

Energy suppliers, distribution network companies, consumer bodies and other interested parties

Date: 26 March 2015

Review of the Priority Services Register – Update and Next Steps

We committed to reviewing the Priority Services Register (PSR) licence requirements as part of our Consumer Vulnerability Strategy¹ work-plan. Our aim is to ensure that its non-financial provisions for vulnerable customers are better targeted and provide effective protection.

We consulted² on initial proposals between July and September last year. This letter informs stakeholders on the progress of the review together with our updated position on its key aspects. We invite feedback on three specific questions concerning eligibility and services by 14 May 2015 to help progress our thinking in this area. We will continue engagement with stakeholders and will finalise and consult formally on our updated proposals, along with any necessary amendments to licence conditions, before the end of the year.

Background

The current PSR provisions are not providing fully effective support to customers in vulnerable situations. Eligibility is defined by specific groups however most eligible customers are not on a register. Conversely, not all eligible customers, including some who are on a register, actually need any of the priority services. There are also customers who do not meet the current eligibility criteria but would benefit from receiving additional services. The relatively low uptake of services may also reflect limited awareness of the PSR and what it offers. The services require updating to reflect advances in technology. Additionally, provisions for the sharing of vulnerable customer data to identify and respond to customer needs are poor and inconsistent.

PSR Consultation

Our consultation set out our vision that the PSR provisions should deliver equal outcomes for customers; by this we mean that customers should not be disadvantaged or receive a worse service because of their vulnerability.

We propose replacing the current PSR licence requirements with ones that are more clearly focused on improving the experience of customers in relation to their safety, ability to access services and to communicate with energy companies. Key to this approach is for energy companies to proactively identify and record those customers who need services, and for relevant services to be offered to them and taken up. As a result, more customers

¹ Ofgem Consumer Vulnerability Strategy, July 2013

² Review of the Priority Services Register, 30 June 2014

<https://www.ofgem.gov.uk/ofgem-publications/88552/condocpsrreview.pdf>

who need a service will receive one, moving away from a solely defined-category approach to a more needs-based model.

We consulted on the following key areas:

- Sharing information both between energy companies and more widely with other utility companies to identify customers and understand their needs;
- Delivery of services that provide equal outcomes to customers that have additional communication, access and safety needs;
- Improving customer awareness of services;
- Monitoring energy company performance to ensure customer needs are being met.

We received 40 consultation responses from across industry and consumer groups. We also held a stakeholder roundtable during the consultation period and have engaged subsequently with industry and consumer representatives. The non-confidential responses are published alongside this letter.

Eligibility

We consulted on moving from a solely defined-category approach to a needs-based model of eligibility, where energy companies proactively identify any customer who needs a service to equalise their experience in the energy market. This recognises that customers outside of the current defined groups can also require additional safety, access and communication services. Additionally we consulted on a requirement for gas distribution networks (GDNs) to also identify consumer vulnerability and record and share this information with other energy companies, bringing them into line with their counterparts in electricity. Within our proposed model, we recognise that certain groups of customers are considered to be more 'at risk' with regard to safety-related situations when supply is interrupted. We therefore proposed that energy companies should be particularly mindful of the needs of customers that fall within these "core" groups.

Consultation responses

It was generally agreed across respondents that customers should receive a service based on their need rather than solely based on tightly defined characteristics.

Suppliers raised concerns over moving away from the existing model in that this would increase eligibility for the PSR and lead to higher costs in their current business models. One supplier considered that the concept of a 'typical' customer is difficult to define and expressed concern for increased costs associated with identification of such customers. It was suggested that our proposed model would dilute support services to customers who really needed them. Suppliers also raised concerns regarding the proposal to proactively identify vulnerable customers with the view that this would be difficult to operationalise in their systems.

The majority of GDN responses considered that a requirement to hold a register would present additional costs to adapt systems in light of the scale of changes necessary and links to other industry initiatives.

There was overall support from consumer groups on our proposal to broaden eligibility to capture all customers that need a service; however there were concerns raised over how company compliance will be monitored. Citizens Advice supported our proposed model and highlighted the importance of retaining core groups to ensure a minimum level of protection for customers most 'at risk'. They suggested that non-prescriptive guidance should be produced alongside in a similar way to Ofwat to help guide companies in this change of practice. Age UK also supported our approach but suggested that the pensionable age group could be better defined to reach out to pensioners who are most in need; a view that was supported by previous Ofgem research.

