

## **Standards of Conduct for suppliers in the retail energy market**

### **A response from Scope**

March 2017

#### **Summary**

Scope welcomes the opportunity to respond to Ofgem's consultation on amendments to the Standards of Conduct for suppliers in the retail energy market.

We know that disabled people frequently consume more energy due to their impairment or condition. Disabled people may also face challenges in being able to communicate effectively with their energy supplier.

Addressing these issues is crucial to reducing the consumer detriment that disabled people often face in the energy market.

#### **Recommendations**

- **As part of existing guidance on implementing the Standards of Conduct, Ofgem should provide further detail on delivering good outcomes for consumers in “vulnerable situations”. This should include a focus on disabled people, particularly around accessible communication methods.**
- **Ofgem should explore ways in which it could assess the quality of service energy suppliers provide to disabled people, to enable these consumers to make more informed choices when choosing a supplier.**
- **Ofgem should amend its definition of a “Vulnerable Situation”, as part of its Consumer Vulnerability Strategy, to include situations where disabled people face extra costs for energy as a result of their impairment or condition.**

## About Scope

Scope exists to make this country a place where disabled people have the same opportunities as everyone else. Until then, we'll be here. We provide support, information and advice to more than a quarter of a million disabled people and their families every year.

## Introduction

1. This submission is a response by Scope to Ofgem's consultation on the Standards of Conduct for suppliers in the retail energy market.
2. Disabled people are more likely to experience consumer detriment as a result of the extra costs of disability. Scope research shows that on average, these costs amount to £550 a month<sup>1</sup>, making it harder for disabled people to get into work, access education and training opportunities and participate in the consumer economy.
3. Many disabled people spend more on energy due to their impairment or condition. These additional costs have meant that many individuals have struggled to pay their energy bills in the past year.
4. Scope is pleased that Ofgem is concentrating on good outcomes for consumers as part of its review of the Standards of Conduct, including the focus on consumers in "vulnerable situations".
5. As disabled people face unique instances of consumer detriment in the energy market, it is vital that there is sufficient scope within Ofgem's regulatory approach to respond successfully to these challenges. Integral to this is amending the definition of a "vulnerable situation" to include instances where disabled people experience additional energy costs as a consequence of their impairment or condition.

## The extra costs of energy for disabled people

6. Disabled people face a range of disability-related costs, which may arise through things such as expensive purchases of specialist equipment, greater usage of taxis and private hire vehicles, or higher costs for things like insurance.
7. These costs amount to an average of £550 a month. One in 10 spends over £1,000 on costs of this sort<sup>2</sup>.

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<sup>1</sup> Scope (2014), Priced Out, <https://www.scope.org.uk/Scope/media/Documents/Publication%20Directory/Extra-Costs-Report.pdf?ext=.pdf>

<sup>2</sup> Ibid

8. Another area of additional expenditure for disabled people is energy. In an independent inquiry into extra costs led by Scope, the Extra Costs Commission, energy was the third most cited area of additional cost by disabled people<sup>3</sup>.
9. Whilst the impact of higher energy bills is felt by a number of groups, including older people and those out of work, disabled people will often consume more energy due to their impairment or condition. For instance:
  - Someone with limited mobility will need more heating to stay warm.
  - Someone with multiple sclerosis may need to consume additional energy to maintain an optimum temperature to help them manage their condition.
  - Someone who uses assistive technology devices will need to use extra electricity to charge these items.
10. Analysis of the Living Costs and Food Survey shows that 554,000 households with a disabled person spend over £3,000 a year on energy costs, compared to the average UK household that spends on average £1,345<sup>4</sup>.
11. The extra costs disabled people face for energy can be seen by the fact that there are 889,000 fuel poor households in England with a disabled person, constituting over 37 per cent of all fuel poor households<sup>5</sup>.
12. As a result, over a quarter (29 per cent) of disabled people have struggled to pay their energy bills in the past year<sup>6</sup>.
13. The additional costs disabled people face for energy, along with other costs, will have a significant impact on disabled people's financial stability. This can be seen by the fact that:
  - Disabled people have an average of £108,000 fewer savings and assets than non-disabled people<sup>7</sup>.
  - Households containing a disabled person are twice (16 per cent) as likely as households without a disabled member (8 per cent) to have unsecured debt totalling more than half their household income<sup>8</sup>.

