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26 September 2014

Dear Rebecca,

REVIEW OF THE PRIORITY SERVICES REGISTER

I write in response to the above consultation, seeking views on Ofgem's proposals for expanding the Priority Services Register ('the PSR'). This response is focussed on the issues as they affect suppliers – ScottishPower Energy Networks is responding separately on the issues affecting it. The obligations and interactions with customers in this area will differ between suppliers and network companies and it makes sense to consider them separately.

We support the work undertaken by Ofgem to date in reviewing its Consumer Vulnerability Strategy and establishing its broad themes for focus. We agree that more can be done to establish a common Priority Services Register (PSR) for customers. It is important that the PSR continues to have value and provides support to the right customers. We also share the view that reasonable and proportionate measures should be in place, aimed at securing that a customer should not be left in a worse position because of their situation. We would of course note that the cost of such measures will ultimately be borne by other customers and therefore it is important to keep cost effectiveness in mind in considering extension of the PSR obligations. It would be helpful to see more detailed consideration of this aspect by Ofgem as the process goes forward.

Traditionally, the PSR has served as a register to provide specific services to customers who might need additional support to ensure their own ability to manage the core elements of their supply. Ofgem's review considers expanding this with the aims of: i) delivering services that provide equal outcomes for customers and ii) increasing awareness and take up of those services. We are supportive of these aims (at proportionate cost) and agree that these need to be done in a way that is clear and helpful for customers. We fully agree with the proposals to raise customer awareness of the PSR, including establishing a common PSR brand for suppliers, and developing ways to share information on customer eligibility for the PSR between companies.

We do however have some concerns about the proposal to expand the current supplier PSR requirement to a subjective, outputs based, obligation covering a potentially wider group of customers. Our concerns can be summarised as follows:

- We are concerned that there may be some conflict in some cases in the interaction of the different policy aims within the consultation. We would like to see this being explored further. Specifically, if there is to be a common brand which consumers understand and are aware of the services under, then the PSR needs to be a clearly defined offering. However, if suppliers have broad subjective obligations, it will be more difficult to create a single minimum brand that gives customers' certainty across the board. Similarly, Ofgem is seeking to standardise information categories (of vulnerability) which, while sensible, are unlikely to work effectively alongside a broader obligation that relies on suppliers defining their own categories of vulnerable customers.
- While there will be other groups of customers who may benefit from services offered under the PSR, it is important to not widen this so as to dilute the effectiveness of the register or increase the costs to a disproportionate level.
- Suppliers also need to be clear on the requirements that they face and be confident on their ability to comply with new obligations. While we welcome that this is likely to give suppliers some flexibility in how they implement the Regulations, the style of the obligation and the intended outcomes are very subjective concepts and do not lend itself to the wider service focus of the obligation. For networks companies, the engagement with customers is limited to more defined circumstances. For supply businesses, given the wide range of interactions that they have with customers, the proposed obligations could be very broad and leave a lot of room for interpretation, which may well differ from Ofgem's view of what is appropriate. This could increase the complexity and cost of compliance.
- We think that the formulation "more than the typical consumer" may be wider than Ofgem thinks. If the typical consumer has the median or possibly modal likelihood of needing support, then half (or possibly approximately half) of all customers would on a literal interpretation have more than the typical need and therefore be eligible. Such an extreme literal meaning would leave suppliers struggling to find a reasonable and cost-effective interpretation.

Our response to your specific consultation questions are set out in the Annex to this letter. If you wish to discuss any of these points, please do not hesitate to contact me.

Yours sincerely,



Rupert Steele
Director of Regulation

REVIEW OF THE PRIORITY SERVICES REGISTER

SCOTTISHPOWER CONSULTATION RESPONSE

Delivering Services that provide equal outcomes for customers

1) Do you agree that energy companies should be required to offer non-financial services with the aim of equalising outcomes for customers?

