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Response to Ofgem Consultation: Domestic Third Party Intermediaries: Confidence Code and Wider Issues

Introduction

Energy Action Scotland (EAS) is the Scottish charity with the remit of ending fuel poverty. EAS has been working with this remit since its inception in 1983 and has campaigned on the issue of fuel poverty and delivered many practical and research projects to tackle the problems of cold, damp homes. EAS works with both the Scottish and the UK Governments on energy efficiency programme design and implementation.

EAS welcomes the opportunity to respond to this consultation.

Fuel Poverty in Scotland

The Scottish Government is required by the Housing (Scotland) Act 2001 to end fuel poverty, as far as is practicable, by 2016 and plans to do this are set out in the Scottish Fuel Poverty Statement. The number of Scottish households living in fuel poverty dropped from 756,000 (35.6%) in 1996 to 293,000 (13.4%) in 2002. Half the reduction was due to increases in household income, 35% to reduced fuel prices and 15% to improved energy efficiency of housing¹. The most recent figures² from the Scottish House Condition Survey Key Findings Report show that there were 647,000 households living in fuel poverty in Scotland in 2012, representing 27% of total households.

According to figures produced by the Scottish Government³, for every 5% rise in fuel prices an estimated 46,000 more households become fuel poor. Based on these figures EAS estimates that there are currently 900,000 households, more than four in ten, in fuel poverty in Scotland. This significant increase in fuel poverty is widely accepted to be due to the dramatic increases in domestic fuel prices and EAS is very concerned about the impact on vulnerable customers.

Given its remit, EAS's response to this consultation focuses primarily on those areas that it considers most likely to impact on fuel poor and vulnerable consumers.

Consultation Responses

Question 1: Do you agree with our summary of the current domestic TPI landscape? In light of recent developments in TPI services, are there other important factors we should be taking into account?

EAS agrees with Ofgem's summary of the current landscape.

Whilst EAS supports the intention to provide consumers with more information, improving confidence, trust and empowerment, we remain concerned about the ability of the most vulnerable consumers to engage in the market. RMR remedies introduced over the past few months have provided consumers with a wider range of information. Not all of the measures are easily understood, particularly in relation to effective comparison and switching, for example Personal Projections, TILs and TCRs. Ofgem now also mentions the possible introduction of Quick Response (QR) codes for potential use during the comparison process. EAS would like to see greater clarity for consumers – particularly vulnerable consumers – about how the proliferation of information/comparison/ switching

¹ Fuel Poverty in Scotland: Further Analysis of the Scottish Housing Condition survey 2002

² Scottish House Condition Scotland Key Findings Report 2012

³ Estimate of Fuel Poverty Households in Scotland: Scottish House Condition Survey March 2011

mechanisms work, as well as much clearer cautions about their limitations in terms of accuracy.

With regard to smart meter roll-out, Ofgem states that ‘smart meter arrangements have been designed to allow for consumers to share their detailed consumption data directly with third parties This will put the consumer in control’. EAS would emphasise that this will only be the case if consumers understand the process and the implications of such data-sharing. At this stage and despite repeated requests for more information, there is little to indicate how vulnerable consumers will be supported through the smart meter roll-out.

Question 2: Does the definition exclude services you would expect to be covered? If so, how might it be adjusted to accommodate them?

Ofgem’s proposed definition seems fairly comprehensive.

NB - EAS has recently been made aware of consumers being switched to a new energy supplier as a result of actions taken to resolve debt issues/secure payday loans. Could such a company i.e. engaged in debt resolution/money advice, be classed as a TPI? Technically, they were not providing advice about energy supply, but their clients completed a ‘tick box’ form that included a question about switching supplier. The clients do not appear to have been offered comparison information or offered a choice as such, because the debt resolution company had links with only one supplier.

Question 3: Would this definition include services you would not expect in light of our TPI vision? Why do you think these services should be excluded?

N/A

Question 4: Do you agree that domestic intermediaries should provide an independent, transparent, accurate and reliable service to their customers?

EAS agrees.

