



Action for Warm Homes

National Energy Action response to Ofgem consultation:

Priority Services Register Review – Final Proposals

Response deadline: 18 February 2016

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1. Introduction

1.1 NEA is an independent charity working to protect low income and vulnerable households from fuel poverty and exclusion in the energy market. NEA works to influence and increase strategic action against fuel poverty at a national level through its policy, research and campaigning functions. The charity also works with partners from industry, government and the third sector to deliver practical solutions to UK households – improving access to energy efficiency products and other fuel poverty related advice and services.

1.2 NEA thanks Ofgem for the opportunity to comment on its final proposals for the Priority Services Register (PSR). We have previously outlined our views on these proposals in response to Ofgem's two earlier consultations on this matter (in May 2015 and September 2014). We refer the regulator to these responses for a comprehensive overview of our position and recommendations. Responses to questions below are drawn largely from NEA's two previous responses.

2. Response to Question 1: Do you agree with our final proposals for enhancing eligibility and customer identification and the associated proposed licence conditions?

2.1 NEA agrees to the move to a needs-based model for PSR eligibility with reservations that core groups are to be retained for safety services only (noting the positive addition of families with young children). This change excludes suppliers from servicing core groups and NEA is concerned about the degree of supplier discretion under this model. In particular, if suppliers choose to interpret need in different ways; potentially creating confusion amongst advice providers and customers about who is eligible for the PSR. To mitigate this problem NEA recommends the needs codes being developed for data-sharing purposes should be used as non-restrictive proxies for PSR eligibility across all licensees. This list of customer characteristics will then help guide identification and promotion work.

2.2 NEA agrees with the proposal for licensees to identify customers for PSR services. Low customer awareness of the PSR highlights the importance of proactive identification on the part of energy companies. This may become even more important when eligibility moves from a category to a needs-based model and customers and/or service providers

are potentially less aware of who qualifies for the PSR. We stress that identification should lead not only to registration but a meaningful service offer to a customer. Adding a customer's name to a register is not enough. A needs assessment should be undertaken with that customer to understand what services they require and thereafter deliver those services to the customer.

2.3 NEA notes that what constitutes 'reasonable steps' by energy companies to identify customers for PSR services is vague and open to interpretation. NEA urges Ofgem to closely monitor licensees' approaches in this area. Otherwise, we fear reasonable steps will constitute business-as-usual which, as evidenced by the poor levels of PSR awareness, is failing vulnerable customers.

2.4 Ofgem's consultation document suggests reasonable steps may include company-customer verbal interactions along with targeted promotion and awareness raising. NEA is strongly supportive of energy companies improving their use of such channels; noting there is great scope for suppliers in particular to be more proactive and offer PSR services to customers when they phone them for other matters. Essentially, implementing a 'make every contact count' approach. In addition, the installation of smart meters will be another point at which PSR identification and sign-up can take place. We also believe that under a proactive identification model licensees should make better use of work forces in direct contact with vulnerable households, for example social care professionals.

3. Response to Question 2: Do you agree with our final proposals for amending the PSR services and the associated proposed licence conditions?

3.1 NEA agrees with a minimum level of service provision as per the prescribed list. We believe this is essential to ensure vulnerable customers have a baseline level of protection that is consistent across all licensees.

3.2 NEA also agrees with a move towards an outcomes-based service model that promotes flexibility and innovation in service provision. In order for this to happen we would like to see good practice incentivised and shared across licensees. With regard to additional services, NEA highlights the following opportunities:

3.2.1 Smart meter rollout: The interaction with a vulnerable customer to install a smart meter should be used to offer an extra help 'package' to vulnerable customers that aligns with and integrates suppliers' obligations across schemes (ECO, WHD, PSR, SMICoP). Joining up financial and non-financial services in this way (e.g. providing energy efficiency advice with a benefits check) is an approach that promotes a flexible, tailored and holistic response by suppliers to their customers' needs. As such, it represents a key opportunity to operationalise an outcomes-based service model. Outside of smart meter roll-out, this approach could also be adopted through dedicated supplier extra help lines that link up their offerings for vulnerable customers (as is already happening in good practice examples across some larger suppliers). Network operators could implement a similar version of this 'every contact counts' model for in-home visits by engineers. Finally, NEA notes smart meters also

present opportunities with regard to innovation in PSR services, for example linking the PSR to Telecare arrangements.

