

Mr Dermot Nolan
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Dear Dermott

British Gas Energy Trust (BGET) response to Ofgem's draft Consumer Vulnerability Strategy (CVS) to 2025

BGET is a charity whose objects are the relief of poverty, especially among those unable to pay their energy costs and the prevention and relief of poverty by educating the public in relation to debt awareness and prevention. BGET is funded by but is independent from British Gas. BGET's delivery activities are embedded at the heart of many of the key aims within Ofgem's draft Consumer Vulnerability Strategy (CVS).

To carry out our mission we work with a number of organisations in England, Wales and Scotland to award grants, provide fuel debt advice and wider services including; budget planning and benefit / income maximisation checks, energy supplier tariff switching, negotiating with energy suppliers to resolve energy debt problems, completing applications to British Gas Energy Trust and other grant giving schemes, e.g. Warm Home Discount and Energy Company Obligation (ECO) schemes and energy companies' Priority Services Registers, home Energy Efficiency Surveys and specific energy efficiency advice and providing generalist advice on subjects including housing, employment and discrimination, helping to overcome other barriers to financial well-being.

These services are provided free of charge to all service users and make a real difference to the lives of low income consumers, helping them to get back on their feet, address their energy debts or benefit from the other wide range services noted above. We expect to help over 20,000 people in this way, this year. We therefore warmly welcome the draft Vulnerability Strategy, especially the proposed outcomes on affordability in Section 4 of the consultation which our brief response is centred on. We do however call on Ofgem to strengthen these key areas by:

- Ensuring income maximisation services are offered to customers before debt repayment plans are agreed with suppliers or when repayment plans are reviewed
- Working with the UK Government to ensure vital current support for debt advice and income maximisation services under Warm Home Discount industry Initiatives are retained and extended
- Ensuring Ofgem adopt more targeted and stronger price protection for the most vulnerable customers

Ensuring income maximisation services are offered to customers

Ofgem rightly expect energy suppliers to be more proactive in identifying and then supporting vulnerable customers. The previous vulnerability report stated some suppliers let high numbers of customers build up on average over £800 debt before repayments start. There is therefore a clear need for suppliers to do more to spot severe debt earlier, and step in to help customers manage it.

One of the key reasons for debt and energy affordability issues is that unclaimed benefit entitlements remain endemic. Figures from the Department for Work and Pensions (DWP) reveal that 40% of families in Great Britain who are eligible for pension credit failed to claim the benefit during the 2016/17 tax year, leaving them missing out on an average of £2,500 for the year. 20% of families eligible for housing benefit, and 16% of those eligible for income support or income-related employment and support allowance (ESA) are not claiming the support that should be available to them. Take up is affected by a range of factors such as a lack of awareness or the perceived stigma of receiving benefits. Suppliers can help address this by ensuring all customers have greater

access to services to check benefits entitlements before debt repayment plans are agreed or signpost appropriate income maximisation services when repayment plans are reviewed.

This should complement similar actions by other providers of essential services, as recommended in the Public Accounts Committee report on Consumer Protection which found many consumers face similar problems accessing water, energy, communications & financial services. If replicated consistently across all essential service utilities this could potentially leverage an estimated £10 billion of unclaimed pension credit and income support towards paying for essential goods and services, including energy.

Working with the UK Government to ensure services under Warm Home Discount industry Initiatives are retained and extended

BGET strongly supports the Warm Home Discount policy (which is administered by Ofgem). The industry initiative component of the programme has become an increasingly critical means to fund the Trust's activities however many applications for our services fail due to the limited annual budget for industry initiatives, despite it often providing better value for money than switching or direct yearly rebates. Without certainty over the future of the scheme, the Trust would be unlikely to be able to maintain our work with a number of organisations across England, Wales and Scotland to award grants, fuel debt advice and wider services.

More targeted and stronger price protection for the most vulnerable customers

Ofgem has invited views on the desirability or otherwise of a social tariff (paras. 2.4-2.6 of the consultation). It is not clear how a social tariff in energy might replace or enhance Ofgem or the UK Government's existing measures on affordability. As a charity, BGET does not have the resources to address this issue in the detail it deserves. However, we observe that while a social tariff regime has some advantages, learning from the previous regime before the introduction of the Warm Home Discount and precedents in the water sector suggests voluntary social tariffs often result in different types of relief and different rates of cross-subsidy among companies. This can be confusing for customers and makes it difficult to advise vulnerable clients on the varied support provided across the industry. This issue therefore places this possible way of enhancing affordability outcomes at odds with the wider welcome intent with the strategy for more consistent outcomes for vulnerable customers, regardless of which supplier (or network companies) they are with.

BGET also notes that the Warm Home Discount costs suppliers approximately a third of the cost of the Default Tariff cap but the latter is far less targeted on the most vulnerable customers. We would therefore encourage Ofgem to take a stronger position on lowering energy bills by prioritising more targeted and stronger price protection for the most vulnerable customers. The Government and Ofgem's response to the Future Energy Retail Market Review therefore provides a critical opportunity to signal that the WHD scheme will continue at the end of the next scheme year, industry initiatives will be expanded and that Ofgem and the UK Government recognise the need for more targeted price protection for the most vulnerable customers. These are the key priorities. BGET would also stress the importance of addressing one of the other main causes of fuel poverty, energy inefficiency. The UK Government is currently updating its Fuel Poverty Strategy and will need to conduct a Comprehensive Spending Review (CSR). Whilst not in Ofgem's direct purview, this key opportunity to ensure that everyone can live in a warm, efficient home cannot be missed.

Finally, we would welcome a chance to discuss our response to this consultation with you and more broadly our work to support vulnerable customers. In the meantime, we would like to thank you again for allowing us to comment on the welcome draft Strategy and we look forward to the publication of the final document later this year.

Yours sincerely

Pp Maxine Edney

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