We agree with the concept of offering non-financial services with the aim of equalising outcomes for customers where reasonably practicable. At ScottishPower, we always seek to assess information on customer vulnerability on a case by case basis and offer solutions designed to meet that customer's needs and would continue to do so. However, it is important having regard to the interests of all customers, to pursue this within a framework of cost-effectiveness. A broad Licence Condition, focussed on outputs, could mean that the obligations are likely to be subjective and therefore costly to comply with. We would note that it is difficult to comment conclusively on this point without some indication of the content of the proposed draft Licence Conditions. In particular, we do not agree that the Licence Condition should have a 'purpose' or overarching statement, since this creates difficulties in reconciling that purpose with the detailed requirements (for example to provide 'appropriate services').

We are not sure that a 'one size fits all' obligation on suppliers and network companies is appropriate. Gas and electricity network companies will have different types of interactions with customers and on a different scale than energy suppliers. While networks companies will be more focussed on off-supply or emergency issues, supplier interactions can range between switching, billing, setting up payment arrangements, managing complaints, energy efficiency information, and more. These are all important aspects of our service, and all areas where we want to identify and cost-effectively support customers in vulnerable situations. But the scale of interaction in each of these points of contact needed to comply with the proposed Licence Conditions is significant, particularly because the concept of what is 'equal access to services' is likely to be open to many different interpretations – both between suppliers and between suppliers and other stakeholders.

It is also not clear to what extent outcomes should be equalised for customers and whether the approach should be tailored to the individual customer or whether having suitable options (which may not be that customer's preferred choice) might be acceptable. We are also concerned with the potential reach of the obligation. For example, while the services to be provided are non-financial, the proposal does not exclude considering a low income customer's needs and therefore the effect of the Condition could be to require suppliers to provide certain appliances to customers who might struggle to purchase them themselves. The potential here is uncomfortably broad.

We think that there is a danger of confusing suppliers' wider support for vulnerable customers with the specific requirements of the Priority Services Register ('the PSR') and in some places diluting that support. If the Licence Condition is to focus on outputs (such as

ensure that all customers are able to receive a specific service) then this should be restricted to a defined range of PSR services. This would also make it easier to promote and market a single industry PSR and make it clearer for consumers to understand what services they are eligible for.

We therefore think that there should be separate obligations for suppliers and network companies. We propose that the obligation on suppliers should be split into two parts:

- i) An obligation on suppliers to offer a defined set of non-financial services, with the aim of cost-effectively equalising outcomes available for customers where practicable. This would be subject to a common supplier brand and be underpinned by a set of common industry indicators that could be shared between energy companies (and possibly third parties) where relevant;
- ii) The second part of the Condition would be a broader obligation to maintain their own consumer vulnerability strategies, setting out what they will do to help support their vulnerable customers, and publish this prominently.

We think that this approach strikes the right balance between potentially conflicting issues in Ofgem's proposals namely:

- Establishing a PSR that consumers can be easily made aware of and can be clear what services they will receive under;
- Creating a set of clear customer vulnerability indicators that will allow customer information to be shared clearly across energy companies (and potentially third parties);
- Placing wider obligations on suppliers to provide support services for their more vulnerable consumers based on their own customer experiences but framing this in a way that is more appropriate for companies to comply with. This would therefore be based on 'inputs' (ie the creation and maintenance of a customer vulnerability strategy with which a company would be required to comply), rather than 'outputs' (ie ensuring a certain customer experience), over which an energy company may have less control.

Beyond this, we think that the Standards of Conduct will also work within the supply side of the market to ensure that customers in vulnerable situations will get access to those services that they reasonably need.

2) Do you agree that we should continue to prescribe a minimum set of services? Do you support the proposed list of services? What additional services, if any, do you think energy companies should be required to provide?

Yes, we agree that Ofgem should continue to prescribe a minimum set of services. We think that this will serve the key purpose of the PSR, which is to ensure cost-effectively that customers with certain physical limitations will be able to access a reasonable standard of supply. If the PSR is to be accessible to customers, and companies are to be able to share standardised information, it is important that those services and the customers that are eligible for them are carefully defined.

However, we recommend that the scope of the PSR for suppliers is limited to that minimum set of services. While we understand the rationale for creating a broader PSR that requires suppliers to ensure that customers in vulnerable scenarios receive equal access to services, we are concerned that this risks creating a very fluid register, which would not be comparable or transferrable across energy companies and could ultimately become difficult to manage and potentially costly for other consumers. For network companies, the list of outputs (ie what has to be managed) is more defined, so it is possible that the optimum approach may not be the same in both cases.

