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12 February 2013  
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Dear Claire,

**Proposals for a new Consumer Vulnerability Strategy (Ref: 124/12)**

SSE welcomes the opportunity to respond to this consultation which looks at Ofgem's proposals for a new Consumer Vulnerability Strategy and proposed workplan for 2013/14. We have provided answers to the specific questions posed by Ofgem in the attached annex.

SSE remains focussed on identifying and supporting our vulnerable customers. There are a number of initiatives dedicated to assisting vulnerable customers, such as reviewing their individual circumstances during each point of contact. SSE strives to ensure that it supports all of its customers, and not just those in fuel poverty or potentially vulnerable to fuel poverty.

Overall, SSE believes that the strategy provides a solid foundation on which to recognise the dynamic nature of consumer vulnerability. SSE agrees with the proposal to embed a new understanding of vulnerability within each energy company and as such, we have taken a number of steps over the previous few years to ensure that our customer service ethos and practices takes into account the multi-dimensional and ever changing nature of vulnerability. SSE appreciates that no two cases of vulnerability can be treated the same and will always ensure that we support each customer on a case by case basis depending on the nature of their vulnerability at that particular time. It is also vital that the new strategy provides the flexibility to protect customers from fuel poverty and not only those who currently find themselves in this situation.

As Ofgem is proposing to introduce a risk based approach to identifying vulnerability, SSE believes that Ofgem must, therefore, have a reporting and enforcement framework reflective of the increased challenges posed by a more subjective risk based approach. Ofgem and industry also need to consider how the new risk based approach would filter into the licence conditions currently proposed for implementation in relation to gas theft. These licence conditions have defined what Ofgem would deem to be vulnerable in these scenarios. SSE would welcome the opportunity to explore how the vulnerability strategy would have an effect on the implementation and ongoing compliance.

SSE is supportive of the five themes being proposed by Ofgem, however we would suggest that theme one in particular does not come at the expense of delivering flexible support to our vulnerable customers. Attempting to regulate the nature of assistance provided to each



individual customer could prove challenging given the nature of vulnerability as Ofgem has highlighted within the consultation document.

Under Government schemes such as the Warm Home Discount (which is administered by Ofgem), SSE is required to target schemes towards those customers considered to be on a low income and vulnerable. We would therefore welcome clarification from Ofgem as to how the proposed vulnerability strategy will impact (either retrospectively or prospectively) on schemes that a supplier counts towards its overall obligation. We do not believe it is safe to assume that those schemes previously approved by Ofgem based on the current understanding of vulnerability will automatically meet Ofgem's new proposal.

In SSE's view a far more targeted system is needed to specifically address fuel poverty and vulnerability. The solution needs to be better linked with benefits data, better focused on finding the "right solution" for each customer and better linked in with energy efficiency schemes and helping people to make the right personal choices.

SSE believes that Government is best placed to take the responsibility of judging who is in fuel poverty.

SSE's proposal, through our response to DECC's consultation on fuel poverty: changing the framework for measurement, is for a Fuel Poverty Agency (as part of Government or the voluntary sector) to be set up, specifically to focus assistance on the people who need it most.

SSE sees the role of the Fuel Poverty Agency to be as follows:

- The first port of call for anyone struggling to pay their bills once their supplier has got them on the best tariff for their needs
- Ensuring that the individual is on any benefits that they are entitled to
- Ensuring that those individuals who are struggling with their bills are on a "priority list" for receiving energy efficiency measures through ECO
- Ensuring that the individual receives a core element of financial advice. This could be linked to other Financial Inclusion institutions
- Linked with efforts on water poverty, which has similar, but not identical characteristics

The key point is that the Agency will be able to better find customers and make better assessments of need than energy companies and will have a range of options for improving peoples' circumstances, far exceeding those offered by energy companies. It also overcomes many of the perceived problems associated with enhanced data sharing with energy companies.

SSE believes that the Agency should not be focussed on delivering to the current target. It should be focused on those who need assistance most first, then work its way up to those with less need.

In the absence of an agency approach, detailed above, there should an enhanced referrals system and data sharing arrangement should be introduced. The Warm Home Discount Core Group data match with DWP was hugely successful and should be expanded to other fuel poverty proxies.

Please do not hesitate to contact me if you wish to discuss this response in more detail.

Yours sincerely

Steven Findlay  
**Regulation**



## Annex

### **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?**

Yes, SSE agrees with the proposed strategy themes. However, as we have highlighted above SSE wish to explore theme one in more detail as targeted and effective regulatory obligations must provide the flexibility to deal with vulnerability on a case by case basis.

