

# Consumer Vulnerability Strategy

## Final decision

**Reference:** 102/13

**Publication date:** 4 July 2013

**Contact:** Kate Smith

**Team:** Consumer Policy and Insight

**Tel:** 020 7901 7369

**Email:** [kate.smith@ofgem.gov.uk](mailto:kate.smith@ofgem.gov.uk)

### Overview

This Strategy sets out Ofgem's approach to identifying and tackling consumer vulnerability in the energy market. The role of the Strategy is to guide Ofgem's work on vulnerability, as well as guide our expectations of the energy companies.

The Strategy recognises vulnerability is about the situations in which consumers are in, rather than about the individual per se. Risk factors stem from personal circumstances as well as from the energy market itself. Also, vulnerability can be transitory as people's circumstances change.

We aim to focus our attention on those consumers who are significantly less able than a typical consumer to protect or represent their interests in the energy market; who are significantly more likely than a typical consumer to suffer detriment, or for whom detriment is likely to be more substantial.

The Strategy establishes an ongoing programme of work to identify and tackle vulnerability. We will work with a range of stakeholders to achieve a work programme that is informed by research and insight, promotes best practice amongst suppliers and distributors, develops targeted and effective regulatory obligations, and promotes innovation in the provision of advice for consumers in vulnerable situations.

## Context

---

Light, power and a warm home are essential services for our society. Ofgem works to make a positive difference for energy consumers. In doing this we recognise that different consumers have different needs or interests. Some consumers are significantly less able to protect or represent their interests in the energy market, they may be significantly more likely to suffer detriment, and that detriment is likely to be more substantial than for other consumers.

The cost of living is increasing for many households in Britain, of which energy prices are a factor, while incomes in many cases are static or have fallen. The recent economic climate has impacted on many consumers' ability to pay for their bills. Vulnerability in the energy market is not wholly about rising prices, though they can exacerbate problems for consumers. Vulnerability can also be struggling to access and choose the best tariffs, or living in a cold, damp home.

Ofgem is already active in working to protect vulnerable consumers. In 2005 we established a Social Action Strategy. We want to build on this work by establishing a new Consumer Vulnerability Strategy and a wide-ranging programme of work to identify and support consumers in vulnerable situations in the energy market.

## Associated documents

---

Proposals for a new Consumer Vulnerability Strategy, Ofgem, September 2012  
[www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=73&refer=Sustainability/SocAction](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=73&refer=Sustainability/SocAction)

Energy Affordability: helping develop Ofgem's Vulnerable Consumer Strategy, Ofgem March 2012  
[www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=54&refer=Sustainability/SocAction](http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=54&refer=Sustainability/SocAction)

Statutory consultation on the Standards of Conduct, Ofgem, May 2013  
[www.ofgem.gov.uk/MARKETS/RETMKTS/RMR/Documents1/RMR%20Domestic%20Statutory%20Consultation\\_SOC\\_online.pdf](http://www.ofgem.gov.uk/MARKETS/RETMKTS/RMR/Documents1/RMR%20Domestic%20Statutory%20Consultation_SOC_online.pdf)

The Retail Market Review – Statutory consultation on the RMR domestic proposals, Ofgem, June 2013  
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=521&refer=MARKETS/RETMKTS/RMR>

Strategy decision for the RIIO-ED1 electricity distribution price control, Ofgem, March 2013  
<http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/riio-ed1/consultations/Documents1/RIIOED1DecOverview.pdf>

# Contents

---

<b>Executive Summary</b>	<b>4</b>
<b>1. Introduction</b>	<b>6</b>
The need to protect consumers in vulnerable situations	6
Ofgem’s role and statutory duties	7
Development of this Strategy	8
Structure of this document	8
<b>2. Our strategic approach</b>	<b>9</b>
Role and scope of the Strategy	9
Objectives	10
How we will deliver the Strategy	10
<b>3. Understanding vulnerability</b>	<b>12</b>
Defining vulnerability	12
The causes of vulnerable situations: a risk-factor approach	13
The individual	14
The characteristics and capacity of the individual	14
The extent to which an individual is aware of their vulnerability	15
The circumstances facing the individual	15
The market	17
The design of goods or services	18
The delivery of goods or services	18
<b>4. Shaping our work programme</b>	<b>20</b>
Choice and access	20
Managing bills	21
Energy use	22
Our expectations of the companies	22
<b>5. Work programme</b>	<b>24</b>
Taking account of vulnerability across our work and being informed by research and monitoring	24
Promoting best practice amongst suppliers and distributors	24
Developing targeted and effective regulatory obligations	25
Prompting innovation in the provision of advice and support	26
Using our expertise and working with others to inform wider policy-making to address vulnerability	26
<b>Appendix 1 – Glossary</b>	<b>27</b>
<b>Appendix 2 – Our initial work programme</b>	<b>29</b>
<i>Supplementary appendices document</i>	
<b>Appendix 3 – Consultation responses</b>	
<b>Appendix 4 – Analysis of vulnerability in the energy market</b>	

## Executive Summary

---

In making a positive difference for energy consumers, Ofgem pays particular regard to those who are likely to be in vulnerable situations. Consumer vulnerability is an increasingly important issue for Ofgem, one that merits its own Strategy and a discrete programme of work. The Strategy has two roles:

- To guide Ofgem’s approach to understanding vulnerability – through evidence, research and market analysis – to help us set our priorities, develop and implement interventions and assess their effectiveness; and
- To guide our expectations of supply and distribution companies to embed consideration of consumer vulnerability in designing and delivering their products and services.

The overarching objectives of the Strategy are to understand and identify the causes of vulnerable situations in the energy market and to reduce the likelihood and impact of such situations.


Our definition of vulnerability is when a consumer’s personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:

- Significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or
- Significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial

The Strategy puts in place a programme of work to identify and tackle vulnerability in the energy market. Amongst our priorities for the coming months are:

- Reviewing the Priority Services Register to ensure suitable support to access the market is available for consumers in vulnerable situations.
- Taking forward our work on third party intermediaries – looking at how we can help to facilitate collective switching and third party advice for vulnerable consumers.
- Putting in place an incentive and reward framework for the electricity distribution companies to identify and work with stakeholders to help support their customers in vulnerable situations.
- Starting a programme of work to review company practices in identifying and responding to vulnerability. This will actively identify and promote best practice across the industry.

Our work on vulnerability is shaped by our remit and powers as a regulator, with a recognition that some matters are for us and others are for Government. Much of Ofgem’s focus is facilitating access to services and choice in the market, whereas Government can, for example, establish price support for certain consumers.



## Consumer Vulnerability Strategy

Our Strategy has been informed by analysis into the causes and impacts of vulnerability. This analysis, provided in Appendix 4, illustrates that different consumers can be vulnerable in different situations and for different reasons.

This analysis illustrates how vulnerability can manifest itself in a number of ways, such as struggling to manage energy bills, having less choice available, or less ability to make effective choices. A wide range of factors can exacerbate vulnerability ranging from living on a low income, to having anxiety or depression and/or living alone, or reliance on electricity for heating. Where a consumer experiences multiple risk factors, the extent of their vulnerability is likely to be deeper.

Through our monitoring and research, we will review our progress against the work programme each year and identify new priorities for future work.