We generally support the proposed list of services. In relation to the proposed services for customers with access needs, we think that the 'knock and wait' service is a good idea and likely to be useful for customers. However, as a regulatory requirement, this may be difficult for suppliers to demonstrate and monitor. For example, the concept of waiting 'longer' is subjective and what might be long enough in one instance may not be sufficient in another case. This needs to be reflected within any Licence Condition in a sensible way.

For services for customers with communication needs, we consider that the proposed new services are reasonable if the definition of eligible customers is not widened substantially. Please see our response to Q4.

3) If applicable, what services do you currently provide and what are the current costs of providing services (please break down by service)? What financial impact do you think widening eligibility in the way that we have proposed will have? Please provide evidence to support your answer.

The following table shows the approximate annual costs of providing PSR services to customers:

Current services	Approximate costs (per annum)
Alternative communications (Braille, Large Print, Talking Comms, Minicom)	✗
Password service	✗
3 rd party redirection scheme	✗
Quarterly meter readings	✗
PPM meter moves	✗
Free Gas Safety Checks	✗
Language Line translation services (Additional service)	✗
Total	✗

In terms of the additional services proposed, we anticipate that widening eligibility would increase the costs of providing PSR services. We are also concerned that expanding the

eligibility for these services and creating a broader obligation to identify customers who are more likely than the 'typical person' to need support, will substantially increase the costs of providing these services and that it is difficult to assess what these might be without undertaking a full review of the needs of a 'typical person' and the system changes and staff training needed to support this.

A particular problem is that the formulation "more than the typical consumer" may be much wider than Ofgem thinks. If the typical consumer has the median or possibly modal likelihood of needing support (which is a frequent statistical interpretation of "typical"), then half (or approximately half) of all customers would on a literal interpretation have more than the typical need and therefore be eligible. Such an extreme literal meaning would leave suppliers struggling to find a reasonable and cost-effective interpretation.

As an approximation, and assuming that Ofgem limits eligibility to a manageable number of people (possibly by changing the criterion to a "substantially" greater need of support than the typical consumer) the broad cost impacts from widening eligibility would include:

- a. One-off costs to implement changes within the IT system and for training to deliver new services (circa ⓧ);
- b. Additional FTE costs to provide specialist support in light of widened eligibility (circa ⓧ per annum);
- c. Provision of additional services, such as communication costs (circa ⓧ per annum for communications support; other services will have additional costs).¹ ;
- d. Provision of existing services to more customers (depends on how many customers added, but doubling eligibility for services other than gas safety checks could cost around ⓧ)
- e. Additional costs of testing and monitoring compliance.

A full impact assessment will be needed as Ofgem's proposals develop and suppliers better understand the scale of the obligations (including for example, whether a customer's income level will render them 'less able than a typical consumer' for the purposes of the obligation and whether suppliers will be expected to provide appliances or devices free of charge to these consumers).

4) Do you agree that we should move away from requiring energy companies to provide services to disabled, chronically sick and pensionable age customers to an approach which requires energy companies to take reasonable steps to identify and provide appropriate services to any customer with safety, access and communication needs?

We broadly agree the suppliers should have a broader vulnerability focus beyond that of the PSR, but do not agree that the PSR Licence Condition should have such a broad scope. We are not convinced that this will be manageable, specifically when considered in the context of Ofgem's other proposals to increase customer awareness of the PSR and enable

¹ Note that this is a minimum estimate based on the additional costs of providing additional communications to a select group of customers only. This amount will be significantly larger if the variation in the range of vulnerable circumstances identified is greater and the identified services therefore need to vary (such as the provision of appliances to low income customers).

effective sharing of information between energy companies (and possibly third parties) when a customer switches supplier or their information changes. We are also concerned that a Licence obligation which is too broadly defined will run the risk of excessive cost or else diluting services to potentially vulnerable customers (for example by forcing suppliers to undertake means testing when identifying low income customers due to the potential costs of providing appliances or devices such as a carbon monoxide alarm). This is also likely to have an upward effect on suppliers' costs which will place pressure on consumer bills.