The example Ofgem provides for their principle of ‘transparency’ indicates that TPIs should offer a whole of market comparison, however we would note that at this stage, no TPIs are able to provide comparisons for/with some time-of-use tariffs (for example SSE’s Total Heat Total Control tariff, or ScottishPower’s ComfortPlus White Meter tariff). This is a particular issue in Scotland because a significant proportion of consumers – including large numbers who are already disadvantaged by being off-grid – are on these tariffs.

Ofgem also states, with regard to the principle of ‘accuracy’, that it should be made clear to consumers where estimated or assumed information informs the advice provided. Despite RMR remedies, consumers still do not understand fuel bills or the detail of their energy usage, yet are prompted to use the TCR as a mechanism for initial tariff/price comparison. Given that the TCR itself is based on assumptions and averages, it is particularly important that TPIs highlight to consumers the potential shortcomings of using TCRs.

Question 5: Are you aware of potential challenges for particular types of TPI models in embedding any of the principles? How might these challenges be addressed?

As above - the example Ofgem provides for their principle of 'transparency' indicates that TPIs should offer a whole of market comparison, however we would note that at this stage, no TPIs are able to provide comparisons for/with some time-of-use tariffs (for example SSE's Total Heat Total Control tariff, or ScottishPower's ComfortPlus White Meter tariff). This is a particular issue in Scotland because a significant proportion of consumers – including large numbers who are already disadvantaged by being off-grid – are on these tariffs.

Question 6: We have identified information exchange and face-to-face services as priority areas for our consideration. Are there other areas you think we should be focusing on in the near future?

Community energy, for inclusion/incorporation at a later stage. Also the role and responsibilities of ESCOs, and whether they should be governed by the Code.

Question 7: Are you aware of barriers to effective information exchange between suppliers and TPIs which impact on services to consumers? If so, how might these barriers be addressed?

Use of common/compatible terminology between/amongst suppliers and TPIs would be helpful.

Question 8: What further steps do you think we should take to facilitate face-to-face services, particularly to support engagement with more vulnerable or harder-to-reach consumer groups?

EAS actively promotes provision of face-to-face advice, especially for vulnerable, hard-to-reach consumers. Increasing provision of Energy Best Deal (EBD) is one approach, but at present the overall service reaches approximately 50,000 consumers per year (directly, or indirectly via a front line worker). Assuming Scotland's share being proportionate, this means around 5,000 consumers would receive support via EBD every year. Given that there are estimated to be 900,000 fuel poor consumers in Scotland, it would take EBD about 180 years to reach them. EAS believes that Ofgem must consider a far broader range of trusted intermediaries who could/should be involved in the delivery of face-to-face support for vulnerable consumers.

Many consumers interested in price comparison and/or switching will benefit from telephone engagement. EAS believes that telephone-based service providers should be covered by the Code. Ofgem must also acknowledge, however, that telephone engagement is often an inappropriate mechanism for engaging fuel poor and vulnerable consumers. Quite apart from the range of PPI/double glazing/accident compensation calls that people receive, this often appears too much like cold-calling.

Question 9: What are your views on our proposal to increase the transparency of sites' commission arrangements with suppliers and the impact this has on the results a consumer will see?

N/A

Question 10: Do you agree that sites should direct consumers to the sources of independent advice identified? Are there other sources you would suggest?

The government's energy grants calculator offers very limited opportunities for those using it to find out about schemes other than Green Deal or ECO. There is a range of additional support mechanisms in Scotland. If the energy grants calculator is to be a signposted destination, it must be updated to take account of broader support and services available throughout the UK.

Question 11: Do current requirements (within the Code or more widely) or supplier practices put unnecessary restrictions on sites' business models? If so, what changes could be made to allow greater flexibility?

N/A

Question 12: Should there be a central repository of information for prepayment customers? Who should fill this role? And in what way could sites facilitate the provision of this information to consumers?

EAS does not believe that a central repository is necessary and may well prove costly. Who would fund such a resource? PPM users need the same level of support as all other vulnerable consumers. A central repository will not broaden the number of switching options available. In accessing accurate information from suppliers, TPIs should ensure that this incorporates accurate and appropriate information for PPM users.

Question 13: What timeframe would you propose for implementing our proposals in relation to site independence?

N/A

Question 14: Do you agree with our proposal to increase consumer awareness of the availability of whole of market comparisons? Are there better alternatives?

