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## CVS 2025 Consultation responses summary

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## Overview

### Consultation Responses

We would like to thank all stakeholders who have made time to engage with us and who have provided valuable contributions to our consultation and decision.

We received 62 written responses. A significant majority of stakeholders are supportive of the strategy overall, the five priority themes, our priorities in the first year of the strategy, our position on affordability and the outcomes we formulated. Affordability came through as a strong priority for many stakeholders. As a result of this feedback, we have made a number of improvements to the final strategy, but the amendments are relatively minor considering the large amount of support we've received.

#### Contributors

We received responses from a wide range of stakeholders, including academics, consumer groups, government, trade association and a wide range of energy companies (including network operators, suppliers and energy efficiency installers).

We have published the responses in full on our website, but have excluded those responses that were marked as confidential. Below we have summarised the responses and have set out - in *italics* - what improvements we have made to the final strategy. In this document, we have followed the structure of the draft strategy and will deal with the four consultation questions in turn.

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## 2. Consultation Questions

### Question 1:

#### Do you agree with the five priority themes and the outcomes we will aim for?

1.1. Overall, the significant majority of stakeholders supported the themes and outcomes of the strategy. Many consumer groups and suppliers are keen for us to be more ambitious and more specific about what we will deliver as a result of the strategy and have asked for a detailed work plan with timelines.

1.2. *We don't feel it is appropriate for a five-year strategy to be accompanied by a five-year workplan. We need to be able to review our proposed workplan on a yearly basis due to the challenges of a rapidly changing energy market. Our principle based approach to regulation and aim to work in a more agile way are not compatible with a longer workplan. Our Forward Work Plans and specific vulnerability-focused publications give us the opportunity to set out how we will continue towards achieving our strategy goals in future years. We feel we have set out an ambitious agenda for the next few years. We need to be realistic about what we can achieve with the resources we have and feel we have struck the right balance.*

1.3. Most respondents agreed with the outcomes or did not address this part of the question.<sup>1</sup> Respondents particularly welcomed a focus on affordability. However, several stakeholders asked for greater clarity on the outcomes and suggested we set measurable targets.

1.4. Several stakeholders thought the phrasing of the outcomes could benefit from change and some offered suggestions on how changes could be made. For example, one stakeholder raised concern over the use of 'adequate' in outcome 3C. Others suggested specific amendments to outcomes such as:

- Outcome 1C should refer to data-sharing between regulated sectors, regulators and central government,

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<sup>1</sup> Many instead gave feedback on themes in this section.

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- Outcome 2A should state that disabled people should not pay more than average non-disabled consumer for energy,
  - Outcome 2C should state that sharing data with Credit Reference Agencies is seen as good practice,
  - Outcome 3C should state that new suppliers should be able to demonstrate an understanding of disability and accessibility,
  - Outcome 4B text reads as 'we expect suppliers and networks to demonstrate practical innovative measures which improve support and service provided to customers and consumers in vulnerable situations'.

1.5. A few stakeholders believe that certain outcomes should be strengthened or expanded, such as:

- Outcome 2B to understand the overall impact on debt levels of consumers,
- Outcome 2C to encourage suppliers to better understand customers' financial commitments and entire debt levels and how their energy debts contribute to this.

1.6. Although few commented on how we could monitor progress towards our outcomes, one respondent mentioned Ofgem's existing monitoring mechanisms can be adapted to monitor them.

*1.7. We believe our outcomes measures are robust, however following feedback we have made some improvements. We have amended outcome 3C to change the word 'adequate' to 'needed' when it comes to the level of customer service we expect new entrants to provide to consumers in vulnerable situations. We have also changed outcome 4B to include 'practical' in relation to innovation to make sure it benefits consumers. We have not made further changes as many of the suggestions sought to narrow the outcomes, as we think it is beneficial to keep them broad and cover a range of issues.*

1.8. While the majority of stakeholders broadly agreed with the themes, many made suggestions related to areas they were keen for more to be done. These suggestions are broken down in each theme below.