# 1. Introduction

---

## The need to protect consumers in vulnerable situations

1.1. Light, power and a warm home are essential services for our society.

1.2. Ofgem works to make a positive difference for energy consumers. In doing this we recognise that different consumers have different needs or interests. Some consumers are significantly less able to protect or represent their interests in the energy market, they may be significantly more likely to suffer detriment, and that detriment is likely to be more substantial than for other consumers.

1.3. The cost of living is increasing for many households in Britain, with rising energy prices being a contributory factor, while incomes in many cases are static or have fallen. The recent economic climate has impacted on many consumers' ability to pay for their bills. Vulnerability in the energy market is not wholly about rising prices, though they can exacerbate problems for consumers. Vulnerability can also be struggling to access and choose the best tariffs or living in a cold, damp home.

1.4. Ofgem already has a strong record in safeguarding the interests of consumers in vulnerable situations. For example, we work on issues around debt and disconnection and our regulation of network businesses places a range of social obligations on distributors. In 2005 we established a Social Action Strategy. We want to build on this work by establishing a new Consumer Vulnerability Strategy and a wide-ranging programme of work to identify and support consumers in vulnerable situations in the energy market. What is new is that we haven't previously articulated how Ofgem defines and approaches the complex issue of vulnerability.

1.5. How Ofgem terms, or frames, vulnerability has developed over the last decade, from 'disadvantaged' consumers, to 'social issues' to vulnerable consumers. This Strategy recognises that 'consumer vulnerability' within the energy market reflects better our regulatory role. Consumer vulnerability also recognises that vulnerability can be complex, multidimensional and transitory. Vulnerability is not just about an individual; the market can cause or exacerbate vulnerability, and different consumers may be vulnerable in different situations.

1.6. The Strategy will guide Ofgem's approach to understanding vulnerability – through evidence, research and market analysis – to help us set our priorities, develop and implement interventions and assess their effectiveness. It will also guide our expectations of supply and distribution companies to embed consideration of consumer vulnerability when they design and deliver products and services.

## Ofgem's role and statutory duties

1.7. Ofgem's priority is to protect and make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes. We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.

1.8. In performing our duties we must take into account the needs of the following particular groups of consumers:

- of pensionable age
- that have a disability
- that are chronically sick
- on low incomes, or
- living in rural areas.

1.9. We are also able to take into account the needs of other groups of consumers.

1.10. Ofgem's principal objective is to protect the interests of existing and future gas and electricity consumers. 'Consumers' interests' include their interests in maintaining secure and affordable energy supplies and the reduction of greenhouse gas emissions caused by the supply and use of gas and electricity. Consumers' interests also include the fulfilment of the general objectives of the Gas and Electricity Directives<sup>1</sup>. These objectives include 'ensuring that customers benefit through efficient functioning of their national market, promoting effective competition and helping ensure consumer protection' and 'helping to achieve high standards of universal and public service in electricity supply, contributing to the protection of vulnerable customers [...]'.

1.11. We are also required to have regard to statutory guidance<sup>2</sup> issued by the Secretary of State on social and environmental matters which includes helping government achieve its targets to eradicate fuel poverty.

1.12. In addition we are required to meet the general and specific duties placed on public sector bodies in the Equality Act 2010. The general duty requires that in the exercise of functions, including during our policy development, we need to have due regard to the need to: eliminate unlawful discrimination, harassment and

---

<sup>1</sup> Directive 2009/73/EC concerning common rules for the internal market in gas; and Directive 2009/72/EC concerning common rules for the internal market in electricity.

<sup>2</sup> Social and Environmental Guidance to the Gas and Electricity Markets Authority, issued by the Secretary of State under section 4AB(1) of the Gas Act 1986 and section 3B(1) of the Electricity Act 1989 laid before Parliament pursuant to section 4AB(4) of the Gas Act 1986 and section 3B(4) of the Electricity Act 1989

victimisation and other conduct prohibited by the Equality Act, advance equality of opportunity between people who share a protected characteristic and those who do not, and foster good relations between people who share a protected characteristic and those who do not. The protected characteristics under the Equality Act are:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation

### **Development of this Strategy**

1.13. In March 2012 we published a discussion document, 'Energy Affordability: helping develop Ofgem's Vulnerable Consumer Strategy', in which we committed to develop a new strategy and sought views on its content. We held three roundtables in Cardiff, Glasgow and London in May 2012 to seek stakeholder views.

1.14. We published a consultation on our strategy proposals in September 2012, which was followed up by a workshop with stakeholders in November 2012. A note from this workshop is available on Ofgem's website. 24 organisations responded to the consultation. The responses have been published on our website and a summary is provided in Appendix 3. Energy UK held a seminar with their members, Ofgem and Consumer Futures in May 2013 to discuss the Strategy and suppliers' experiences in identifying and responding to consumer vulnerability.

### **Structure of this document**

1.15. This document is structured as follows:

- Chapter 2 sets out our strategic approach to our work on vulnerability including the role and scope of the Strategy and our overarching objectives,
- Chapter 3 details our understanding of vulnerability and how we can apply this to our work,
- Chapter 4 considers our analysis of vulnerability, Ofgem's role and our expectations of the companies,
- Chapter 5 highlights some of the key work areas under the Strategy,
- Appendix 2 provides our detailed work programme,
- Appendix 3 provides a summary of the consultation responses, and
- Appendix 4 contains our analysis of vulnerability in the energy market.

1.16. Appendices 3 and 4 are provided on Ofgem's website in a supplementary document alongside the Strategy.



## 2. Our strategic approach

---

This chapter sets out the role and scope of the Strategy, our overarching objectives and how we plan to deliver the Strategy.

### Role and scope of the Strategy

2.1. The Strategy spans Ofgem’s core regulatory and policy work. It does not cover functions carried out by Ofgem E-Serve, which are framed by specific legislation. The Strategy focuses on domestic energy consumers.

2.2. The Strategy has two main roles:

- To guide Ofgem’s **approach to understanding vulnerability** – through evidence, research and market analysis – to help us set our priorities, develop and implement interventions and assess their effectiveness, and
- To guide Ofgem’s **expectations of supply and distribution companies** to embed consideration of consumer vulnerability when they design and deliver products and services.

2.1. We have developed a definition of vulnerability and identified the risk factors that can create vulnerable situations. We will use this framework across our work to identify the causes and impacts of vulnerability and to identify support and solutions as appropriate. Our approach to understanding vulnerability is set out in Chapter 3.

2.2. The Strategy also provides a framework for our consideration of how the supply and distribution companies, and other players in the energy market (such as third party intermediaries), identify and respond to vulnerability and embed such consideration into the design and delivery of their products and services. For the sake of clarity, the Strategy itself does not place any new rules or requirements on the energy companies, instead it puts in place a work programme to enable us to learn more about their practices and processes, share best practice and review or develop regulatory obligations as appropriate.

2.3. Throughout the Strategy we refer to the energy ‘market’. For the purposes of the Strategy we take a broad definition of the market to include all players, ie the supply and distribution companies, third party intermediaries, Ofgem and government.

## Objectives

2.4. The overarching objective is to **understand and identify the causes of vulnerable situations in the energy market and reduce the likelihood and impact of such situations.**

2.5. Our intention is not simply to protect consumers in vulnerable situations *from* the market, but ensure they have equal access *to* the market. We will use our regulatory powers to create the right framework to protect *and* empower them.