The Children's Society provided evidence that young children are at particularly high risk of suffering detriment from living in cold homes and are therefore considered to be more

susceptible to detriment caused by supply interruption. They suggested that families with young children should therefore be added as a “core” eligible group for supply interruption services.

The All-Party Parliamentary Carbon Monoxide Group (APPCOG) provided evidence of the risks to unborn children from carbon monoxide poisoning, supporting their view that pregnant women who are on means-tested benefits and who own their own home should be eligible to receive free gas appliance safety checks.

National Energy Action and Good Energy suggested that customers with mental health and learning disabilities should be eligible for communication-related services. In addition, some suppliers raised concerns that the communication-related services were not prescriptive enough in clarifying what they were expected to offer, eg whether suppliers were expected to translate bills into a multitude of languages to ensure information was accessible to a customer.

Our updated view

We propose to move to a needs-based eligibility model for PSR services. Having considered suppliers’ concerns, our view remains that proactive identification of customer vulnerability based on need is critical to their customer service provisions. Whilst a consequence of this may be that more customers are registered on companies’ PSRs, we consider this targeted approach will help to ensure that the right services are delivered to the right people, in the most cost effective way. Our approach to defining vulnerability follows the definition set out in our Consumer Vulnerability Strategy and we consider this definition remains appropriate.

We are retaining our approach to acknowledging certain ‘at risk’ groups within this model by retaining “core” eligible groups in services relating to safety. However, in light of the further evidence received, we are seeking views on changes to these groups to ensure that they cover customers most likely to suffer greater detriment.

We propose to add ‘families with children under 5’ as a “core” group eligible for the provision of safety services provided by network companies and are seeking views on this proposal. This is in line with the eligibility for existing Government support schemes for vulnerable customers (eg Cold Weather Payments and the Warm Home Discount Broader Group).

We acknowledge the evidence presented by the APPCOG in relation to risks to pregnant women from carbon monoxide poisoning. Considering the relatively limited number of additional eligible customers we are seeking views on this proposal. Separately, we are also aware of the 57% decline in free gas safety checks offered by suppliers during 2009-2013³ and we are keen to work with suppliers to identify the reasons behind this trend.

We recognise that an increasing proportion of the population are above pensionable age and this trend will continue. Wider evidence from Age UK suggests that the risk of detriment within this group through factors such as health and living alone increases with age. In considering a more targeted approach through the “core” groups, we are proposing to refine the core group pensionable age to ‘75 and over’ as this is seen as a group requiring additional support elsewhere. In addition, this is the eligibility criteria for provision of free TV licences and is therefore a relatively easily identified group. We consider that amending the eligibility criteria to ‘75 and over’ will allow for more targeted support to those in need of it. Customers of pensionable age but who are under 75 years and need a PSR service will continue to be identified under the new needs-based requirements.

³ Domestic Suppliers’ Social Obligations: 2013 annual report: <https://www.ofgem.gov.uk/ofgem-publications/92186/annualreport2013finalforpublication.pdf>

We also consider that customers with mental health and learning disabilities should be captured by energy companies' efforts in identifying customers under the "core" group 'Disabled' (as is covered by the Equalities Act), in addition to wider vulnerability flags. Furthermore, we expect energy companies to consider customers who are visually impaired/blind and hearing impaired/deaf as potentially types of vulnerable customers who may require additional assistance in communicating with their energy company, and thus offer them appropriate services if necessary. Further to concerns raised from suppliers over the implications of this broader model on the types of communication services offered, we expect that these decisions should be taken within the company based on customer needs and practicality.

Where "core" groups have not been prescribed to services, we expect energy companies to identify vulnerable customers in line with the broader criteria through vulnerability flags and the revised and consistent "needs" codes. The exception to this is eligibility for the 'free gas appliance safety check' service. This is tightly drawn and relates to financial vulnerability as those eligible must be on means tested benefits.

We also consider that where gas network companies identify vulnerability this should be recorded and the information shared with other energy companies where appropriate to do so. This will bring them in line with existing requirements on Distribution Network Operators (DNOs) and emphasise the importance in gas networks also recognising and addressing vulnerability.

The proposed eligibility and services are summarised in the appendix to this letter.