In moving away from the current defined obligation, Ofgem needs to be clear on the intended focus, or purpose of the PSR. This is especially true for suppliers, where the range of customer interactions is particularly broad. As mentioned above, potentially half of all consumers could have a greater need of PSR services than the typical consumers, and at the very least a more appropriate eligibility criterion would be needed. For network companies, the focus will remain on gas or electricity outages, which we think is appropriate.

We therefore believe that for suppliers the core PSR obligations should stay focussed on the current customer groups within its scope (namely disabled, chronically sick and pensionable age customers). This will allow for a clearly defined and targeted PSR which will: a) be easy to promote to consumers; b) provide consumers with a consistent level of service across suppliers; and c) allow for easy transfer of information between energy companies.

Beyond this, suppliers should be required to maintain their own customer vulnerability strategy setting out the wider services that they will offer to customers in vulnerable situations. As a concept, this is something that we think is important for customers and which we aim to achieve.

5) Do you agree that energy companies should be required to maintain a wider register of consumers that they have identified as being in a vulnerable situation?

We do think that suppliers should retain a register of customers that they have been identified as being in vulnerable situations and use this to inform the action that they take to enable these customers appropriate access, as far as reasonably practicable, to their energy supply. However, we do not believe that this should form part of the core supplier Priority Services Register.

In particular, careful consideration would have to be given to how information on such a wider register could be shared across industry and potentially with third parties on a wider scale. It is very likely that suppliers will have differing views on what makes a customer potentially vulnerable in different situations, and what level of granularity is needed to capture this information. As Ofgem notes elsewhere in the consultation, part of the issue with the current data flows is that the range of categories means that many flows are being sent as 'other' category, which is less helpful. However, a wider register of consumers being managed by individual companies is likely to become rather fluid over time and less manageable, therefore undermining the use of defined needs categories.

Sharing Information

6) Do you agree that suppliers, DNOs and GDNs should share information about customers' needs with:

a) Each other?

Yes, we agree that suppliers, DNOs and GDNs should share information about customers' needs when those needs are identified and also upon change of supplier. This will help ensure better protection and consistency of service for those customers who rely on their supply.

We do have some concerns about the ability to share information in a consistent and useful way in light of Ofgem's proposals for a broader, outcomes-based PSR. In sharing information, it is important that the information in question is specific, appropriate and reliable. If a more dynamic, changing definition of Priority Services customers is used, it will be harder to manage the transfer of this information and the ability of different energy companies' to use the information will be limited. Ofgem's point in the consultation document, about the management and use of the current special needs categories is a good one. We are concerned that the creation of a wider register under a broadened PSR obligation would exacerbate this problem, as energy companies will each have a different perspective over vulnerability categories and these are unlikely to fit within a single set of categories.

We are aware that this issue is already being discussed through an Energy Networks Association working group and we would be pleased to participate in these discussions on an ongoing basis. We are conscious of the scale of wider industry change that is already being discussed and the limited capacity to deliver such change in a short period of time, which will impact on companies' ability to introduce and deliver new updates to industry flows. This should be borne in mind when setting implementation timetables.

b) Other utilities?

We can see value in principle in sharing information about customer needs with other utilities, provided that such information sharing is reciprocal and clear customer benefits can be demonstrated (ie that the information would be put to use and what it would be used for) so that the disclosure is proportionate and justified.

There are a number of further detailed questions that would need to be considered before this could work in practice, such as:

- Energy consumers should not bear disproportionate costs in establishing and maintaining this kind of data sharing. Currently the consultation document seems to imply that the data sharing will be one way, which further implies that energy suppliers will be compelled to develop systems that can deliver the information at their own cost;
- It is not clear what systems other industries will use to collect, maintain, use and share this kind of information and how secure these are. While, we do not think that

data protection will present a complete barrier to this kind of activity, it is an important factor which must be addressed in decision making, and both security and proportionality will be important to this;

- It is not apparent what level and categories of information other utilities will hold on their customers and how this aligns with the categories of information that energy suppliers might provide; and
- Experience with data matching suggests that systems will fail to identify the same customer in a substantial proportion of cases.