## How we will deliver the Strategy

2.6. The Strategy is designed to help shape our thinking, prioritise our work and deliver improvements for vulnerable consumers over the medium term. As such, we expect the Strategy to cover the next 5 years.

2.7. Our work on vulnerability is shaped by our remit and powers as a regulator, with a recognition that some matters are for us and others are for Government. Our work focuses on making the energy market work effectively for consumers, in terms of access to services, choice, debt and affordability. We primarily achieve this by monitoring the market, identifying best practice and where appropriate, creating regulation. Government has a wider role in energy, to consider sustainability, security and affordability. Government focuses in particular on fuel poverty<sup>3</sup> and Ofgem contributes to this work. The tools available to government differ, ie they are able to establish direct price support for certain consumers<sup>4</sup> and energy saving programmes. Further consideration of our role and governments is provided in Chapter 4.

2.8. We have established an initial programme of work which includes a range of activities: ongoing monitoring (such as the Social Obligations Reporting), continuing areas of work (such as Energy Best Deal), making links to existing projects across Ofgem (such as the Retail Market Review), and new pieces of work (such as reviewing company practices). Further information about the work programme is provided in Chapter 5 and the full work programme is listed in Appendix 2.


2.9. We have five themes, or approaches, to put the Strategy into practice. We will

- Take account of vulnerability across Ofgem’s work and be informed by research and insight
- Promote best practice amongst suppliers and distributors

---

<sup>3</sup> Those households who need to spend more than 10 per cent of their annual income on fuel to maintain an adequately heated home are considered to be in fuel poverty. Fuel poverty is a devolved issue and the government in England is currently reviewing its definition.

<sup>4</sup> Such as Winter Fuel Payments, Cold Weather Payments and the Warm Homes Discount



## Consumer Vulnerability Strategy

- Develop targeted and effective regulatory obligations
- Promote innovation in the provision of advice and support
- Work with others, and use our expertise to inform wider policy-making to address vulnerability.

2.10. Our future work programme will be influenced by our ongoing research, insight and monitoring activity. New developments, such as industry practices or government policy, may also help to shape future priorities. In Appendix 4 we provide our analysis into the causes and impacts of vulnerability in the energy market. This analysis underpins our Strategy and we intend to revisit, review and update it to help inform our ongoing programme of work.

2.11. We will regularly review our progress against the work programme and our overarching objective. We will also keep under review our framework for considering vulnerability – our definition and risk-based approach – as we apply it to our work and learn from doing so.

2.12. By September 2014 we plan to publish a review of our progress so far against the Strategy and identify priorities for the ongoing work programme.

## 3. Understanding vulnerability

---

This chapter details our definition of vulnerability, the risk factors that can create vulnerable situations and how we'll apply this to our work.

### Defining vulnerability

3.1. All consumers, in any market, can be vulnerable to detriment. The potential for, and impact of, vulnerability are a result of the interactions between individual circumstances and the operation of the market. Ofgem works to make a positive difference for energy consumers. Ensuring that the energy market works well for *all* consumers, includes it working well for those in vulnerable situations. A market that works well for consumers is accessible, inclusive, and responsive to the needs of consumers.

3.2. There are a wide range of factors that may put certain consumers at greater risk of detriment than others, or mean that they are less able to be active in the market. The impact of any detriment can also be greater for certain consumers. Therefore it is important that as part of Ofgem's work to protect the interests of consumers, we also pay particular regard to those consumers in vulnerable situations that may need additional protection or support.

3.3. This Strategy prompts us to identify which consumers are more at risk in the energy market, in which situations are they at risk and, importantly, understand why. By better identifying the reasons why consumers are vulnerable in a particular situation – rather than simply labelling them as 'elderly' or 'disabled' – we aim to better target our interventions.

3.4. Whilst we recognise that any consumer can face detriment in a market, our work under this Strategy focuses on those consumers in vulnerable situations who are most in need of protection or support. For this purpose we have defined vulnerability as **when a consumer's personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:**

- **Significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or**
- **Significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial**

3.5. Detrimental situations in the energy market may include struggling to afford bills, living in a cold inefficient home, facing pressure sales tactics, struggling to

understand and act upon information or choices (such as getting the best deal), or lacking the confidence or ability to pursue a query or complaint. These situations can impact on an individual's ability to pay, quality of life, and/or their physical or mental well-being. Detriment may be ongoing or long-term, or it may only occur in a particular instance. The causes of vulnerability are complex and multidimensional and as such the impacts often are complex and multidimensional too.

### **The causes of vulnerable situations: a risk-factor approach**

3.6. Vulnerability is about the situations in which consumers are in, rather than about the individual *per se*. Risk factors can stem from individual circumstances and the market, and how they interact. The range of risk factors means that vulnerability can often be complex and multidimensional. Vulnerability can be transitory as circumstances change.

3.7. Adopting a more nuanced perspective of vulnerability, that also recognises its transitory nature, reflects the evolving narrative from a range of organisations including academics, consumer organisations, Consumer Futures, the Office of Fair Trading, the Financial Ombudsman Service, the British Standards Institute and the European Commission.

3.8. Consumer Futures has defined consumers in vulnerable positions as *People who cannot choose or access essential products and services which are suitable for their needs, or cannot do so without disproportionate effort/cost/time*<sup>5</sup>. The European Commission's Eurobarometer notes that *the extent of vulnerability of an individual consumer depends on the interaction between the consumer's individual combination of characteristics on the one hand and marketing practices on the other*<sup>6</sup>. The British Standard 18477 notes that *'Consumer vulnerability is relative and dynamic, and a consumer's needs and abilities change with time and circumstance, especially if the consumer is faced with a particularly urgent or complex issue'*<sup>7</sup>.

3.9. To frame Ofgem's work on vulnerability we created a model to illustrate the types of risk factors and how they interlink.

---

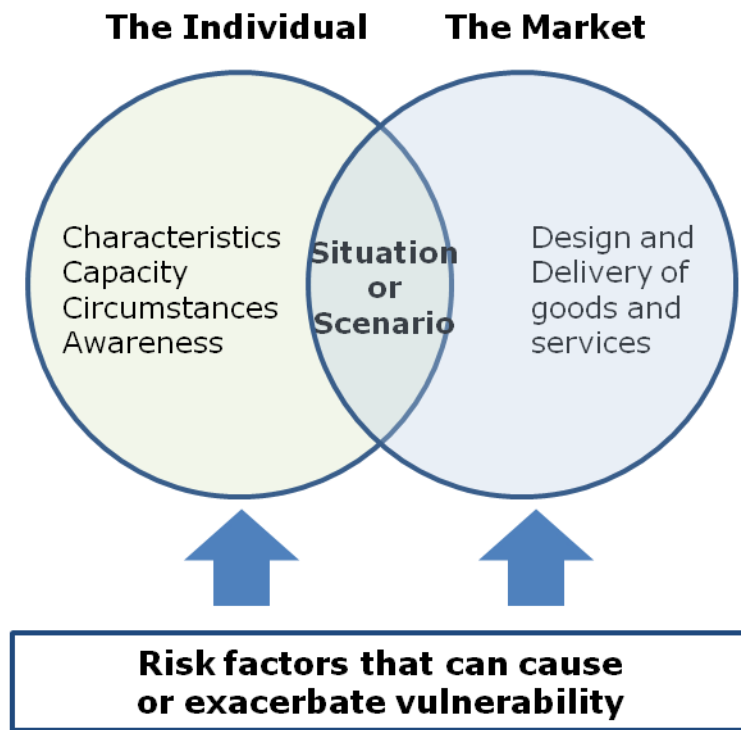
<sup>5</sup> Consumer Focus and Citizen's Advice, Tackling Consumer Vulnerability, An action plan for empowerment, December 2012