SSE would also suggest that any proposed work streams are supported by a robust impact assessment and evidence to mitigate the potential risks and concerns faced by energy companies and consumers. For example, Ofgem suggest that one of the different dimensions of risk includes 'the nature of the goods or service or the way they were purchased' by the consumer. SSE believes this would introduce a subjective approach to assessing whether a customer is vulnerable when considering, for example, tariff complexity. This could create a challenge for suppliers and Ofgem as they look to define, implement and target policy to tackle vulnerability. We believe that this makes it more important to ensure that the policy is based on robust impact assessments and evidence. This could potentially increase the cost to deliver these schemes and ultimately the cost to 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?**

As SSE has previously stated, we believe that vulnerability must always be assessed on a case by case basis. We therefore welcome that Ofgem has highlighted within the consultation document that whilst specific groups of customers are more likely to be in a vulnerable situation, it is nearly impossible to define a specific group of customers as vulnerable.

However, we are concerned that the proposed risk approach to identifying vulnerability based on different dimensions of risk could add unnecessary levels of complexity to identifying and evidencing vulnerability. This is particularly prevalent when considering the extent to which a customer is aware of his or her vulnerability. This could require a significant amount of resource and effort to educate the mass of customers that do not currently understand the nature of vulnerability. SSE currently uses each customer contact to determine whether any vulnerability exists and this is dealt with on a case by case basis. One of the potential downfalls of a risk based approach will mean that suppliers may need to ask more intrusive questions in order to determine a customer's circumstances. This could potentially disengage a significant proportion of customers.

From a distribution perspective, much of their contact with customers would come during a power outage. This can be a stressful period for the majority of customers, not least those in a vulnerable position. Introducing added complexity to the identification of vulnerability based on risk, which would require additional questioning, could cause added undue stress for vulnerable customers.

#### **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?**

SSE does not agree with Ofgem's proposal to introduce the BSI Standard as a benchmark against which to conduct assessments of suppliers' and distributors' approach to vulnerability.

We believe this to be overly onerous in the current regulatory framework and would introduce too much added complexity when taking into account the already well established Safety Net and suppliers' processes for identifying vulnerable customers. We would also highlight our



Customer Charter and Building Trust campaign that demonstrates SSE's our commitment to providing a practical approach to vulnerability.

Accreditations for schemes such as the BSI Standards are generally administratively burdensome and incur costs as a result. If Ofgem decide to adopt the standard for suppliers and distributors this could have an impact on the cost of energy for vulnerable customers. SSE would suggest that Ofgem (along with industry) deliver a programme, in conjunction with the Consumer Vulnerability Network that ensures a consistent approach. The Energy Best Deal that is currently in place is a good model of Ofgem and industry working in conjunction to highlight the assistance available to consumers.

The BSI Standard suggests that organisations (at a senior level) produce a written code of conduct, develop policies and procedures, and train all staff to enable the needs of vulnerable customers to be identified and met. SSE would argue that, through our internal initiatives, that we already undertake this activity as these are embedded throughout the organisation in all of our dealings with vulnerable customers. All front-line and operational staff are trained to identify and take into account any potential vulnerability. This does not only include information provided by the customer but where staff have the slightest concern that a customer may be vulnerable, for whatever reason, they will take extra steps to provide additional assistance. In order to ensure an effective approach to identifying vulnerability, and taking this into account when assessing the customer's circumstances, Ofgem must ensure that any proposed standards are kept as simple as possible to in order to communicate this effectively to SSE staff. We do not believe that the BSI Standard would be simple to communicate to staff and is unnecessary given the already effective protections in place for customers.

SSE would note that the BSI Standard is not a 'one size fits all' solution and different sectors should implement the standard as they see fit. We would encourage Ofgem to consider how the BSI standard can best be implemented within the energy sector rather than the implementation of the BSI Standard in its current form. It should be adapted to take into account the complex nature of the energy market.

The Energy UK Safety Net is the closest that industry currently has to an agreed standard on vulnerability. However, this is currently not adopted by distributors or smaller suppliers and does not take into account any point of sale requirements. SSE believes this could be a potential vehicle for developing a common approach to engaging with vulnerable customers by expanding beyond its current focus on vulnerability in relation to debt and disconnections.

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

SSE would suggest extending the remit of the Safety Net to incorporate Ofgem's proposed approach to vulnerability and encompassing the relevant sections applicable to distribution companies. The Energy UK Safety Net already has an established auditing regime that provides Ofgem with assurances that suppliers are acting in line with the relevant provisions within the Safety Net.

Regardless of which approach Ofgem decide to take, adopting a new strategy will take a considerable amount of time to develop within each company along with the added uncertainty and potential costs of developing this solution. Prior to Ofgem assessing suppliers' compliance with the new regime, we must be given time to share best practice and incorporate any lessons learned.

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

SSE has developed a number of relationships through its Trust Agenda with national groups and local agencies. The feedback received through our Customer Forums that informs our



ongoing developments is invaluable. SSE is keen to maintain these relationships in order to ensure that the ongoing feedback assists us when developing any policies with the purpose of assisting vulnerable customers, particularly when developing our Warm Homes Discount scheme to ensure we are targeting the assistance effectively.