With that in mind, before Ofgem can consider whether obligations are appropriate on suppliers, a full impact assessment will be needed. This must incorporate the costs, benefits and risks from other utilities, as well as from energy.

We also think that Ofgem should consider how any obligation would be targeted at energy companies; at the moment it is unclear whether this would be a supplier, GDN or DNO obligation. It would be sensible to avoid duplication of obligations between suppliers and network operators in this regard.

7) Should energy companies be required to share information about customer needs with other fuel providers such as LPG and heating oil distributors? How could the transfer of this information work? What are the benefits and risks of sharing the information?

We think further careful consideration is needed on this proposal. While we agree in principle with the concept of sharing information if that would benefit customers, as with our response to Q6(b) above, there are still numerous questions which need to be answered and which we are not best placed to answer.

In reality, given the nature of LPG and heating oil distributors' business models, we think that greater benefit would be gained by having them provide information on customer circumstances to energy companies, as such businesses will have closer direct engagement with customers.

8) Do you agree that we should stipulate the minimum details that we expect energy companies to share, for example that names and phone numbers must be shared when they are available? Is there any other information that should be shared and for what purpose?

We agree that it would be sensible to agree the minimum information that should be shared between energy companies (where available) when sharing customer information. This will aid the maintenance of consistent information. We think that this is best controlled through industry flows.

Some of this data will already exist in industry flows and we agree that this can be improved. We do not think that these data requirements should be prescribed by Ofgem. Instead, we believe that all parties who will be sharing the data should work together to agree these

requirements and that this should be taken forward under the relevant industry codes, with Ofgem's involvement. This will also make it easier for suppliers to determine what other information is available to share (and would be useful) and implement changes more effectively.

9) Do you agree that energy companies should agree common minimum 'needs codes' to facilitate the sharing of information? Should we require energy companies to agree these codes? How might this work and what mechanisms are already in place to facilitate this? What role would Ofgem need to have in this process? What would be an appropriate date by which energy companies must have developed and be sharing information used in the codes?

We think the common minimum 'needs codes' are very important if industry is to realise effective and useful information sharing on customers' needs. We would again emphasise that, in order for these codes to be fit for purpose and used effectively, the scope of the PSR should be controlled; a very wide, subjective obligation would risk being in conflict with a carefully designed list of needs codes. This will be important to ensure that customers experience a consistent service, regardless of where they are located or which supplier they switch to. Minimum needs codes are also unlikely to capture cases of transient vulnerability which energy companies may also identify and careful consideration needs to be given to how these fits with the different aims of a supplier PSR as compared to a network company PSR.

We do not think that this precludes an obligation on suppliers to develop, maintain and publish a wider consumer vulnerability strategy, in addition to their PSR requirements, and for this information to be shared in some way. Further thought can be given at industry level to how this can also be captured within information sharing needs codes.

We do not think that energy companies need to an obligation to agree these codes, as we are confident that discussions through the relevant industry codes can readily accommodate this proposal. In future, smart metering technology may help to facilitate, or enhance, this. Again, we understand that there is already a working group within the Energy Networks Association which is looking at similar issues.

This change will require industry-level changes to flows and their corresponding IT systems. While this is not unachievable, it must be considered within the overall scope of industry system change and therefore any date for establishing and using these codes must be realistic within that context.

10) Should information about a customer's needs be shared with their new supplier when they switch? What is the best way to facilitate the sharing of this information?

Yes, we think that this is something that industry should aim for and develop. We think it is important that customers are aware that this information would switch with them and have

given some form of permission for this to happen, but we do not consider that this is a significant problem to overcome.

In the future, the roll out of smart metering technology might provide a sensible and efficient way to share this information. In the meantime, having the incoming supplier request this information from the DNO or GDN would seem the most sensible and efficient way to deliver this. This will of course rely on the relevant DNO or GDN having appropriate and reliable information, both from the outgoing supplier and through their own relevant activities.

Improving Awareness

11) Do you agree that a single cross-industry brand will raise awareness of priority services?

Yes, we think that a single cross-supplier brand could have real value in increasing consumer awareness of the PSR and increasing uptake of priority services. This has the potential to make it easier for all parties (Ofgem, energy companies, and consumer advisors) to communicate the available services to eligible customers, and to aid those customers in getting a consistent level of service regardless of their supplier.