EAS would strongly prefer that a 'whole of market' comparison is the default position for TPIs. However we would note that at this stage, no TPIs are able to provide comparisons for/with some time-of-use tariffs (for example SSE's Total Heat Total Control tariff, or ScottishPower's ComfortPlus White Meter tariff). This is a particular issue in Scotland because a significant proportion of consumers – including large numbers who are already disadvantaged by being off-grid – are on these tariffs. It must be made clear to consumers that this is the case.

Question 15: Do you agree with our proposal to allow sites to compile their own supplier ratings? Are there factors other than those set out that sites should consider when formulating their ratings methodology?

EAS does not believe that TPIs should be able to compile their own supplier ratings. Differing and contradictory ratings (regardless of explanations of how ratings were arrived at) have the potential to further confuse consumers.

Question 16: Do you think there is benefit in exploring further the criteria for filtering or categorising green and environmental tariffs on comparison sites? Do you have suggestions for the best way to define these criteria?

EAS believes there must be greater clarity regarding the definition of 'green' and 'environmental' before deciding whether and how they can be filtered.

Question 17: What timeframe would you propose for implementing our proposals in relation to site transparency?

N/A

Question 18: Do you agree with our proposal for sites to use the Personal Projection methodology when calculating the cost of a tariff?

Despite the opportunity to provide consistency in terms of comparison methodologies, EAS does not believe that the Personal Projection offers sufficient accuracy to be a reliable means by which consumers can compare costs. Too many consumers will have a Personal Projection based on a series of estimated bills.

Question 19: Do you agree with our proposal to require sites to display a Tariff Information Label for each of the tariffs on their site?

EAS agrees with Ofgem's proposal to display TILs for all tariffs on TPI sites.

EAS does not agree with some of Ofgem's suggestions about more innovative use of the TCR – in particular by offering 'best buy' tables. We believe that it is not sufficiently clear to consumers that TCRs are only a useful comparison tool if a) they are 'medium' users of gas and electricity and b) they understand how TCRs are calculated.

Question 20: Should we seek to ensure consistency of tariff cost results across the industry? Or should we allow room for suppliers and TPIs to differentiate by adopting their own methodologies?

EAS believes that Ofgem must seek consistency across the industry. Taking individual and innovative approaches will serve only to reduce clarity and consumer understanding.

Question 21: What timeframe would you propose for implementing our proposals in relation to site accuracy?

N/A

Question 22: Do you agree that we should introduce principles from the complaints handling standards into the Code? Are these the right principles to introduce?

EAS agrees that principles from the complaints handling standards should be incorporated into the Code.

Question 23: Do you support our proposal to introduce messaging and links to Warm Home Discount information as a requirement of the Code? Do you have specific views regarding where and how this information should be presented to consumers?

EAS believes that TPI sites must provide appropriate messaging to consumers if they make comparisons with/consider switching to a supplier not obligated to provide WHD. It is not sufficient to ask a consumer if they are already in receipt of WHD, as this would not provide sufficient 'warning' to those who are potentially eligible via the broader group criteria.

EAS believes that Ofgem must also consider additional support and targeting of vulnerable consumers who do not have internet access to TPI information, otherwise there is a danger that an already vulnerable group will be further disadvantaged by having access to capped WHD funding further limited.

Question 24: Do you agree that we should set up a working group to discuss site accessibility guidelines?

N/A

Question 25: What timeframe would you propose for implementing our proposals in relation to site reliability?

N/A

Question 26: Do you agree with our proposals to allow a broader range of comparison sites to become accredited under the Code?

EAS is broadly supportive of Ofgem's proposals.

Question 27: What challenges and benefits do you envisage if we were to expand the Code to cover mobile apps? And follow-up prompt services?

N/A

Question 28: Do you have suggestions as to how best to increase awareness of the Code among consumers?

N/A

Question 29: Do you agree that we should appoint a single auditor and pass through the costs to sites? Are there better alternatives for achieving this?

N/A

Question 30: Do you agree with the proposed changes to the Code audit, enforcement and compliance, and change processes?

N/A

General Comments

EAS believes that information about vulnerable consumers and their needs should be shared with a new supplier on switching. Ofgem should implement this as a requirement within the switching process.