### **Improving identification of vulnerability and better use of data**

1.9. Theme one focused on two key areas– the Priority Services Register (PSR) and data more broadly.

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1.10. Suggestions related to the PSR primarily focused on expansion of or improvements to the PSR, eg: through a central PSR, a stream-lined single sign-up point, improved supplier-to-supplier data sharing, a more in depth PSR that would allow non-priority or transient vulnerabilities to be recorded and shared, for PSR obligations to be extended further; for example to Price Comparison Websites, and increased awareness of the PSR for consumers.

1.11. One consumer group were strongly against focusing on identification of vulnerable consumers, and suggested instead that we focus on an inclusive design approach.

1.12. The majority of stakeholders are supportive of increasing data sharing efforts across industry and also government, there is a feeling that this is not being done as proactively as it could be currently.

1.13. A number of stakeholders shared reservations about data, such as risks of gathering sensitive data, sharing this, and the associated costs involved. As part of this, the majority suggested we engage with the Information Commissioners Office (ICO) on safe data sharing to alleviate industry fears on breaches of privacy legislation. They also suggested we engage with government to extend powers under the Digital Economy Act (DEA) to allow local authorities, public sector health bodies and energy network companies to undertake direct data matching with the Department for Work and Pensions (DWP) for the WHD broader group and allow this data to be shared with a wider group of organisations. such as local groups, to target support.

1.14. A number of stakeholders agreed that industry need to work together to ensure consistency and quality of data. Respondents highlighted further knock-on benefits of improved data quality such as making it easier for us to assess our of policies and regulation.

1.15. *We are pleased to see that so many stakeholders have focused on how the PSR can be further improved. While not part of the work in the first year of the strategy, we will consider how we can further build upon the data sharing of PSR data between the water and energy sectors in future years.*

1.16. *We understand there are concerns about data sharing and making sure this is done in a compliant manner. The ICO have recently consulted on an updated data sharing code*

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*of practice.<sup>2</sup> This code will clearly set out the necessary arrangements that would need to be in place to facilitate data sharing between organisations.*

*1.17. We would expect any data sharing arrangement to align to the ICO's updated code of practice. Increased data sharing or matching is something that stakeholders will need to discuss with government, but we see the merits of this particularly for the WHD broader group. However, industry participants need to be mindful of the sensitivity of this data.*

### **Supporting those struggling with bills**

1.18. Theme two prompted several areas related to debt management and affordability. Affordability issues were a clear priority for many stakeholders. Suggestions commonly focused on improvements to government social and environmental schemes, future price protection, self-disconnection and self-rationing, energy efficiency and switching for prepayment meter customers.

1.19. Many respondents wanted to see an extension of government schemes Warm Home Discount (WHD) and Energy Company Obligation (ECO): .

- Some consumer groups want to see the eligibility for these schemes expanded so that more consumers can benefit from them,
- whereas some suppliers want to see the obligations to offer these schemes shared across industry (eg through lower thresholds for obligations, therefore more suppliers would be obligated to participate in these).<sup>3 4</sup>

1.20. The majority of stakeholders support the extension of the WHD beyond 2021 and a number of more practical suggestions such as the WHD being paid at the start of winter (to enable consumers to pay for upfront cost of energy) and streamlining the application process across the industry.

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<sup>2</sup>ICO 2019 [ICO consultation on the draft data sharing code of practice](#)

<sup>3</sup> See [Warm Home Discount Scheme](#)

<sup>4</sup> See [Energy Company Obligation Scheme](#)

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1.21. There were similar calls regarding the extension of ECO past 2022. A number of stakeholders asked for clarity on its successor to ensure that these important schemes have certainty for the lifetime of the strategy.

1.22. Respondents wanted clear detail on what future price protection will entail. One consumer group noted that Ofgem should be even more ambitious with this theme and explicitly state that we should explore the possibility of social tariffs. Several consumer groups noted that Ofgem should focus more on identifying financial vulnerability within this theme, with one suggesting that there should be specific PSR needs codes for financial vulnerability.

1.23. Several suppliers wanted clarification on self-disconnection and self-rationing. One consumer group was also particularly interested in our proposed work in this area. One respondent noted that Ofgem should prioritise smart meters into households that currently have prepayment meters and are at risk of self-disconnection. Several suppliers noted the difficulty in monitoring self-disconnection with traditional PPM's, which would be resolved with smart meters. Several respondents noted that there should be an additional focus on PPM customers in general, there was the view from one consumer group that Ofgem should focus on improving switching rates for indebted customers.

