David Gill	Northern Gas
Gareth Williams	Scottish Power
Gillian Cooper	Consumer Focus
James Veaney	Ofgem
Kate Smith	Ofgem
Keith Blenkinsopp	Northern Powergrid
Kristen Jameson	Northern Gas
Linda Lennard	Centre for Consumers and Essential Services
Nick Fleming	BSI
Nigel Howard	British Gas
Paul Fitzgerald	Scottish and Southern Power Distribution
Paul Tonkinson	npower
Phil Sumner	Ofgem
Phil Wilson	Northern Powergrid
Rebecca Langford	Ofgem
Robert Wharton	Co-operative energy
Ruth Thomas	National Grid Gas
Sarah Wiltshire	Ecotricity
Stephen Mills	Scotia Gas Networks
Stephen Rees	LoCO2
Stew Horne	Ofgem
Tony Herbert	British Gas