<sup>6</sup> European Commission, Special Eurobarometer 342, Consumer empowerment, April 2011

<sup>7</sup> British Standard Institute, BS 18477: 2010, Inclusive Service Provision



**Figure 1: Risk factors that can cause or exacerbate vulnerability**



## The individual

### The characteristics and capacity of the individual

3.10. In performing our duties we must take into account the needs of consumers who are of pensionable age, have a disability, are chronically sick, are on low incomes, or live in rural areas. The first three of these groups focus on the characteristics of an individual that may make them more at risk of being vulnerable (being on a low income and/or in a rural area are circumstances, as explained below). These characteristics or circumstances do not necessarily mean that a consumer is vulnerable in all situations, but they may be more at risk.

3.11. There are other characteristics that may make a consumer vulnerable, and impact in different ways, their capacity to protect or represent their interests. These include, but are not limited to, living with physical health issues or a mental illness, suffering from a cognitive impairment, having a learning disability, literacy or numeracy difficulties, having a speech impairment, or not speaking English as a first language.

3.12. Our review<sup>8</sup> of the insights from behavioural economics literature into how consumers make decisions about buying energy, identified themes for describing and thinking about the way that consumers behave in the energy retail market: limited consumer capacity, status quo bias, loss aversion and time inconsistency. While all groups of consumers are susceptible to these behavioural biases, some groups are more likely to have them than others. Research commissioned by Ofcom<sup>9</sup> has shown that some vulnerable groups, such as those on low income and, to a lesser degree, older people, are more likely to display behavioural biases.

3.13. The Office of Fair Trading recognises that disadvantaged consumers may be particularly vulnerable to exploitation within markets<sup>10</sup>, for example, consumers in vulnerable situations may have a higher propensity to be misled by rogue traders.

3.14. In thinking about an individual consumer, we should be mindful not just of the customer named on the bill, but of the needs of other consumers in a household.

### **The extent to which an individual is aware of their vulnerability**

3.15. The extent to which an individual is aware of their vulnerability may have an impact on the depth of likely detriment or the consumer's ability to limit the impact. It can impact on an individual's ability to protect or represent their interests, or their willingness or ability to seek help or advice.

3.16. We recognise the importance of not automatically labelling people as 'vulnerable', especially if they do not consider themselves to be so. This does not mean that companies should not intervene when appropriate to do so, but that they should avoid labelling people as vulnerable in their communications with consumers. Also, intervention, when required, can be subtle or imperceptible and still be effective for a consumer.

### **The circumstances facing the individual**

3.17. There are a range of circumstances that consumers can be in that can put them in vulnerable positions. These risk factors include, but are not limited to, the following.

- Personal circumstances
  - living alone
  - not having internet access
  - being on a low income
  - being unemployed or being made redundant
  - being a full-time carer

---

<sup>8</sup> What can behavioural economics say about GB energy consumers?, Ofgem, March 2011

<sup>9</sup> Behavioural Economics and Vulnerable Consumers: A summary of evidence, Dr. Pete Lunn and Dr. Sean Lyons, December 2010

<sup>10</sup> Office of Fair Trading, Prioritisation Principles, October 2008

- being a lone parent
- leaving care for the first time
- experiencing relationship breakdown
- experiencing bereavement
- The property
  - living in a rural area and off the gas grid
  - living in private rented accommodation
  - living in a cold, inefficient home

3.18. The list above is not exhaustive, nor does it indicate that a consumer in such circumstances will always experience detriment. However, these circumstances can make people more vulnerable to detriment; and the likelihood and impact of detriment tends to increase if consumers have more than one of these risk factors.

3.19. Fuel poverty is one form of vulnerability that an energy consumer may face. The two issues overlap, but importantly, the terms are not interchangeable. Fuel poverty can impact a consumer's ability to heat their home adequately or afford their bills. Living in cold damp homes can exacerbate respiratory or mobility issues for people with conditions such as asthma or arthritis.

### **Individual characteristics or circumstances can change over time**

3.20. The characteristics, capacity and circumstances of individuals can change over time. Vulnerability can affect anyone at any time and for many different reasons. It may be permanent or long-term; but equally it can be transitory, for example, following a bereavement or relationship breakdown. It may affect all aspects of a person's life or just one part. A consumer can quickly fall into a vulnerable situation, but it may take them time to recover from it. For example, if someone is made redundant, their vulnerability may continue even once they have a new job if they have accumulated debt in that time.

3.21. Someone who has recently lost a partner, for example, is not necessarily vulnerable in the energy market, but they may be if they have not managed the household bills and finances before and are struggling to pay their bills. Suppliers take into account consumers' changing circumstances through their debt repayment work, by reviewing a consumer's individual ability to repay their debt. The transition to Universal Credit may also have consequences for consumers as they adjust to the new welfare system.

3.22. Step Change<sup>11</sup>, the debt charity, identifies 'life changes' – significant changes in someone's situation - as being one of the most common causes of financial problems. These life changes include bereavement, separation, health, maternity, redundancy and retirement.

---

<sup>11</sup> Step Change Debt Charity [www.stepchange.org](http://www.stepchange.org)



### **Considering the individual risk-factors in our work**

3.23. The different individual risk factors are wide ranging which suggests that different consumers may be vulnerable in different situations, and for different reasons.

3.24. We will be mindful of the individual risk factors in our work by considering who may be more at risk from detriment in a particular situation and why. Neither the regulator nor the energy companies can directly change individuals' characteristics, capacity or circumstances but we can be aware of them and responsive to individual risk factors in designing and delivering policy, goods or services. We aim to identify where individual circumstances create barriers to accessing the services of the energy market, and work to overcome those barriers.

3.25. For example, there remain a significant number of consumers who have never used the internet – 7.42 million adults, many of whom are disabled or older<sup>12</sup> – and many more who do not use it for transactions such as paying bills. Government is working to help people get online. We recognise in our work that some consumers cannot use the internet, and others prefer not to, therefore we will work to ensure those consumers still have access to the market. For example, as part of our Retail Market Review reforms, consumers will have clear information on their bill about their supplier's cheapest tariff for their tariff preference. This will provide easy access to key information which will be especially useful for those without access to online comparison sites.

3.26. The 85+ age group is the fastest growing demographic segment in the UK. This means the proportion of the population with hearing, sight or other age-related difficulties is set to increase. Older consumers can be vulnerable not because of their age but due to a range of linked factors or situations they may be in. They are more likely to live alone or under occupy their home. They are more likely to be disabled and less likely to use the internet. Behaviourally, older people often display more loss aversion than other consumer groups and are less likely to seek help when things go wrong. The impacts are that they are less able to choose or access the best deals. This can impact on the health of frail, elderly consumers particularly if they self-ration or under-heat their homes. They can also experience a spiral of problems in part due to their reluctance to seek help when things start to go wrong.