1.24. The devolved administrations and one consumer group suggested that Ofgem provide an update on compliance with CMA' restricted meter remedy.<sup>5</sup> In addition, one consumer group wanted to see Ofgem lead the conversation with government to create a regulatory framework for the provision of heating oil and LPG.

1.25. One consumer body wanted Ofgem to strengthen the rules protecting consumers who are struggling to pay their bills, particularly with the use of court action for debt recovery.

*1.26. We understand the appetite to extend government social schemes for more customers to benefit, and for obligations to be extended to more suppliers. Department of Business, Energy and Industrial Strategy (BEIS) is responsible for designing the environment and social programmes, while we operate the schemes on behalf of government. BEIS has consulted on the future of ECO and WHD in their review of the*

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<sup>5</sup> Competition and Markets Authority (CMA) report (2016) [Energy market investigation](#)

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*Future Energy Market .<sup>6</sup> <sup>7</sup> This is broadly around introducing greater compliance onto the scheme through a third party, TrustMark, implementing a quality mark for retrofit measures.*

*Customer account thresholds for ECO will be lowered from April 2020.<sup>8</sup> Similarly, the supplier obligation threshold for participating in the Core Group elements of the WHD scheme, will be lowered by scheme year 2020/21.<sup>9</sup> We are supportive of increased data matching to support identification of eligible consumers (eg for the WHD broader group) and we will continue to engage with BEIS on its proposals and feed in our experience of running the schemes.*

*1.27. We are obligated by the Tariff Cap Act to conduct a review to advise ministers if the price cap can be lifted. This review includes an evaluation on whether there are consumers in vulnerable situations who are in need of continued protection after the cap is lifted. We will accordingly continue to work alongside the government and with industry to explore protections where necessary to ensure that all customers are able to secure a fair deal.*

*1.28. Clarification on our future work on self-disconnection and self-rationing is outlined in our "Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing" document which was published after the draft strategy.<sup>10</sup> We are monitoring suppliers' progress in delivering smart prepay, including their progress in driving the development of a SMETS2 prepayment solution, and are clear that we expect them to be exploring where plans can be brought forward so that prepayment customers can benefit from the opportunities smart meters offer including switching, and smarter technologies such as batteries and smart electric storage heaters.*

*1.29. We have been engaging with devolved administrations and consumer groups to discuss the experience of restricted meter customers. We have yet to receive evidence which leads us to conclude the restricted meter remedy is not complied with, but we would encourage stakeholders to raise any evidence of non-compliance with us.*

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<sup>6</sup> BEIS 2019 [Flexible and responsive energy retail markets: consultation](#)

<sup>7</sup> BEIS (2019) [Energy Company Obligation \(ECO3\) Improving consumer protection](#)

<sup>8</sup> BEIS (2018) [Energy Company Obligation: ECO3, 2018 to 2022](#)

<sup>9</sup> BEIS (2018) [Warm Home Discount Scheme 2018 to 2019](#)

<sup>10</sup> Ofgem(2019) [Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing.](#)



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## Driving significant improvements in customer service for vulnerable groups

1.30. Theme three prompted a variety of suggestions predominantly covering accessibility, compliance and minimum standards.

1.31. The most common theme within suggestions to improve accessibility was mandatory accessible communication (eg screen readers), simpler communication and catering for the non-digital (mandatory phones lines, and free telephone numbers, especially for collections, where consumers may be facing financial hardship).

1.32. A number of respondents suggested increasing compliance activity on vulnerability obligations. For example on the Smart Meter Installation Code of Practice (SMICoP), increased benchmarking and monitoring for supplier vulnerability performance, and on-boarding (new entrants and staff training) tests on vulnerability, disability and accessibility understanding.

1.33. A number of stakeholders were also keen on minimum standards, ranging from specific minimum health standards and adherence to wider customer service standards being enforced across the sector. Another suggestion mentioned which focused on financial vulnerability was to encourage the use of single financial statements and promote a single point of access for debt advice.