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<sup>3</sup> The Extra Costs Commission (2015). Driving down the extra costs disabled people face – Interim report, <http://www.scope.org.uk/Scope/media/Interim-report/Interim-report.pdf?ext=.pdf>

<sup>4</sup> Scope, Sky high energy costs leave disabled people in the cold (13 January 2017). Research carried out by Opinium Research between 20 and 28 December 2016 with 501 disabled UK adults. The sample has been weighted to reflect a representative audience. <https://www.scope.org.uk/press-releases/sky-high-energy-costs-disabled-people#z4JgtOZGwLQFxmWh.99>

<sup>5</sup> Department of Business, Energy and Industrial Strategy (2016). Fuel poverty detailed tables: 2014. <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2014>

<sup>6</sup> Scope, Sky high energy costs leave disabled people in the cold (13 January 2017).

<sup>7</sup> McKnight, A. (2014). Disabled people's financial histories: uncovering the disability wealth penalty, CASE paper 181

<sup>8</sup> Scope (2013). Disabled people and financial well-being - credit and debt, <http://www.scope.org.uk/Scope/media/Documents/Publication%20Directory/Credit-and-Debt.pdf?ext=.pdf>

## Response to questions

### Chapter two: Ensuring the Standards of Conduct remain fit-for-purpose

**Question 1:** Do you agree with our proposal to retain a “Fairness Test” for all the broad principles within the domestic Standards of Conduct? If you don’t agree, please provide an explanation in support of your answer.

14. We know that disabled people often have a poor experience as consumers – **three quarters of disabled people have left a shop or business because of poor disability awareness or understanding**<sup>9</sup>.
15. In many cases this may be due to inadequate communication processes with disabled consumers. For example, Ofcom found that hard-of-hearing people contacting call centres reported that requests to speak more slowly are often ignored, whilst blind people reported that call centre workers assume that callers can see and are able to do what they are asking, e.g. read out a serial number<sup>10</sup>.
16. Another challenge is around digital inclusion – **25 per cent of disabled adults have never used the internet compared to 6 per cent of non-disabled adults**<sup>11</sup>. Whilst in some case disabled people may lack the skills to use the internet, inaccessible web content can also act a barrier to getting online.
17. Where disabled people are unable to engage with energy suppliers satisfactorily, they are disadvantaged in accessing useful information about different tariffs and financial schemes that could support them as energy consumers, e.g. the Warm Homes Discount.
18. As such, a “Fairness Test” as part of the broad principles within the domestic Standards of Conduct is useful in ensuring energy suppliers consider whether their practices and behaviour will cause detriment to consumers, including disabled people.

**Question 4:** Do you agree with our proposal to remove the “all reasonable steps” threshold from the domestic Standards of Conduct? If you don’t agree, please provide an explanation in support of your answer.

19. Energy suppliers are currently expected to take “all reasonable steps” to achieve the domestic Standards of Conduct. However, this creates a degree of ambiguity

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<sup>9</sup> The Extra Costs Commission (2015). Driving down the extra costs disabled people face – Final report, <http://www.scope.org.uk/Scope/media/Interim-report/Extra-Costs-Commission-Final-Report.pdf>

<sup>10</sup> Ofcom (2010). Disabled customers and call centres, <http://consumers.ofcom.org.uk/files/2010/05/callcentres.pdf>

<sup>11</sup> Office for National Statistics (2016). Internet Users in the UK: 2016, <https://www.ons.gov.uk/businessindustryandtrade/itandinternetindustry/bulletins/internetusers/2016>

as to what constitutes “reasonableness”. In cases where “all reasonable steps” have been taken, this may not always deliver fair outcomes for consumers.

20. Scope supports Ofgem’s proposal to switch from a focus on “all reasonable steps”, to ensuring licensees concentrate on delivering good consumer outcomes based upon the Standards of Conduct. However, it is important that energy suppliers have a clear sense of the steps they should take to meet the needs of different consumers, especially those in “vulnerable situations”.
21. Currently, guidance on implementing the Standards of Conduct does not provide sufficient detail on processes and measures – with examples of best practice – that energy suppliers should consider in relation to consumers in “vulnerable situations”. This includes disabled people, who as outlined previously, often face challenges in interacting with businesses, including suppliers of essential services.

**As part of existing guidance on implementing the Standards of Conduct, Ofgem should provide further detail on delivering good outcomes for consumers in “vulnerable situations”. This should include a focus on disabled people, particularly around accessible communication methods.**

**Questions 6:** Do you support our proposal to introduce a broad “informed choices” principle into the domestic Standards of Conduct?