### **The market**

3.27. Markets themselves can cause or exacerbate vulnerability. This includes the actions or behaviour of the supply and network companies, the impact of their products and processes; as well as Ofgem's own impact as regulator. The market can also help to avoid or provide solutions for such situations.

---

<sup>12</sup> Office of National Statistics, Internet Access Quarterly Update, Q4 2012

3.28. The impact of the market is sometimes referred to as situational or transactional vulnerability. A report by Consumer Focus and Citizen's Advice<sup>13</sup> notes that *'the policies and practices of different markets, services and provider organisations heavily influence the extent to which people are vulnerable as consumers'*. The report goes on to identify the emerging thinking from a range of organisations *'which recognises the dynamic and relative nature of vulnerability and the role of markets and service'*.

3.29. The Office of Fair Trading recognises that disadvantaged consumers may simply not share in the benefits of greater competition<sup>14</sup>. They go on to explain that consumers in vulnerable situations may be served less well by markets because, for example, they may be more expensive to serve, they have less market access, they are in debt, and they cannot afford the higher risk that often accompanies better value.

### **The design of goods or services**

3.30. The nature or design of goods or services can put consumers at risk of being vulnerable. For example, complex information or products can limit the ability of a consumer to understand what they are being offered and make – or even to try to make – an appropriate decision. Features of markets such as information asymmetry can impact on any consumer, though the impact can be greater, or more likely, for those in vulnerable situations.

3.31. For example, our extensive research for the Retail Market Review identified the barriers to engagement and good decision making that most consumers face. These barriers are generally greater and multiple or more complex for consumers in vulnerable situations. It also identified that complex information and tariffs can lead some consumers to choose products that are not the best for their needs.

### **The delivery of goods or services**

3.32. The provision of goods, in terms of how they are sold or purchased, can be a risk factor. Consumers can feel vulnerable at the point of sale, if they face pressure tactics. Alternatively, the urgent nature of a matter may create additional vulnerability. Detriment may begin or continue beyond the purchase, for example, as a result of contract lock-ins or exit fees.

3.33. Energy companies are also responsible for providing services in terms of information and advice, whether provided in writing, over the telephone or face-to-face. How these services are designed and delivered have the potential to exacerbate vulnerability. For example, consumers with sight, hearing or speech impairments can

---

<sup>13</sup> Consumer Focus and Citizen's Advice, Tackling Consumer Vulnerability, An action plan for empowerment, December 2012

<sup>14</sup> Office of Fair Trading, Prioritisation Principles October 2008

struggle to communicate with a company if their written communications or customer services are not designed to be accessible and inclusive.

### **Considering the market risk-factors in our work**

3.34. We will use this Strategy to consider Ofgem's role and potential impact on vulnerability. We are currently reviewing how we conduct our Impact Assessments and will use this framework to consider the impact of our interventions on consumers in vulnerable situations, and identify any potential unintended consequences.

3.35. The risk-factor approach prompts us to identify **which consumers are more likely to face detriment, in which scenarios and why**. It aims to avoid a 'tick box' approach that can over-simplify vulnerability and it will help us target interventions at those in greatest need.

## 4. Shaping our work programme

---

This Chapter sets out how we have shaped our work programme based on our analysis of vulnerability and Ofgem's role. It also describes our expectations of the energy companies.

4.1. To inform the development of the Strategy we conducted analysis of some of the causes and impacts of vulnerability in the energy market. We drew on our own consumer research and market monitoring, as well as other published research. This analysis is provided in Appendix 4. We intend to revisit, review and update this analysis to help inform our ongoing programme of work.

4.2. Below we set out some of the issues identified in our analysis and Ofgem's role in addressing them. We have grouped these issues into three broad – and overlapping – areas: choice and access, managing bills and energy use.

### Choice and access

4.3. Consumers in vulnerable situations often have less choice and are less able to access the best deals in the market. Consumers may be limited by their circumstances, for example, not having internet access or a bank account, having a poor credit rating or being in debt. The cheapest deals on the market are likely to be direct debit online tariffs. There is a relationship between internet access and risk factors associated with individual characteristics. Over 7 million adults have never used the internet and many more, especially the elderly, are reluctant to use the internet for transactions. A third of disabled people have never used the internet (which equates to half of all those who have never used it)<sup>15</sup>.

4.4. Almost 2 million people in the UK are living with sight loss<sup>16</sup>, more than 10 million with some form of hearing loss<sup>17</sup> and over 1 million with learning disabilities<sup>18</sup>. 2 million people in Britain have a communication impairment and 2.3 million have a

---

<sup>15</sup> Office of National Statistics

<sup>16</sup> Royal National Institute of Blind People, key statistics

[www.rnib.org.uk/aboutus/research/statistics/Pages/statistics.aspx](http://www.rnib.org.uk/aboutus/research/statistics/Pages/statistics.aspx)

<sup>17</sup> Action on Hearing Loss <http://www.actiononhearingloss.org.uk/your-hearing/about-deafness-and-hearing-loss/statistics.aspx>

<sup>18</sup> Public Health England

[www.improvinghealthandlives.org.uk/publications/1063/People\\_with\\_Learning\\_Disabilities\\_in\\_England\\_2011](http://www.improvinghealthandlives.org.uk/publications/1063/People_with_Learning_Disabilities_in_England_2011)

memory/concentration/or learning disability.<sup>19</sup> These consumers are likely to have additional needs when communicating with energy companies, or accessing services.

4.5. Access to the market and choice are key areas for Ofgem. We can enable access to the market by identifying best practice and setting, monitoring and enforcing requirements on the companies (such as the Priority Services Register). We also want to facilitate the role of independent and trusted third party intermediaries in providing advice and support to vulnerable consumers. The Retail Market Review reforms are being put in place to make the retail market clearer, simpler and fairer for consumers.

### Managing bills

4.6. The cost of living is increasing for many households in Britain, and due to the economic situation, incomes have remained static for many people or have fallen in recent years, meaning that many consumers are experiencing cuts in their disposable household income. Rising energy prices are a component of the increasing cost of living.

4.7. Research into the Poverty Premium<sup>20</sup> notes that consumers on low incomes often pay higher than average utility tariffs for a given amount of consumption, either because of the payment method or being on a 'sub-optimal' deal. This is compounded by the fact that while the poorest 10 per cent spend an average of 8.1 per cent on energy, the wealthiest 10 per cent of households devote just 2.8 per cent of their spending to energy in the home<sup>21</sup>.

4.8. Ofgem and the government both have responsibility to consider affordability, though the tools available to us differ. Our remit requires us to lead in promoting value for money. Where necessary, specific protections can be put in place, for example rules to ensure that difference in prices between tariff payment methods are cost reflective<sup>22</sup>. Government is able to provide direct price support to certain consumers in vulnerable situations for example, through the Winter Fuel Payments and Warm Homes Discount.

4.9. A key area for Ofgem concerns consumers in debt. Consumers who are in debt to their energy supplier are often in debt in other areas too. Ofgem monitors this area closely through its Social Obligations Reporting. We have established, and actively monitor, key Principles<sup>23</sup> for assessing a consumer's individual ability to pay.