*1.34. We understand that accessibility is essential for consumers to be able to interact with their energy company. Web content accessibility guidelines (WCAG 2.1) are now a legal requirement for all public sector websites, however this remains a recommendation for others. Energy UK Commission on Customers in Vulnerable Situations recommendations include ensuring a range of contact routes remain available to customers, including Freephone numbers and paper based communications.<sup>11</sup> Where suppliers decide to offer a limited range of contact options, it is for them to assure themselves that they meet the regulatory requirements and ensure good customer outcomes.*

*1.35. Our wider Supplier Licencing Review aims to raise standards around supplier financial resilience and customer service. New application regulations came into effect in July 2019 and we will continue to monitor ongoing supplier activity. Energy UK Commission*

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<sup>11</sup> Energy UK (2019) [The Commission for Customers in Vulnerable Circumstances](#)

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*on Customers in Vulnerable Situations also recommends a code of conduct for suppliers to drive up standards of support for customers in vulnerable circumstances.*

*1.36. We had highlighted concerns with suppliers in complying with SMICoP obligations.<sup>12</sup>*

*<sup>13</sup> In early 2019, we commenced a structured performance review process to provide focus, increase awareness of the obligations and to improve compliance with the requirements. We maintain a rolling review of the performance of all suppliers against their obligations.*

*1.37. We also expect improved transparency on supplier performance through the publication of customer survey results that suppliers undertake under SMICoP, which will make suppliers more accountable for their actions and decisions and lead to an overall improved consumer experience during the smart meter installation process. We also expect to see improvements in the quality of data through the introduction of additional scrutiny.<sup>14</sup>*

*1.38. We believe that smart meters are redefining the current prepayment meter experience. We have had calls from stakeholders to prioritise smart meters into households that currently have prepayment meters and are at risk of self-disconnection.<sup>15</sup> We are monitoring suppliers' progress in delivering smart prepay, including their progress in driving the development of a SMETS2 prepayment solution, and are clear that we expect them to be exploring where plans can be brought forward so that prepayment customers can benefit from the opportunities smart meters offer.*

*1.39. We understand the interest in adopting minimum standards for mental health and welcome wider inclusive customer service standards across the sector. We are working with the UK Regulators Network (UKRN) to consider best practice and the basic level of support that customers can expect across regulated sectors. A publication setting out how regulators will be taking this forward will be published in 2019.*

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<sup>12</sup> Ofgem (2016) [Open Letter](#)

<sup>13</sup> Ofgem (2018) [Open Letter](#)

<sup>14</sup> Ofgem (2019) [Consultation on a draft Direction to modify the SMICoP](#)

<sup>15</sup> See for example Ofgem (2019) NEA guest blog: [Vulnerable energy consumers can't be ghosts in the machine](#)

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1.40. *We welcome consistency across debt advice provided to consumers and will continue to work with government and debt focused consumer groups and charities to explore ways to support consumers in financial difficulty.*

### **Encouraging positive and inclusive innovation**

1.41. Stakeholder comments on theme four focused on four main areas: Inclusive design, regulation of Price Comparison Websites (PCWs) and Third Party Intermediaries (TPIs), and ongoing protection for vulnerable consumers within innovation and innovation sandboxes.

1.42. Some consumer groups felt that inclusive design principles should be mandated through energy companies' licences, to guide the approach energy companies need to take to understand the needs of all consumers. This will help them build frameworks that describe people's needs in detail and to avoid artificially simplifying the complex reality for consumers in vulnerable circumstances.

1.43. Regulation of PCWs and TPIs featured prominently for a variety stakeholders, with suggestions including that they have vulnerability obligations similar to that of energy companies, which should include rules around displaying certain information on their websites.

1.44. Some consumer group suggestions focused on ensuring that in a changing market, the right protections are in place for consumers in vulnerable circumstances. There is concern about exclusion from innovation and desire to focus on tackling digital exclusion. Another concern was the price (including upfront cost) of innovation, and customers in vulnerable circumstances being disadvantaged financially if things go wrong.

1.45. An industry trade organisation was keen to see greater encouragement of regulatory sandboxes, to enable pilots and innovation projects to explore socially-inspired innovation. One consumer group noted disappointment that there were no routes post-sandbox for innovation.