Summary

We propose to:

- Require all energy companies to proactively identify vulnerable customers;
- Move towards a needs-based model of eligibility, with "core" eligible groups specified for safety services;
- Add 'families with children under 5' and 'pregnant women' to "core" eligible groups and refine pensionable age to 'aged 75 and over'.

Q. Do stakeholders agree that 'families with children under 5' should be added as a specified eligible "core" group to receive additional help during interrupted supply and for the provision of free gas appliance safety checks?

Q. Do stakeholders agree that the specified eligibility covering elderly people for the services related to safety should be changed from 'pensionable age' to '75 and over'?

Q. Do stakeholders consider that pregnant women should be added as a specified eligible "core" group receiving free gas safety checks?

Services

We consulted on retaining a set of services which must, as a minimum, be provided by energy companies to any customer in a vulnerable situation who needs them with special regard given to any specified "core" groups. We proposed changes to the services to ensure they are relevant both now and once smart meters are have been rolled out, together with other technological changes. We proposed a new prescribed 'Knock and Wait' service to be offered by all energy companies to support vulnerable customers with access needs, and we sought views on this. The 'Knock and Wait' service, which is already offered by one supplier, would require energy company representatives who visit homes of less mobile customers to wait longer for a response before leaving.

Additionally we proposed that GDNs are also required to provide advice and information

about interrupted (gas) supply to their vulnerable customers.

The minimum set of prescribed services have been considered based on the interactions a typical energy customer will have with their energy company and the basic services customers will need to receive equal access to the energy market. We consider that in their proactive approach to vulnerable customer interaction, however, energy companies may identify other needs which require them to offer services outside of the minimum list in licence conditions. We therefore consider it important that companies are encouraged to innovate beyond the minimum requirements and to share best practice, developing services and support mechanisms that are responsive to individual customer needs. We proposed that energy companies should be expected to take advantage of these closer customer interactions to offer services beyond the minimum prescribed list, where need is identified and it is reasonable to do so. For example, suggestions from consultation responses included providing energy efficiency advice services, priority access to assistance with energy debts and offering a courtesy call/text service to vulnerable customers ahead of home visits.

Consultation responses

There was overall support across energy companies and consumer groups on the prescription of a set of minimum services. The APPCOG considered that gas suppliers should be required to install and provide audible carbon monoxide alarms in the homes of customers eligible for free gas safety checks. No other stakeholders raised this issue.

We did not receive significant feedback on the introduction of the 'Knock and Wait' service, although one supplier expressed concern at the associated costs of providing the service. Citizens Advice suggested that DNOs should also be required to offer alternative means of heating or cooking facilities during supply interruption events.

Our updated view

We maintain our view that a set of prescribed services should be offered to customers who need them, with certain services relating to safety retaining a "core" group to ensure minimum protection to vulnerable customers considered most 'at risk'. Further to this, we consider that where other vulnerable needs are identified which require services outside of this minimum list, energy companies should be expected to offer other services to address these needs where it is reasonably practical to do so.

We intend to require GDNs to provide advice and information about interrupted gas supply to bring them in line with existing requirements on DNOs. At this point we do not propose to require DNOs to offer alternative forms of heating and cooking facilities during supply interruption events; we understand that DNOs are already assisting vulnerable customers during such times.

We understand that audible carbon monoxide alarms are already being offered to vulnerable customers by network companies as part of their wider work on carbon monoxide awareness, through the discretionary reward schemes and stakeholder incentives under their price controls. We therefore do not propose to make this a required service for suppliers.

Costs

We received some information from energy companies on the anticipated costs of our proposed model for eligibility and services. It was suggested that any change from the current model would entail some costs in adapting systems to embed the changes. Furthermore, there was concern that the broader eligibility model would result in increasingly large numbers of customers being placed on the PSR. This would lead to the dilution of services available to those who most need them as well as potential costs passed to vulnerable customers. Further details are available in consultation responses published with this letter.

We consider that the proposed changes will help to narrow the PSR to those customers who really need a service and will therefore ensure company efforts are overall more cost effective. In contrast to the current model, we expect this approach will mean that energy companies' spending is better targeted and therefore we expect the overall benefits to vulnerable customers to outweigh any extra spending needed. Furthermore, we are aware that some energy companies have already embedded an approach to eligibility and services that captures customers outside of the current model. Hence we do not envisage that there should be a significant change to many energy company practices.