We therefore agree with Ofgem's proposals to develop a network with such organisations. In doing so, SSE would welcome the opportunity to engage with such organisations to discuss, along with Ofgem, any additional issues that need to be addressed. We believe that any feedback from this engagement should be fed into suppliers in order for them to develop internal practices and procedures rather than informing policy development. We strongly believe that collaborative working is an all round better solution for customers rather than increasing regulation with the additional costs associated.

### **CHAPTER: Three**

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

##### Theme 1 – 'Developing targeted and effective regulatory obligations'

###### *Priority Services Register (PSR)*

SSE agrees with the majority of proposals to review the obligations under the priority services register, however we are concerned that Ofgem appear to have suggested wider data sharing without considering the potential Data Protection concerns. Given that information held on suppliers systems relating to the PSR is amongst the most sensitive data that can be held about a customer, data sharing may not be possible. If sharing is possible it would need to be carefully managed. The Information Commissioners Office (ICO) has confirmed to Energy UK that any data sharing of this type would require the customer's explicit consent.

SSE is keen to explore the potential for consistent branding for the PSR. However, it is possible for a supplier to offer additional services under its branded PSR going over and above the requirements of the licence conditions. It is therefore essential that any consistency across suppliers does not impinge on a supplier's ability to offer innovative assistance to customers registered on the PSR and differentiate itself from other suppliers.

SSE is concerned with Ofgem's proposals to extend the eligibility criteria under which customers can register for the PSR. Ofgem should remain mindful that the PSR is not and cannot be a 'catch all' for vulnerable customers and extending the eligibility, and in theory increasing the number of customers on the PSR, could reduce the quality of service that a supplier is able to currently provide to some of its most vulnerable customers.

###### *Debt Assignment Protocol (DAP)*

SSE would suggest that Ofgem does not propose to make any further amendments to the DAP for at least two years. This would give the new regime a chance to develop and determine whether it has been successful or not. Industry also needs to make the necessary changes to the central systems that will allow the DAP to become a more streamlined and less labour intensive process.

##### Theme 2 – Promoting best practice amongst suppliers and distributors'

SSE takes seriously its responsibility in identifying vulnerable customers and continues to work alongside Ofgem to identify areas of best practice and share this amongst the industry. SSE believe that it is important to recognise the significant steps that suppliers have taken over a number of years in order to improve the service that they provide to vulnerable customers.



We support Ofgem's intention to share best practice between suppliers, however it should be left to each supplier to determine whether they decide to adopt the suggested best practice. Whilst SSE agrees with Ofgem that best practice should be shared amongst suppliers, we do not agree with the proposal to undertake this piece of work to compliment the introduction of BSI Standard on inclusive services. This should be done as an ongoing piece of work amongst industry. We have set out our reasons for not agreeing with the implementation of the BSI Standard previously in this response.

#### Theme 3 – 'Taking account of vulnerability'

SSE has provided its view on the new risk based approach to vulnerability previously in this response. We have also provided our view on the vulnerability network in response to question five.

#### Theme 4 – 'Innovating in the provision of advice and support'

SSE believes there is a specific role for Ofgem to act as a neutral voice working with third party stakeholders to ensure greater consistency in energy advice across GB. Given the unique position of the regulator it is well placed to begin rebuilding trust, along with the steps already taken by energy suppliers, in rebuilding trust in the GB energy market.

However, Ofgem should take account of much of the excellent work that is already being undertaken at a national level through third party organisations in order to complement these work streams and avoid duplication of work.

#### Theme 5 – 'Working with others to inform wider policy-making to address vulnerability'

SSE supports Ofgem's commitment to continue to influence Government and others to help inform wider policy making. We also welcome the proposal to further links with other regulators such as Ofwat and Ofcom.

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

SSE would suggest that Ofgem undertakes analysis to determine the various definitions of vulnerability that exist across the multitude of licences, environmental and social schemes and voluntary initiatives that are currently being undertaken to introduce a streamlined approach to vulnerability.

The various different definitions that currently exist could prove confusing for the customer groups they intended to help. For example, a customer could be eligible for assistance under the Priority Services Register but not eligible for assistance under the Warm Home Discount scheme. Introducing consistency across the various environmental and social schemes as to the definition of 'vulnerable' could reduce the administration burden for Ofgem and suppliers and reduce confusion for customers.

Also, SSE has noted that within the energy supply licence a fragmented approach to potential vulnerability currently exists. For example, assistance under the Priority Services Register, protection from disconnection as a result of non payment, protection from disconnection as a result of theft and the identification of vulnerability for those customers with prepayment meters lacks consistency. SSE would suggest that Ofgem review these definitions to introduce a streamlined approach across the various licence obligations.