1.46. *We agree inclusive design of products and services is essential to ensure the wide range of consumers' needs, including the most vulnerable, are met. As mentioned above, we are working with other regulators through the UKRN to develop a set of best practice and basic levels of support expectations for vulnerable consumers across regulated sectors. In addition to this, energy suppliers already are required, through their licence conditions, to make an extra effort to identify and respond to the needs of consumers in vulnerable*

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*situations. We monitor energy companies' performance on support provided to customers in vulnerable situations in our annual vulnerability report, where we highlight poor performance and share examples of good practice. Where we do not see sufficient improvement, we are ready to take compliance or enforcement action to protect consumers' interests.*

*1.47. As part of our joint review with BEIS on the Future Energy Retail Market, we are considering long-term options for ensuring the market can better serve consumers through enabling innovative business models and propositions that benefit all consumers while ensuring appropriate protections are in place. As the market changes to become smarter and more flexible, and sees an increase in the use of third party intermediaries, this could mean changes are needed to regulation. The review is considering what approach to take to ensure consumers are appropriately protected no matter what energy related products and services they choose to sign up to in the future, including TPIs.*

*1.48. Our experience of providing the innovator regulatory feedback service shows us that there is innovation happening across the sector. We launched the sandbox as an agile tool for supporting innovators to deliver trials of new products and services. It was never intended as an alternative regulatory environment, but a way of testing novel approaches in today's regime. We've learned a lot from operating the sandbox, and are exploring other approaches for supporting innovation.<sup>16</sup> Our feedback service is available to all innovators seeking to introduce new products, services and business models that can benefit all consumers.*

### **Working with others to solves issues across multiple sectors**

1.49. Stakeholders comments on theme five mainly focused on Ofgem's work with government, but also covered the promotion of income maximisation services, data sharing, and concerns over duplication of work.

1.50. Working with government was a key trend in this theme. Suggestions focused on working with DWP on third party deductions (previously known as Fuel Direct), including on how data matching can be improved. Closer working with BEIS on areas such as the fuel

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<sup>16</sup> We have published [insights from running the sandbox](#) which are informing our next steps.

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poverty strategy (England) and the funding of social schemes. Some groups were also keen for more work with to be done with devolved administrations, and have better sight of work already done.

1.51. A number of stakeholders suggested energy companies should work together with income maximisation services, which would help consumers in vulnerable situations understand if they were entitled to benefits.

1.52. Building on suggestions in theme one on data, some stakeholders asked for cross-sectoral co-operation and data sharing for identification, as well as PSR data sharing between suppliers when switching.

1.53. Some stakeholders have suggested more efficient joined up behavioural research programmes to encourage development through wider collaboration and to ensure no customer is left behind. Some groups have also encouraged closer working with industry groups and devolved administrations to prevent duplication of work.

*1.54. As noted above we will continue to work with government, consumer groups and charities to explore options to support customers in financial difficulty, including increasing the use of income maximisation services and data sharing schemes.*

*1.55. We understand the need for a close working relationship with government on the social schemes that we administer. Through E-serve we will continue to feed in our expertise on the effectiveness of the programmes to help drive improvements where we see necessary.*

*1.56. As part of our programme of work to compliment the strategy, we will be working closely with our Behavioural Insights team to explore which consumer behaviours we can support and drive to ensure that all consumers are able to experience the outcomes we have outlined that we want to see in the energy market as a result of the strategy.*

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## Question 2:

### Do you agree with our approach on affordability?

**“While we recognise this is a concern for many consumers in vulnerable situations, we think addressing wider affordability pressures is mainly a matter for government to address.”**

Overall, the majority of respondents broadly agreed with our approach on affordability, in that general affordability concerns are mainly a matter for government to address.

However, some of the respondents said we should actively investigate and have a clear work plan on future price protections for consumers in vulnerable situations. Particularly as the default tariff price cap will end by 2023 (at the latest).<sup>17 18</sup>

### Social Tariffs

1.57. Several respondents noted that they wanted Ofgem to explore the development of social tariffs for consumers in vulnerable situations. It was suggested that one way of doing this would be for Ofgem to play an important role in advising government on the best way to address wider affordability concerns. One consumer group, noted that direct support in the form of tariff caps and WHD schemes generally demonstrate the right balance between the more targeted powers of the regulator and the broader and more redistributive action appropriate for government. The same consumer group noted that the joint BEIS/Ofgem Future Energy Retail Market Review is the appropriate forum to discuss social tariffs.