---

<sup>19</sup> Based on Office of Disability Issues (ODI) most recent estimates (2010/11)

<http://odi.dwp.gov.uk/docs/res/factsheets/disability-prevalence.pdf>

<sup>20</sup> Addressing the poverty premium, Approaches to regulation, by Donald Hirsch. Commissioned by Consumer Futures, June 2013

<sup>21</sup> DECC UK Housing Fact File 2012

<sup>22</sup> Standard electricity and gas Supply Licence Condition 27.2A

<sup>23</sup> Review of suppliers' approaches to debt management and prevention, Ofgem, June 2010

## Energy use

4.10. Research by the Centre for Sustainable Energy<sup>24</sup> shows that low income consumers who rely on electric heating are likely to bear a greater burden from government energy policy. It finds that consumers with electric heating – 11 per cent of all consumers – are most affected by Government policies; yet tend to have lower incomes than those with other forms of heating. These consumers pay 19 per cent of the total cost of energy policies yet only receive 7 per cent of the benefits. Only 27 per cent of consumers with electric heating receive some form of benefit, compared to 40 per cent of all consumers.

4.11. Energy efficiency is an area where Ofgem has a role to play, for example, we set requirements on suppliers to provide energy saving advice and network companies are incentivised to extend the gas network to fuel poor homes. Energy efficiency is primarily an issue for government and it has established the Energy Companies Obligations and Green Deal scheme.

4.12. Fuel poverty is a result of the efficiency of a home, energy prices and income. Government is responsible for tackling fuel poverty. Ofgem contributes to tackling fuel poverty by working to ensure value for money for consumers overall. Other areas of our work that can help consumers in fuel poverty are the gas network extension scheme and the Energy Best Deal advice campaign.

4.13. Much of our work under the Strategy focuses on access to services, choice, debt and managing bills.

## Our expectations of the companies

4.14. One of the roles of the Strategy, and associated work programme, is to guide our expectations of the supply and distribution companies. Citizens Advice<sup>25</sup> articulate well the sophisticated and flexible approach we encourage energy companies to adopt across their businesses:

*'adopt a proactive and anticipatory approach, in which equality and inclusivity are integral to the design of service provision; where systems are in place to identify vulnerable users; and where follow-up procedures are robustly applied to give the best service to the individual.'*

4.15. We expect all companies operating in the energy market to think broadly about the potential for their business to create risk factors that may cause or exacerbate vulnerability, whether this is directly apparent from their interactions with individual consumers, or less direct such as in the design of products, the mediums

---

<sup>24</sup> The hardest hit: Going beyond the mean, A report by Centre for Sustainable Energy on the impact of energy policy on consumers' bills, commissioned by Consumer Futures, June 2013

<sup>25</sup> Citizen's Advice, Access for all, March 2011

through which they communicate or the knowledge and skill of their staff. We expect companies to provide an inclusive, responsive and effective level of service recognising that consumers have different needs, abilities and personal circumstances that can give rise to detriment when interacting with a market.

4.16. As a guiding principle we believe that companies should - if they have not done so already - commit to recognising and appropriately dealing with vulnerability through-out the customer life cycle. Avoiding or missing clear signs of vulnerability, or operating a business model that only focuses consideration of vulnerability in one distinct area, not only contributes to consumer detriment but can create a more significant problem for the organisation when the situation facing the consumer is finally recognised. Clearly there is only a limited amount that any organisation can do in terms of recognising vulnerability but demonstrating clear commitment and focus in this area has the potential to benefit consumers, motivate staff, enhance reputation and build trust across a variety of stakeholders. We recognise that it can be difficult for energy companies to identify individual circumstances of their consumers. That is why every contact counts and is important.

4.17. We expect companies to establish their practices, processes and products with vulnerable consumers in mind, and to keep this under review. Identifying and considering standards in this area is one approach companies can use to review and develop their processes over time, and demonstrate those improvements. One tool available to help to companies consider their systems, and demonstrate they have a process of review and improvement in place, is the British Standard Institute Standard 18477 for Inclusive Services<sup>26</sup>.

4.18. In our work we will recognise the different roles and requirements of the distribution and supply companies. Distribution companies have less regular contact with consumers, though their contact with consumers may often be in crisis situations, if there is an unplanned power outage. Suppliers have a more direct relationship with their customers and the requirements on them reflect that.

4.19. As part of Ofgem's Retail Market Review (RMR), Standards of Conduct (SOC) are being introduced, which oblige all energy suppliers (and their representatives) to treat customers fairly. Each supplier will be required to embed the SOC in all aspects of their engagement with consumers, and ensure they have management and business systems as well as processes to achieve this. In practice, in order to treat customers fairly they may need to be treated differently, according to their needs or circumstances. Establishing principles-based regulation puts an emphasis on the outcomes for consumers and allows suppliers some flexibility regarding how they meet these needs. This means the SOC are able to accommodate changes in technology and allow for innovation. We have developed a bespoke approach to enforcing the SOC. A breach of the SOC may occur in relation to systematic issues as well as issues arising from the unfair treatment of individual consumers. We will take a proportionate approach to enforcement and we see a role for the Ombudsman in relation to individual cases.

---

<sup>26</sup> British Standard Institute, BS 18477:2010, Inclusive Service Provision – requirements for identifying and responding to consumer vulnerability

## 5. Work programme

---

This Chapter highlights some of the key work areas under the Strategy. A detailed programme of Ofgem's work under the Strategy is provided in Appendix 2.

5.1. We have set in place a wide-ranging work programme for the Strategy which includes some new areas of work, as well as making links to existing projects across Ofgem. Below we set out the themes for our work and detail some of the key areas of our work going forward. A comprehensive work programme is provided in Appendix 2 which sets out our different areas of work, expected timings and the outcomes we would like to achieve.

### **Taking account of vulnerability across our work and being informed by research and monitoring**

5.2. In order to support consumers in vulnerable situations we need to build continually on our insight and understanding of vulnerability, and the risk factors that can lead to detriment. It is important that Ofgem considers and takes account of vulnerability right across its work. Ofgem already undertakes a considerable amount of consumer research, much of which involves consumers in vulnerable situations. We can build our knowledge in a variety of ways, through consumer research, monitoring the market and working with others. We will be responsive to this information and will use it to shape our work programme and decision making. We will work to embed the Strategy, and the use of the risk-based approach, across Ofgem.

5.3. We plan to establish a Consumer Vulnerability Network. We are keen to work with new stakeholders who are involved in a range of areas of vulnerability such as disability, mental health and debt. We would like to work with those organisations operating at a grass roots level, to learn from them about the issues different consumers are facing. We are also keen to seek their input into our work such as our review of the PSR and our work to identify company best practice in identifying and responding to vulnerability. We plan to have a group of Network members in England, Scotland and Wales and for each group to meet twice a year in London, Glasgow and Cardiff.

### **Promoting best practice amongst suppliers and distributors**

5.4. We see best practice as going above and beyond regulatory duties and taking a consistent yet flexible and responsive approach to identifying and addressing vulnerability across a business. This would include ensuring that all staff have the relevant skills and training. We will look at best practice between suppliers and network companies, between suppliers and other suppliers, and within companies.