Nevertheless, we recognise that it would be helpful to comprehensively evaluate the cost impact of our proposals on energy companies. We will continue to examine costs and benefits as we move towards finalising our proposals later in the year, and we would welcome any further evidence on this from energy companies and consumer groups.

Summary

We propose to:

- Retain a set of prescribed services to provide a minimum level of protection to vulnerable customers;
- Expect energy companies to offer other services to customers where need is identified and where practical to do so;
- Require GDNs to provide advice and information about interrupted gas supply;
- Work with energy companies and consumer groups in evaluating the costs and benefits of our proposed eligibility and services model.

Customer identification and data sharing

We consulted on proposals that companies should agree common "needs" codes to identify, record and share this data, along with the set of the minimum data to be shared, with informed consent from customers prior to sharing. We sought views on proposals that information should be shared in both directions between suppliers, DNOs and GDNs. We proposed that information on customer vulnerability should follow a customer when they switch supplier. This included GDNs who are currently not required by their licence conditions to record and share data with gas suppliers. We also sought views on sharing data more widely with other utilities and other fuel providers. We proposed that an industry-wide working group should be set up to lead this work.

Consultation responses

Most respondents recognised the importance of data sharing to ensure a more joined-up and effective approach to identifying vulnerable customer needs. There was agreement that the "needs" codes needed aligning and that minimum data for sharing should be stipulated. The Energy Networks Association (ENA) Customer Safeguarding Working Group (CSWG) was seen as key in taking the role to develop the detailed model and processes for data sharing.

Energy UK expressed suppliers' concerns over the costs and technical challenges involved in sharing data between other utilities which would require effective cooperation from all parties involved. It was suggested that energy companies' priority should be improving the exchange of data between suppliers, DNOs and GDNs in the first instance.

Network companies were also supportive of improving data sharing between energy companies and recognised the benefits of sharing more widely, particularly the opportunities in sharing data with water companies. Water UK and the Consumer Council for Water supported closer working between water and energy companies but considered cross-sector data sharing would need to overcome a number of practical and technical issues. However a more structured and formal approach to signposting to the support available across the sectors would, in the meantime, provide a benefit for vulnerable consumers.

In relation to our model of identification, recording and sharing of vulnerable customer data, GDNs expressed concern that our proposal would add costs in adapting their systems.

Consumer groups were in favour of our proposals but recognised that wider sharing should be approached cautiously, with appropriate data protection protocols in place to protect vulnerable customers.

Our updated view

Our view remains that all energy companies should proactively identify and record information about their vulnerable customers and share this data with each other, with informed consent from the customer. We propose to retain requirements for energy companies to keep this information up to date. It also remains important that GDNs play a full role in helping to ensure vulnerable customer needs are met and in doing so have a mechanism in place which allows them to record and share data. We believe there are incentives in place through the RIIO price controls to do this and we will work with GDNs over the coming months to develop the means to do this.

We see the development and implementation of consistent industry-wide “needs” codes as key to achieving this, alongside initiatives already underway in individual companies. We welcome the progress the CSWG is making on both the development of consistent “needs” codes and the industry mechanisms for data sharing. The “needs” codes should allow for “core” groups of pensionable age, disabled and chronically sick customers to be identified and recorded, in addition to any wider vulnerable groups where these are identified. Within this work, links between existing registers in the energy industry used for support schemes (eg Warm Home Discount) should also be considered to create a harmonised solution to data sharing and improve customer experience. We have sought a clear timetable for the outcomes of this work. This approach should help minimise costs and make implementation easier.

We share the view of respondents that sharing data with other utilities is an important area to consider but recognise the practical and legal considerations which need to be overcome. We have also noted recent work by the Cabinet Office⁴ which considers the barriers to data sharing amongst public bodies, but does not consider the issue for private companies in detail.

We consider that the focus should be achieving better data sharing between energy companies at this stage but with a longer term aim of wider sharing across sectors. We will engage with stakeholders across sectors to develop a more detailed position on this including working with our fellow regulators. In the meantime we propose to introduce requirements for energy companies to signpost to relevant schemes outside the energy sector.