*1.58. We have considered the views on social tariffs and agree that implementing social tariffs would be a matter for government. The government’s existing programme for financial assistance with energy costs is mainly through the Warm Home Discount, which replaced previous social tariffs in the market. The Future Energy Retail Market Review is examining what protections or support may be required to protect consumers in vulnerable situations.*

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<sup>17</sup> See [Domestic Gas and Electricity \(Tariff Cap\) Act 2018](#)

<sup>18</sup> The Default Tariff Cap Act requires us to carry out a review of whether vulnerable consumers need further protection after the price cap is lifted (section 9 Tariff Cap Act 2018)

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## **Roles in addressing the affordability of energy**

1.59. Most network companies sought more clarity on Ofgem and government's role in addressing affordability pressures, with one noting that they thought Ofgem and government should coherently set out the roles and responsibilities in the energy system. An industry group also sought clarification on roles, in determining who is best placed to identify and support consumers who are unable to pay for their energy. One network company noted that network companies can and should play a bigger role in affordability. A consumer group wanted Ofgem to be more ambitious on affordability concerns and publically flag to government where an issue falls out with our current regulatory remit.

*1.60. We appreciate there is some overlap between what we do and what government is responsible for. This was also highlighted by the National Audit Office (NAO) who noted that many organisations have a role in supporting vulnerable consumers, including government departments, regulators, ombudsmen, consumer bodies, charities, trade organisations and companies.<sup>19</sup> We are working with government to clarify our roles, and a key aim of this consultation question was to make our role on affordability clearer. In the final strategy we have confirmed our position on affordability.*

## **Working with other bodies**

1.61. Several respondents wanted to see us co-operate more closely with charities, and other government departments in addressing affordability concerns. One supplier noted that at face value there appeared to be many vulnerability consultations sitting across Regulators and government departments which appeared to be similar in nature or overlapping with our Consumer Vulnerability Strategy.

*1.62. Through the UKRN vulnerability group we are working with other regulators to share ideas, identify best practice, learn from each other and work out how we embed that knowledge, innovation and learning in practical ways across sectors. This is part of a new cross sector project on vulnerability that the UKRN will deliver during its 2019/20 work*

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<sup>19</sup> NAO 2017 [Vulnerable consumers in regulated industries](#)

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*programme.<sup>20</sup> We have also stepped up our engagement with consumer groups to build on our already strong relationships.*

## **Energy Efficiency**

1.63. Several respondents highlighted that more of a focus can be put on energy efficiency and should be linked closer to affordability issues, with one supplier suggesting Ofgem check the quality of energy efficiency advice offered by suppliers. One consumer group also wanted this to feature more prominently throughout the consumer vulnerability strategy.

*1.64. Energy efficiency is a key way for consumers to reduce their consumption and we have placed some more emphasis on this in the final strategy.*

*1.65. In 2017 we appointed The Energy Savings Trust to distribute funds from the Energy Industry Voluntary Redress Scheme.<sup>21</sup> The majority of Energy Redress projects funded to date take a holistic approach to addressing vulnerability amongst energy customers. They frequently include advice on understanding energy bills and fuel debt alongside energy efficiency advice and support with income maximisation or signposting to other services related to health or welfare.*

*1.66. However, while there are a number of obligations on energy companies regarding energy efficiency and we administer government schemes such as the Energy Company Obligation, energy efficiency is in the main a matter for government, and a key focus on fuel poverty strategies.*

## **Question 3:**

### **What more could be done through energy regulation to assist consumers in vulnerable situations in the longer term?**

1.67. The response to this question was generally supportive from the majority of stakeholders stating that the strategy broadly covers most of the areas where energy

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<sup>20</sup> UKRN (2019) [UKRN Forward Work Programme](#)

<sup>21</sup> Energy Savings Trust (2018) [Energy Redress Scheme](#)



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regulation can be used to ensure consumers in vulnerable situations are supported appropriately. We have summarised the key areas respondents raised below.