5.5. The Social Obligations Reporting is used to monitor supplier activity and practices in the areas of debt and disconnection and assistance for vulnerable consumers. We analyse this information to identify best practice and areas for improvement. To date this active monitoring has yielded significant results. Around 16,000 electricity and gas consumers were disconnected in 2003 and by 2011 this had fallen by around 92 per cent to a total of 1,252 consumers. This fall was a result of increased pressure from Ofgem and others on suppliers to disconnect only as a last resort and to explore the installation of prepayment meters as an alternative to disconnection. We closely monitor debt repayment rates to ensure they are calculated according to what an individual consumer can afford to pay. We, together with Consumer Futures, meet regularly with the suppliers to discuss and review their practices. We plan to broaden these meetings to explore other issues concerning vulnerability. Through our annual report we highlight trends and best practices.

5.6. Under the Strategy we plan to review company practices in identifying and responding to vulnerability and ensuring an inclusive and accessible service. In doing this we can identify best practice across a number of areas and identify any potential gaps. We want to work with the companies to get a better insight about their policies and practices for dealing with vulnerable consumers. We will identify one or two specific areas of company practices to focus on during the first year of the Strategy. Areas we may consider reviewing include staff training around vulnerability or exploring how companies feed back their insights into vulnerability into developing their services and products. The approaches we will use to review company practices and identify best practice will depend on the area of focus, and could include holding a series of meetings with the companies, commissioning research or, where appropriate, conducting mystery shopping.

### **Developing targeted and effective regulatory obligations**

5.7. We recognise that in some instances it is necessary to put enforceable requirements on suppliers and distributors in order to deliver specific actions for consumers in vulnerable positions. Such intervention requires an evidence base, should be targeted at a specific issue or situation and should be designed to be effective in addressing those issues identified.

5.8. We will also keep existing protections under review and continue to monitor and report on them. For example, we plan to review the Priority Services Register (PSR). The PSR provides support to consumers who are elderly, sick or disabled. Services include password schemes for home visits, a bill nominee scheme and quarterly meter reads. It ensures people with hearing or sight impediments can access information and bills in suitable formats, and ensures those who rely on electricity, eg those on dialysis or with a stair lift, are warned about planned power outages. Our quantitative research<sup>27</sup> on the PSR identifies that around 24% of consumers say they are aware of non-financial support provided by energy companies for vulnerable customers. Importantly, consumers in social grades DE are

---

<sup>27</sup> Research into the Priority Services Register and non financial support for vulnerable energy consumers, Ipsos Mori, June 2013

significantly less likely to be aware of non-financial support (18%), compared to 31% in social grades AB. However, fewer than one in ten (9%) of all energy customers can name at least one PSR service (without being prompted).<sup>28</sup> The remainder of consumers who said they were aware of non-financial support named “energy saving help”, “financial help” or “gas safety checks” which are not PSR services. Only 6% of those eligible for PSR believe they are actually on a PSR. We plan to revisit this awareness once the PSR changes are embedded, to gauge what impact there has been. We also commissioned qualitative research<sup>29</sup> into the PSR with consumers who are on the PSR, those that are eligible but not on it and those that are not eligible but may be considered vulnerable. We also conducted deliberative research with our Consumer First Panel<sup>30</sup>.

### **Prompting innovation in the provision of advice and support**

5.9. An important part of supporting consumers in vulnerable situations is making available relevant information, advice and support. We want to promote innovation in the provision of advice and support by the supply and distribution companies, as well as by third party intermediaries (TPIs) operating in the energy market.

5.10. Many consumers do not have the capacity or confidence to navigate the market alone. TPIs such as comparison services, collective switching schemes or advice provision, are playing an increasingly important role in the energy market. Such third party advice can be very helpful for consumers, providing the necessary protections are in place. We want TPIs to be accessible and helpful for consumers in vulnerable situations and by providing trusted and independent advice it may help remove any barriers to advice provision.

### **Using our expertise and working with others to inform wider policy-making to address vulnerability**

5.11. We will work with a range of stakeholders within the energy market and organisations outside of the energy market who deal with vulnerability issues. Engagement will allow us to learn from others as well as sharing our own perspective and insight.

---

<sup>28</sup> The 9% figure is based on unprompted awareness of any PSR service. The figure rises to four in ten (41%) who say that they are aware of at least one PSR service when shown a list of PSR services.

<sup>29</sup> Vulnerable Consumers and the Priority Services Register, A report prepared for Ofgem by BritainThinks, June 2013 [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

<sup>30</sup> Ofgem Consumer First Panel, Research to inform Ofgem’s review of the Priority Services Register, Ipsos MORI, June 2013. The Panel comprises around 100 consumers who are broadly representative of the British population. Panellists generally meet three or four times each year to explore a range of issues regarding Ofgem policy. Panel participants change every year.

## Appendix 1 – Glossary

---

### **C**

#### **Collective switching**

Where consumers group together in a process typically facilitated by an independent organisation, which negotiates with multiple suppliers to secure a deal on the consumers' energy supply.

### **E**

#### **Electricity Distribution price control (ED1)**

ED1 is the first electricity distribution price control review under the RIIO model (Revenue = Incentives + Innovation + Outputs). It builds on the success of the previous RPI-X price control regime, but better meets the investment and innovation challenge by placing much more emphasis on incentives to drive the innovation needed to deliver a sustainable energy network at value for money to existing and future consumers.

#### **Energy Best Deal (EBD)**

Ofgem and Citizens Advice consumer awareness campaign.

### **M**

#### **Market**

For the purposes of the Strategy we take a broad definition of the energy market, to include all players, ie the supply and distribution companies, third party intermediaries, Ofgem and government.

### **O**

#### **Ombudsman Services: Energy (the Ombudsman)**

Ombudsman Services: Energy means the Ombudsman Services provided to Energy Suppliers and Energy Network Operators. The Ombudsman's principal aim is to receive complaints made by complainants in accordance with the Ombudsman's Terms of Reference and to consider and, where appropriate, investigate such complaints in order to encourage and/or facilitate the terms of their resolution, settlement and/or withdrawal.

### **P**

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

The standard licence conditions of the gas and electricity supply licences require suppliers to establish a list (the Priority Services Register) of domestic customers that are of pensionable age, disabled or chronically sick. Eligible customers can ask to be added to their supplier's list. These customers are then eligible for certain free services specified in the supply licences.

### **R**

#### **Retail Market Review (RMR)**

Ofgem's project to reform the energy retail market to be clearer, simpler and fairer for consumers.

### **S**

#### **Social Obligations Reporting (SOR)**

The Social Obligations Reporting is used to monitor supplier activity and practices in the areas of debt and disconnection and assistance for vulnerable consumers.

**Supply Licence Conditions (SLCs)**

The legally binding conditions that gas and electricity suppliers must meet to supply to domestic and non-domestic customers, in accordance with the Gas Act (1986) and Electricity Act (1989).

**T**

**Tariff**

The charges for supply of electricity/gas combined with all other terms and conditions that apply, or are in any way linked, to a particular type of contract for the supply of electricity/gas to a domestic customer.