3.2.2 Carbon monoxide (CO) risk: Ofgem identifies in its consultation document an opportunity for suppliers to provide support to customers in vulnerable situations at risk of CO poisoning. NEA strongly supports the provision of improved PSR support in this area; noting that many householders eligible for PSR services are also at increased risk of CO poisoning.¹ Opportunities in this area include providing free, low-cost CO alarms to vulnerable households at the same time as Free Gas Safety Checks. CO alarms and advice could also be incorporated into extra help services for vulnerable customers during smart meter installation visits. In addition, suppliers should consider how PSR services align with support for vulnerable customers who have their gas appliances condemned during smart meter installation. As roll-out ramps up and more home visits are conducted this may become a more widespread problem amongst low income households with old heating systems. NEA is concerned there is a policy gap in this area and recommends industry and government develop a protocol to ensure vulnerable and financially deprived households are not left without the means to heat and/or cook because they cannot afford to upgrade condemned gas appliances and no subsidies/schemes are available to support with replacement.

3.3 NEA suggests additional services (such as CO support) could be funded from savings accrued through the removal of quarterly meter reads with the advent of smart metering. Ofgem's own impact assessment finds the quarterly meter read service accounts for nearly 30% or £1.5 million of larger suppliers' PSR costs.² NEA notes this cost saving has been unquantified in Ofgem's impact assessment.

4. Response to Question 3: Do you agree with our final proposals for recording and sharing information about customers in vulnerable situations and the associated proposed licence conditions?

4.1 NEA agrees with sharing information about vulnerable customers (using informed consent) across energy companies. We encourage industry to work on extending this approach across utility sectors to improve essential service delivery to vulnerable households.

4.2 With regard to the needs codes developed to facilitate this sharing (Appendix 4 of the consultation document) NEA is disappointed no codes have been developed to capture financial vulnerability. In particular, customer receipt of and/or eligibility for WHD and ECO. Sharing this information between a customer's supplier and networks could assist in the provision of services, for example with regard to gas safety. It could also help

¹ Older people, children, pregnant women and their unborn children and those with breathing problems or cardiovascular disease are at increased risk of CO poisoning. See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/260211/Carbon_Monoxide_Letter_2013_FinalforPub.pdf.

² Appendix 2 – Draft Impact Assessment in Ofgem (2016). Priority Services Register Review – Final Proposals, p. 45.

companies meet their social obligations, such as support for vulnerable customers required under the networks' Stakeholder Engagement Incentive scheme.

5. Response to Question 4: Do you agree with our final proposals for raising awareness of the priority services, including any specific suggestions for energy companies to improve awareness?

5.1 NEA finds the proposals to raise awareness of PSR services to be unsatisfactorily non-prescriptive. Given the very poor effort of energy companies to date in this area NEA is not convinced licensees will 'look to develop more innovative ways' to promote PSR take-up unless they are required to do so. It is critical licensees consider who they marry a needs-and-outcomes-based model to the PSR with a clear customer offer that they can promote aggressively. We urge Ofgem to closely monitor take-up under a new PSR and consider how this reflects back on companies' awareness raising efforts.

5.2 NEA believes use of the term 'Priority Services' should be mandated, not 'encouraged', across companies. A singular brand is an important part in improving awareness of the PSR and is in line with recommendations arising from Ofgem's own review of the register.³ We are therefore disappointed a single cross-industry brand has not been recommended in Ofgem's final proposals.

5.3 With regard to specific suggestions to improve awareness NEA has previously outlined suggestions in detail in its first response to Ofgem's PSR review (submitted in September 2014). In summary, these are: mainstreaming PSR advertising in all energy company communications (e.g. billing statements); prominent information on energy company websites; communicating PSR services using 'success stories' and 'scenario marketing'; targeting friends, family and neighbours of eligible households; cross promotion under other schemes and obligations (e.g. smart roll-out, WHD); third party outreach and referrals targeting and supporting organisations and front-line staff trusted by and accessing hard-to-reach customers.

6. Response to Question 5: Do you agree with our final proposals for the approach to monitoring energy company performance in this area?

6.1 As stated previously, NEA is disappointed Ofgem has removed a proposal for energy companies to independently audit their compliance with PSR obligations.

6.2 Reflecting on the final monitoring proposals, NEA encourages Ofgem to consider the following metrics in its social obligations reporting (SOR) for the PSR: the specific PSR services suppliers offer; the number of unique customers receiving each service; the number of customers receiving a service by needs code. In addition, we believe wider monitoring outside of SOR must assess the products, processes and systems companies have in place for PSR identification and awareness raising. For example, third parties suppliers are working with to encourage PSR up-take and how many customers they have advertised the PSR to through billing statements etc. Ofgem needs to share and incentivise any identified good practice.

³ E.g. BritainThinks for Ofgem (2013). Vulnerable Consumers and the Priority Services Register.