### **Regulatory remit**

1.68. There were a number of calls for us to have an expanded regulatory remit, with a large focus on TPIs and price comparison websites (PCWs) as entities that should be regulated beyond existing voluntary schemes. Stakeholders also pointed toward the CMAs recommendation that Ofgem should be the designated regulator of heat networks and have called for us to look into this further.<sup>22</sup>

1.69. Stakeholders recognised that new market arrangements will require us to consider how our role is likely to change throughout the lifetime of the strategy, with particular focus on evaluating and monitoring time of use tariffs that could develop in the future following the introduction of market-wide half-hourly settlement, and their impact on different consumer groups. Other stakeholders suggested that we should give clarity on our expectations with regards to inclusive design to help market participants comply with our expectations. A consumer group stressed the importance of ensuring that all consumers can access a good range of products and services that meet their needs in a more complex, specialised market.

*1.70. We realise our powers are currently limited with regards to TPIs and PCWs and we will consider the question of TPI regulation in our joint work with BEIS on the Future Energy Retail Market Review. BEIS are separately considering the regulation of heat networks and will publish a consultation on this in due course. We are engaging with them while they are forming their proposals to share our experience.*

*1.71. The future market is likely to look very different from today's market. Many changes will be initiated in the next few years to make the energy system more flexible and cost-reflective, and the energy market more dynamic and competitive. New priorities may arise during the life of the strategy and that is why we have designed our strategy in an agile way. This will allow us to assess priorities throughout the life of the strategy and respond where necessary. Some longer-term changes may be beyond the lifespan of this strategy.*

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<sup>22</sup> See CMA (2017) [Heat networks market study – statement of scope](#)

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## **Decarbonising the energy system, energy efficiency**

1.72. The need for energy efficiency and decarbonisation of the energy system was mentioned frequently in response to the question. It is widely suggested that new approaches to consumer protection will be required for the decarbonised home, there were also considerations for the need of fair and progressive funding of the relevant network upgrades required, particularly due to the shifting demand it is likely create on the electricity networks.

*1.73. We agree and recognise that the new approaches will need to be considered for decarbonised homes. Smart meters with increased capability and functionality are changing the landscape. Different tariffs are on the horizon that can take advantage of lower off-peak rates, and new technologies are taking advantage of them. Under ECO we are seeing traditional Electric Storage heaters slowly reducing in numbers and we are considering different alternative options, such as whether we will accept battery storage, where the key requirement is cost savings to the consumer.*

*1.74. In the interests of future consumers, we may take a more active role in building Great Britain's low carbon energy system. This might involve supporting efficient roll out of new technologies though price controls, retail arrangements and network charging, while continuing to factor in assessments to calculate the impact of proposed changes and taking steps to reduce our own environmental impact.*

## **RIO-2 & Networks**

The majority of stakeholders were supportive of the "use it or lose it" allowance in RIO-GD2. Stakeholders stressed that funding should only be awarded where it will bring clear benefits to consumers. However, if such mechanism was to be established in RIO-ED2, the incentive for the DNOs needs to go beyond mechanisms that are seen as business as usual, with clear criteria being set out to ensure transparency and understanding across all operators. There was as clear push on incentivising decarbonisation from the responses (eg funding non-gas installations such as heat pumps). In general, there was calls for clearer policy direction, particularly on the electrification of transport system.

*1.75. In our open letter consultation we propose that our overarching objective for RIO-ED2 is to ensure that the DNOs deliver the value for money services that both existing and*

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*future consumer's needs.<sup>23</sup> One of the price controls objectives is that network companies must deliver a high-quality and reliable service to all network users and consumers, including those who are in vulnerable situations. We look forward to working with stakeholders to develop outputs and incentives that ensure we protect the interests of consumers in vulnerable situations.*

**Other areas to note:**

1.76. Regarding the Energy UK's Commission on Customers in Vulnerable Situations, a number of stakeholders mentioned that they are supportive of the Code of Conduct proposed and would like to see our public support for this. In general, stakeholders want to see the strategy embedded across the breadth of Ofgem and government through our ongoing work, and have warned of duplication of effort between both sides.

