

Andrew Thomsen
Future Retail Regulation
Ofgem
9 Millbank
London
SW1P 3GE

futureretailregulations@ofgem.gov.uk



Christians Against Poverty
Jubilee Mill
North Street
Bradford
BD1 4EW

Tel: 01274 761985
externalaffairs@capuk.org

24 July 2017

Dear Andrew Thomsen,

Standards of Conduct for suppliers in the retail energy market

Christians Against Poverty (CAP) is pleased to input into Ofgem's second statutory consultation on changes to the *Standards of Conduct for suppliers in the retail energy market*. We remain fully supportive of the introduction of an enforceable vulnerability principle and welcome the changes made to the proposals in response to the feedback given during the previous consultation stage.

Making the Standards simpler and more easily accessible

As debt advice specialists, we appreciate the recognition that a wider range of stakeholders have valuable insights to contribute and the resulting efforts to make the Standards more accessible. The revised ordering of the Standards is helpful to set out the overarching Customer Objective, from which the Standards then flow. While this places the desired emphasis on the Customer Objective, in our view the importance of the Fairness Test is not clear.

We note that the term 'Fair' implies a triggering of the Fairness Test which is included in the definitions table of the license conditions. However, we do not believe that the central role this test plays would be clear to a reader who is not familiar with how the Standards have been developed and are operationalised. Stating how and when the Fairness Test is used with more prominence would more clearly articulate the expectations of the Standards.

Amending the Fairness Test to focus on outcomes

As previously stated, we agree that the Fairness Test remains a helpful tool in providing a consistent benchmark for treating customers fairly across the different areas of supplier conduct. Furthermore, we support Ofgem's stance that the revised drafting will rightly place emphasis on consumer outcomes. In light of the reassurance that Ofgem will act proportionately, it is right that the test seeks to encourage suppliers to think actively about the impact of their actions or omissions for each consumer.

Removal of the 'all reasonable steps' compliance threshold

Likewise, we welcome the removal of the 'all reasonable steps' compliance threshold and have no objection to the proposed drafting change. Again, we agree that it is important

suppliers focus on achieving good outcomes for each customer, rather than merely doing enough to be compliant. We hope that this change will promote innovation and a shift to early and proactive action to improve consumer outcomes, especially where wider circumstances make good outcomes more complex to achieve.

Adding a broad ‘informed choices’ principle

We also support Ofgem’s decision to proceed with the introduction of a broad ‘informed choices’ principle to complement the five narrow principles introduced in SLC25. It is fitting that the breadth of this extends beyond sales and marketing and we are encouraged that there was near unanimous support for the policy objective behind this. Energy is a complex market and it is important to place emphasis on helping consumers engage and make positive decisions throughout the customer journey.

However, while we note Ofgem’s expectation, in that ‘sufficient’ refers to quality and quantity of information, we remain concerned that the proposed drafting limits the effectiveness of this principle. Our suggestion is that ‘effective’ would be more appropriate to recognise that to make an informed decision consumers need to be able to engage with the information provided. This is not always determined by the amount of information but by ensuring information caters for personal circumstances and additional needs. Therefore, we would encourage Ofgem to reconsider whether the proposed drafting clearly captures the policy intention.

Adding a broad vulnerability principle

Finally, we continue to strongly support the introduction of a broad and enforceable vulnerability principle. This will help ensure all suppliers give adequate attention to the concerns of customers in vulnerable situations, beyond PSR provisions, and that all procedures throughout the customer journey are put under scrutiny. In particular, we welcome the strong emphasis on identifying ‘each domestic customer in a vulnerable situation’ and the drafting change to clarify this. We support Ofgem’s expectation that for suppliers to uphold their obligations to treat all customers fairly, they must make extra effort to identify and respond to the needs of customers in vulnerable situations.

Nevertheless, we recognise that those in the most vulnerable situations often do not self-identify and therefore identification presents a challenge for suppliers. This is an area that needs wider discussion and input from consumer groups, as well as consideration of how data, including from smart meters, can be utilised to spot signs that a consumer is in hardship. Engagement with organisations working with customers in vulnerable situations, especially in communities and face-to-face, will be instrumental in reaching the hardest to reach groups and can facilitate this identification. This is relatively unexplored at present and we are keen to encourage this more in-depth engagement with third parties.

We note that Ofgem are considering whether social obligation monitoring should be used to monitor how suppliers are identifying and responding to vulnerability and consumer outcomes. In our view, this is essential to ensure the Standards make a difference in practice to those most in need. The key consideration is how this can be done to effectively capture consumer outcomes, especially where detriment is difficult to observe and for those currently off the radar, including disengaged and prepayment meter customers. Furthermore, the abolition of Treating Customers Fairly Statements also provides an opportunity to consider how incentives and reputation can be utilised in a more effective way to encourage improvements in the fair treatment of those in vulnerable situations.

As a result, we advocate the need for wider and more in-depth discussions to establish the best way of monitoring compliance with the new Standards in line with Ofgem's policy objectives.

Thank you for the opportunity to feed into this consultation process. We recognise the priority Ofgem places on ensuring the energy market works well for all consumers, including each customer in a vulnerable situation and we welcome the work taking place through the Standards and more widely to achieve this.

We remain encouraged by the progress this consultation represents and the support the proposals have received from across the sector. Moving forward we will continue to engage with energy suppliers and Ofgem to represent the interests of the most vulnerable and look forward to further discussions on how improved customer outcomes can be delivered and monitored across the market.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Stobart'.

Dawn Stobart
Director of External Affairs

A handwritten signature in black ink, appearing to read 'R Gregory'.

Rachel Gregory
External Affairs Analyst