Summary

We propose to:

- Expect all energy companies to proactively identify and record vulnerable customer data and share this with each other and more widely with other utilities;
- Require GDNs to have a mechanism to record and share data;
- Expect the ENA CSWG to take the role in developing “needs” codes and the industry mechanisms for data sharing, working with industry and consumer groups;
- Introduce requirements for energy companies to signpost to relevant schemes in other sectors.

Improving the take-up of services

We proposed that a single cross-industry brand should be created to help communication

⁴ <http://datasharing.org.uk/conclusions/>

and take up of services. Materials should be created to help advice providers in signposting and raise awareness of the support available.

Consultation responses

Respondents generally agreed with our proposal to introduce a single cross-industry brand to ensure a consistent and joined up approach to help with visibility and understanding. Responses indicated some merit in keeping 'Priority Services Register' as the joint brand name, with suggestion that this was already familiar amongst energy consumers and therefore would help build confidence and trust in the services.

There was also agreement with the proposal to produce a document to provide guidance to advice providers. The majority of respondents considered it important that Ofgem has involvement in the production of the document with assistance from consumer bodies.

Our updated view

While we note there is merit in keeping 'Priority Services Register' as the joint brand name we consider that there is still room for further work by energy companies to explore what type of branding and information would help promote consumer awareness and encourage uptake of the services. This should include improving information provision at customer contact and at customer acquisition. We look to energy companies to develop this work, jointly with consumer groups, potentially coordinated by Energy UK with progress reported alongside our final proposals.

Once new arrangements are in place we intend to produce materials for advice providers on the services available to consumers from their energy company if they need this kind of help.

Summary

We propose to:

- Keep 'Priority Services Register' as the joint brand name;
- Expect energy companies to consider further work in promoting customer awareness and uptake of PSR services;
- Produce information materials for advice providers to communicate the PSR and services.

Compliance and monitoring

We consulted on changing licence conditions to require energy companies to take reasonable steps to identify customers in vulnerable positions and provide services to them. The Standards of Conduct (SOC) also provide obligations on suppliers to treat customers fairly.

We proposed annual independent audits for suppliers and networks, alongside the existing Social Obligations Reporting (SOR) for suppliers and RIIO stakeholder engagement incentives for networks to promote good practice.

Consultation responses

There was concern from energy companies that our broader model of vulnerability would make compliance more subjective. Energy companies also highlighted the cost of undertaking independent audits, particularly with the move to our new needs-based model. The concept of independent audits was supported by consumer bodies including Citizens Advice and it was suggested that these should be published for transparency.

Our updated view

Our position remains that the current licence conditions should be changed to ones that require energy companies to proactively identify customers in vulnerable positions and provide services to them. Our proposed approach is consistent with our Consumer Vulnerability Strategy but also aligns with other uses of principles-based regulation such as our Standards of Conduct framework.

We note suppliers' views that audits may be costly and not provide the best view of consumer outcomes. However, it is vital we ensure customers benefit from revised arrangements and suppliers are properly held to account for compliance in this area. In light of our principles-based approach, we propose to replace supplier audits with other approaches such as mystery shopping surveys, SOC Panel reporting (with a future focus on vulnerability) together with revised SOR to ensure that suppliers are taking necessary steps to better meet the needs of consumers. We would expect to publish details of company performance based on a range of measures including SOR and SOC reporting and any other approaches considered. We consider this will incentivise and encourage the sharing of good industry practice alongside any necessary enforcement action that follows.

For networks, we continue to consider that the stakeholder engagement incentive will allow us to monitor how companies are performing.

Summary

We propose to:

- Adopt a principles-based approach to regulation of energy companies' compliance to PSR;
- Replace supplier independent audits with SOC panel reporting and mystery shopping together with revised SOR;
- Use RIIO stakeholder engagement incentives to monitor networks performance.

Next steps

We will continue to engage with industry and consumer groups while developing final proposals over the coming months. Our next steps and timetable are:

Action	Timing
Views from stakeholders on Open Letter where sought	Deadline for responses 14 May 2015
Stakeholder Workshop on final proposals	June/July 2015
Publish final proposals and consult on draft licence conditions	By end December 2015
Amended licence conditions and implementation	From March 2016

We welcome comments on the questions to changes to core eligibility for certain services by 14 May 2015 to Bhavika Mithani Bhavika.Mithani@ofgem.gov.uk.

Yours faithfully,



Sarah Brooks
Head of Consumer Policy

Appendix Proposed Eligibility and Services model