*1.77. As part of the CVS 2025, we have committed to working with government on common consumer challenges to complement social policy. We aim to achieve this through continued engagement via the BEIS Consumer Forum and its working group on development of future fuel poverty strategies.*

*1.78. We intend to work with Energy UK on the Code of Conduct that is being developed following the Commission on Customers in Vulnerable Situations. This positive initiative will look at driving good practice in the market and will encourage innovative initiatives to be shared by energy companies. However we will want to see this drive strong improvements over and beyond mere compliance with suppliers' licence obligations. We will continue to promote and publish good practice we see via regular reports such as the annual Vulnerable Consumers in the Energy Market report.*

**How should any such further measures be funded?**

1.79. This part of the question was less widely answered and contained a variety of suggestions. Some stakeholders proposing that a source of funding could be through redress payments from energy companies. One supplier suggested that the cost of providing good customer service should be borne by individual suppliers, but where

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<sup>23</sup> Ofgem (2019) [Open Letter Consultation on approach to setting the next electricity distribution price control \(RIIO-ED2\)](#)

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additional costs are incurred as a result of an unequal share of customers in vulnerable circumstances, there is a case for additional costs to be distributed equally amongst suppliers.

1.80. Some suggested that additional government activity and taxpayer funded investments in home energy will be required in order to meet energy efficiency targets. Energy efficiency was largely viewed as requiring a central, government funded infrastructure programme. General taxation was considered as the least regressive approach to funding the programmes but a proportion of stakeholders suggest that further research to identify the fairest way to spread the cost of subsidies across the able to pay group would be welcomed. With regards to networks, stakeholders raised the need to be mindful that any fuel poverty activities funded through the network price control is a regressive way of funding, as it ultimately appears as a proportion of the bill.

1.81. Further suggestions included recommending that the next round of funding from schemes such as ECO could fund some of the measures required to enable the delivery of the proposed Energy UK Code of Conduct. Alternatively, an industry group proposed that a suite of essential services that are free at the point of delivery to consumers are supplemented by 'value add' services paid for consumers who elect to use them, in relation to services provided to consumers in vulnerable situations.

*1.82. We are currently gathering more evidence as part of our consultation on the Future Energy Retail Market Review about the existence and significance of costs associated with serving certain types of customers, such as those with additional customer service needs and those who struggle to afford their energy or do not pay their bills. We will explore if there is then a case for tools that would facilitate a more equitable distribution of costs*

*1.83. The Energy Saving Trust (EST) has been appointed to manage allocation of voluntary redress payments to charitable organisations by rule breaking energy companies. The EST identifies potential charitable recipients and allocates funds, which include schemes to help fuel poor, indebted and vulnerable customers, as well as develop innovation in the sector. The EST will also be responsible for monitoring and evaluating the performance of the funds to ensure that they deliver value for consumers*

*1.84. The policy on using general taxation to support governmental programmes is a matter for government to consider.*

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## Question 4:

### **Do you agree with our proposals for the first year of the strategy?**

1.85. Overall, the majority of respondents agreed with Ofgem’s proposals for the first year or did not answer this question. Several stakeholders outlined their support of specific priorities. We received strong support in particular for further work on the Ability to Pay principles, self-disconnection and improving our ability to do distributional impact analysis. Although a number of respondents asked for further detail on our proposals and a few sought a more detailed plan for future years. Additionally, several stakeholders asked for confirmation that future price protections would be part of our joint work with BEIS on the Future Energy Retail Market Review

1.86. The few who suggested changes to the proposals predominately commented on the deliverables generally and the archetypes. This included detailed questions on what data would be included in the updated archetypes, including whether or not this would cover regional data. Stakeholders impressed on us the importance of the archetypes being effectively and consistently used in our analysis.

1.87. Certain stakeholders called for additions to our proposals, which included:

- Have specific year one proposals for themes four and five,
- Commit to an action on third party deductions (formerly Fuel Direct) including certain work with the Department for Work and Pensions (DWP),
- Introduce the GDN vulnerability principle for distribution network operators (DNOs) and independent DNOs and gas transporters (IGTs).

*1.88. We believe our year one proposals represent an ambitious yet realistic agenda for the first year and acknowledge the input that stakeholders have provided. We will commit to speaking with DWP about third party deductions and how this is operating in the energy market.*

*1.89. In the next year we will also further consider the vulnerability package for RIIO-ED2 and plan to consult on more detailed changes in due course.*

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*1.90. We plan to update and expand the data sources to make the archetypes more reflective of existing and future consumers. The updated archetypes will be part of our standard regulatory toolbox going forward.*