**V**

**Vulnerability**

Our definition of vulnerability is when a consumer's personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:

- Significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or
- Significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial

**W**

**Warm Home Discount (WHD)**

The Warm Home Discount scheme mandates domestic energy suppliers to provide approximately £1.13 billion of direct and indirect support arrangements to fuel poor customers over four years from April 2011.

## Appendix 2 – Our initial work programme

Topics	About the work	Outcomes we'd like to see	Timing
<b>Theme 1 Take account of vulnerability across our work and be informed by research and insight</b>			
Consumer Vulnerability Network	We will establish a Consumer Vulnerability Network to identify and work with charities and organisations that support vulnerable consumers at a grass root level. The aim is to gather insight on vulnerability and seek their input into our work.	For Ofgem, a greater understanding of vulnerability. For members, a chance to learn more about the energy market and support available for consumers.	We plan to hold the first meetings in Autumn 2013.
Retail Market Review (RMR) monitoring and evaluation	We are establishing reforms to make the market clearer, simpler and fairer. We are conducting work to understand how we may monitor the outcomes of our proposals for consumers and on the domestic retail market, if they are implemented. Where it is appropriate, this may include the impact of the RMR on vulnerable consumers.	We are hoping this work will assist us to identify if vulnerable consumers benefit from the RMR reforms, whether directly or indirectly. More widely, this may support us to identify issues for vulnerable consumers.	We envisage that the majority of our proposed rules will be in place by the end of the year, and the remaining by early 2014. If implemented, we will review the full package of proposals no later than 2017.
Commissioning research	We will continue to commission research to influence our work, for example into consumers' journey to the Ombudsman.	To feed this insight into future work.	We will hold a workshop by September 2014 to take forward the findings from the Ombudsman research.
Review and future priorities	Collate and review our evidence base on vulnerability and the market. Identify our future work priorities.	We focus our resources on the key issues for vulnerable consumers.	We plan to publish a review of our progress in September 2014
<b>Theme 2 Promote best practice amongst suppliers and distributors</b>			
Social Obligations Reporting	Ofgem collects data from every domestic supplier regarding debt and disconnection rates and practices.	Suppliers have robust, yet flexible systems in place to support consumers, such as using	Social Obligations Reporting is collected each quarter. Annual report to be published

(SOR)		appropriately the Ability to Pay principles.	this summer.
Debt Assignment Protocol (DAP)	In November 2012 the Big 6 suppliers agreed to increase the DAP and allow prepayment meter consumers in debt up to £500 to switch supplier. Small suppliers agreed to do so from 1 April 2013. We monitor this quarterly as part of our SOR.	More prepayment meter consumers in debt aware of their rights to switch and more consumers doing so.	At the end of Q1 2014 we will review the first year of the change.
Company practices	Review company practices in identifying and responding to vulnerability and ensuring an inclusive and accessible service.	Best practice is shared and any gaps filled.	Ongoing. In the autumn identify areas to focus on.
Off gas grid extension scheme	A mechanism is in place that enables network companies to offer customers in fuel poverty the opportunity to connect to the grid without paying an upfront connection charge.	We have made funding available to connect up to 80,000 fuel poor consumers to the network by 2021.	As we committed to in our RIIO-GD1 Final Proposals, we will begin a review of this scheme in 2014.
<b>Theme 3 Develop targeted and effective regulatory obligations</b>			
Priority Services Register (PSR)	Under the PSR, suppliers and distributors provide support services to consumers who are elderly, sick or disabled, consumers who have hearing or sight impediments, consumers who rely on electricity. We will review the services provided and consider how take up and targeting be improved.	Targeted and effective support to help consumers in vulnerable situations access to the market.  Greater targeting of such support increased awareness of the PSR.	We will hold roundtables with the industry in September and publish a consultation by the end of November.
Electricity Distribution Price Control 1 (ED1)	As part of the ED1 price control there are incentives on electricity distribution companies to identify and work with stakeholders to help support their customers in vulnerable situations. We will establish incentive arrangements to reward network companies who use their stakeholder engagement activities	Network companies to maximise their role in addressing vulnerability and establishing partnerships with a range of different stakeholders to deliver successful outcomes.	We will assess network company business plans (July – September) and develop arrangements for incentivising their performance (in relation to social issues) throughout 2013. The incentive scheme

	to deliver benefit for these consumers.		will go live in 2015.
Smarter markets	Developing our smart metering Consumer Empowerment and Protection Strategy. Reviewing and updating existing regulatory protections as appropriate in anticipation of opportunities and risks to consumers from the roll-out. Distributional analysis of consumers and their time of use patterns.	Consumers in vulnerable situations have sufficient protection and can access the benefits of the roll-out.	We will publish our Consumer Empowerment and Protection proposals by the end of the year.
<b>Theme 4 Prompt innovation in the provision of advice and support</b>			
Market Cheapest Deal (MCD)	Following our retail market reforms we are exploring ways to provide at-a-glance tariff information to help the most 'sticky'/ vulnerable consumers engage with the market. Ofgem's MCD Working Group includes suppliers and consumer organisations.	'Sticky'/ vulnerable consumers are more able to consider what the best deal is for them across the market.	The working group is meeting in July to look at consumer research and scope solutions. The group aims to have a range of solutions scoped out by Autumn. We will then evaluate options, consider how proposals can be taken forward and/or tested.
Collective switching	Collective switching can be a hassle-free way for consumers to find a better deal. We want to facilitate collective switching for vulnerable consumers. Through ongoing stakeholder engagement and analysis we will develop proposal for interim regulatory intervention.	Collective switching is inclusive and reaches out to consumers in vulnerable situations, and any necessary consumer protections are in place.	We will publish a consultation towards the end of 2013.
Confidence Code review	Ofgem has taken ownership of the Confidence Code accreditation scheme for price comparison services. We want to ensure the Code is aligned with our package of RMR proposals and its terms deliver reliability for consumers.	Price comparison services should offer comprehensive, accurate, and transparent information to consumers when they are comparing tariff offers.	The review of the Code will take place this year, during which time we will engage with service providers, industry, consumer groups and other stakeholders.

Energy Best Deal (EBD)	Energy Best Deal provides advice to vulnerable consumers on energy issues such as managing debt and energy saving. It is delivered by Citizen's Advice and funded by suppliers through the Warm Homes Discount.	Access to trusted, independent advice on issues such as debt, energy saving and switching	The 2012/3 campaign has ended and we expect training to start again in autumn 2013.
Face-to-face advice	Face-to-face advice, such as EBD, is particularly valued by vulnerable consumers. The Department for Energy and Climate Change (DECC) Big Energy Saving Network aims to enable more organisations to provide advice and hand-holding on tariffs and the Energy Company Obligation.	Reliable, tailored and independent advice is available to consumers.	Once DECC's Big Energy Saving Network is established, identifying what more Ofgem can do to facilitate face to face advice.
<b>Theme 5 Use our expertise and work with others to inform wider policy-making to address vulnerability</b>			
Welfare Reform	Working with government and other stakeholders to understand issues around the transition to Universal Credit	Knowledge and good practice is shared across energy companies and across sectors	Ongoing
Europe	The European Commission's Directorate General for Energy has established a Working Group to consider vulnerable consumers in the energy market.	To share and promote Ofgem's insight and our approaches to tackling vulnerability	The Working Group will report to the Citizen's Energy Forum in December 2013.