However, we do not think that a brand which directs consumers to check with individual suppliers how they are interpreting the obligations will achieve this aim. In order for consumers to connect with the brand, it will be important that they are not only aware of the brand, but what it means for them. They will need to be able to reconcile that message with their circumstances. We are concerned that the proposal to widen the PSR to a subjective, wider assessment of consumer needs will not do this and may lead to more customers becoming less confident in the brand, if it is not clear to them what they might be eligible for, and how to obtain it. Similarly, a common brand should not limit energy companies' opportunities to promote their own support services for vulnerable customers over and above the PSR.

We would note that support for a common industry brand is not the same as support for a sustained awareness campaign, which will raise its own questions about costs and responsibilities.

Finally, we think that this brand is most important for supply activities; careful consideration should be given to how such a brand will interact with network companies' obligations to maintain a clear independence from relevant suppliers.

12) Do you agree that a guidance document would help advice providers and raise awareness? Who should produce this document?

Yes, we agree that a guidance document is likely to be of value to advice providers and help raise awareness of priority services. This would fit well with the concept of a common industry brand and approach.

However for guidance to be effective, advisors will need certainty on both the eligibility criteria for the PSR, and the services available under it. Any guidance will not be specific, and therefore will be less effective, if it is trying to summarise a broad and fluid obligation, the interpretation of which will differ across suppliers. We therefore return to our view that the PSR eligibility should continue to be restricted to a defined group of customers and specified services for those customers, to enable them to have consistent access to supply.

We think that Ofgem would be best placed to produce this document, similar to the factsheets that it currently prepares. This would also help give advisors confidence in the source and reliability of the information. Suppliers could also host this information on their website.

13) What more can be done to raise awareness of priority services?

While suppliers can provide customers with information on their PSR and consumer vulnerability information, it will be difficult for them to do this more broadly, particularly if the service offerings under different suppliers' and network companies' schemes vary across the piece. Consideration must be given to the costs of increasing suppliers' communication requirements – an additional standalone communication to all domestic customers can cost around ₤ for a supplier the size of ScottishPower. This does not include the costs of changing the IT system to automate the sending of this information, which we anticipate would be around ₤ in one-off system costs².

To help consumers really engage with the concept of the PSR, we think that awareness of the PSR can also be driven through the use of those third parties that already have routine contact with vulnerable customers, including Citizens Advice, DECC Big Energy Saving Network partners and the Home Heat Helpline.

We believe that more active discussion of priority services in consumer environments, accompanied by a common supplier brand, will increase consumer confidence in the support available and encourage more customers to engage with their energy supplier to obtain such services.

Monitoring

14) Do you agree that supplier independent audits are the best way of monitoring companies' compliance with our proposed obligations? Do you have views on the approach the audit should take and what it should cover?

We are not convinced that supplier independent audits are a proportionate and practicable way forward. A number of such audits are already required, but they are normally in relation to obligations such as Feed in Tariffs, the Warm Homes Discount or the Energy Companies Obligation, where there are very large sums of money involved and/or a risk of fraud. It is unclear to us that it is proportionate or good value for money to extend this to more standard

² These costs are additional to those set out in our response to Q3 above.

obligations such as the PSR. We are concerned that such an approach could become a precedent, leading to auditors being required to review increasing numbers of obligations within the Supply Licence.

In addition, there are practicability issues. Auditing performance consistently against a fluid Licence requirement will be difficult. For an audit to be valuable, the specifics being audited must be clear and precise, particularly where it relates to compliance with regulatory obligations. There is sufficient subjectivity within the proposed new obligations that we think that this would be difficult to audit consistently and fairly.

We think that there are alternative ways that would allow Ofgem to monitor energy companies' engagement with the Priority Services Register. For example, suppliers already hold bilateral 6-monthly meetings with Ofgem on social obligations. These meetings could be expanded to a wider discussion around priority services and companies' vulnerable customer strategies and could include site visits by Ofgem. We think that this would be a valuable way to help Ofgem understand how companies are incorporating vulnerability into their broader business strategies and it will better aid companies in evolving their approaches.

ScottishPower
September 2014