**Question 7:** Do you agree with the proposed drafting of the broad “informed choices” principle we have set out?

22. As with all consumers, disabled people need adequate and comprehensive information to navigate markets and make effective purchasing decisions. **Yet, less than half (49 per cent) of disabled people say that they only have some of the information they need or want when shopping online or in-store<sup>12</sup>.**
23. On this basis, Scope supports Ofgem’s proposal to introduce a broad “informed choices” principle into the Standards of Conduct to enable customers to make informed decisions relating to their energy supply.
24. As disabled people are a group of consumers that are more likely to pay for energy using a pre-payment meter<sup>13</sup> – which typically offers worse value for money compared to paying by direct debit – this would enable individuals to identify whether they could be on a more cost-effective tariff with their energy supplier.

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<sup>12</sup> The Extra Costs Commission (2015). Driving down the extra costs disabled people face – Interim report

<sup>13</sup> Ofgem (2016). Domestic Suppliers’ Social Obligations 2015 annual report, [https://www.ofgem.gov.uk/system/files/docs/2016/10/social\\_obligations\\_report\\_2015.pdf](https://www.ofgem.gov.uk/system/files/docs/2016/10/social_obligations_report_2015.pdf)

25. However, as discussed in points 14 and 15, this will be dependent on energy suppliers ensuring they have accessible forms of communication – whether face-to-face, over the phone or online – for disabled people to be able to access information on the service they provide.
26. It is also important to consider the information available to disabled people – and other consumers – about other energy suppliers in the market that might provide services from which they would benefit more.
27. Research by the Extra Costs Commission found that the top three factors that would make them return to a business are friendly and helpful staff, good accessibility, and the opportunity to get value for money on purchases<sup>14</sup>.
28. Recognising that disabled people are often lacking the information they need when making consumer choices, and that energy is an essential service, Ofgem should consider how it could use its profile and credibility to assess the quality of service energy suppliers provide to disabled people, e.g. whether suppliers have funds to support customers who are struggling with their energy bills for which disabled people could be eligible.
29. For instance, this could involve ranking energy suppliers according to their approach to disabled consumers, potentially in partnership with a disability or consumer organisation.

**Ofgem should explore ways in which it could assess the quality of service energy suppliers provide to disabled people, to enable these consumers to make more informed choices when choosing a supplier.**

**Question 8:** What, if any, additional guidance on the domestic and non-domestic Standards of Conduct do you consider would be helpful in light of the changes we are proposing?

30. See points 19 and 20 for our thoughts on additional guidance.

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<sup>14</sup> The Extra Costs Commission (2015). Driving down the extra costs disabled people face – Final report

### Chapter three: Broad vulnerability principle

**Question 10:** Do you agree with our proposal to include a broad vulnerability principle in the domestic Standards of Conduct? If not, please explain why with supporting evidence?

**Question 11:** Do you agree with our proposed definition of “Vulnerable Situation”? If not, please explain why with supporting evidence?

31. As discussed earlier, disabled people frequently have to use more energy than non-disabled people. Coupled with this, disabled people may face difficulties when communicating with businesses, which could restrict their ability to access information and support from energy suppliers to improve their consumer experience.
32. However, whilst the current definition of “vulnerable situations” in Ofgem’s Consumer Vulnerability Strategy recognises that having an impairment or condition may make someone more likely to suffer detriment (or a more substantial level of detriment than someone who is non-disabled), it does not explicitly capture the difficulties disabled people face as a result of disability-related energy costs<sup>15</sup>.
33. Whilst disabled people may be identified as “vulnerable” for other reasons such as being on a low income or not having internet access, others not meeting these criteria but who face additional expenditure for energy, may miss out on useful support with their energy bills from their energy supplier, e.g. the Warm Homes Discount, the Priority Services Register.
34. Based upon the challenges disabled people may face as energy consumers, Scope supports the proposal for a broad vulnerability principle in the Standards of Conduct. However, the definition of consumer vulnerability should be expanded to recognise the detriment disabled people face due to extra energy costs associated with their impairment or condition. This needs to be underpinned with clear guidance for energy suppliers – informed by the experiences of disabled people – on how these additional energy costs may arise.
35. Having this clarity would help to improve the way in which energy suppliers support disabled consumers in the energy market.

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<sup>15</sup> Ofgem (2013). Consumer Vulnerability Strategy, <https://www.ofgem.gov.uk/ofgem-publications/75550/consumer-vulnerability-strategy-pdf>

**Ofgem should amend its definition of a “Vulnerable Situation”, as part of its Consumer Vulnerability Strategy, to include situations where disabled people face extra costs for energy as a result of their impairment or condition.**

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