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Dear Meghna

Draft Consumer Vulnerability Strategy 2025

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, storage and energy supply to end users. We have around five million electricity and gas customer accounts in the UK, including residential and business users.

We take our responsibilities towards all of our customers, including those who may need additional help, very seriously. This is demonstrated at the highest levels within our organisation and reflected in our Group Ethics Charter, which states we "*support the most vulnerable people - amongst our colleagues or other people with disabilities or our customers in fuel poverty*".

We welcome Ofgem's publication of the Draft Consumer Vulnerability Strategy 2025, including reasserting the relevant definition for vulnerability and providing the specific outcomes that are expected to be delivered. This should ensure all suppliers have a common understanding of Ofgem's expectations in this area and facilitate improvements in the consistency of protection for vulnerable customers across different suppliers.

Having reviewed Ofgem's desired outcomes, we are confident that EDF Energy is already undertaking the necessary actions, and that we have the appropriate processes and support in place for our customers. We continuously review our approach including benchmarking against other suppliers and other industries, and build in learnings from our customers and our ongoing experience to improve where there are opportunities to do so.

Our approach includes the provision of multi-channel contact options for customers, and a dedicated vulnerability team with a freephone telephone number. We are continually investing in innovation, and many of our wider customer service initiatives and commercial offers benefit vulnerable customers. We are proactively considering how smart data can support this.

Given the competitive market, we must ensure support for customers in vulnerable circumstances is provided cost-effectively, and suppliers and Ofgem have a collective responsibility to ensure we do

not incur additional costs for services that will provide limited benefit to customers. Therefore, where Ofgem considers that suppliers should be providing additional support in future, it will be important that there is evidence to show how this support is valuable to customers. Furthermore, any additional costs of supporting and serving customers in vulnerable circumstances must be recognised by Ofgem as legitimately incurred by responsible suppliers, and therefore a relevant consideration in the setting of any regulated tariff cap or any future financial protection.

We agree with Ofgem's assessment that some suppliers are not performing adequately in certain areas, including debt repayment arrangements and identification of vulnerability. Customers should be able to receive the level of service that they require from their chosen supplier, and within the current market framework they must have access to the full range of suppliers in the market, rather than only a subset who have invested in providing appropriate additional support. EDF Energy has focused heavily on building and maintaining trust with all our customers, including those in vulnerable circumstances. We do not want to see newer entrants to the market eroding trust in the wider energy retail market by performing poorly in these or other areas.

Our detailed responses are set out in the attachment to this letter. Should you wish to discuss any of the issues raised in our response or have any queries, please contact Claire Clark on 07384 529558, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely

A handwritten signature in black ink that reads "R. Beresford".

Rebecca Beresford
Head of Customers Policy and Regulation

Attachment

Draft Consumer Vulnerability Strategy 2025

EDF Energy's response to your questions

Q1. Do you agree with the five priority themes and the outcomes we will aim for (as set out in chapter 3-7 and annex 2)?

Yes, we agree with the five priority themes that Ofgem has identified for the refreshed strategy. In the previous strategy published 4 July 2013, three broad areas were identified: choice and access, managing bills and energy use. These may have been appropriate at the time, however, the energy industry has significantly changed, with many more diverse suppliers to choose from.

We note that Ofgem has chosen not to revise the definition of vulnerability. We agree that the multidimensional nature of the definition is useful when considering the range of factors that may cause someone not to be able to represent themselves, or to be significantly more likely to suffer detriment. It is important to have clarity on defining vulnerability when discussing specific protections, to ensure these are directed at those most in need. For example, it would not be appropriate to provide additional financial support to those customers who may be vulnerable due to other reasons, such as those who are of Pensionable age, but who are not financially vulnerable. When proposing interventions, Ofgem should be clear as to which aspects of vulnerability or potential customer detriment these are proposed to mitigate and therefore which customers these interventions should be directed to.

We agree with the inclusion of the required outcomes for each theme by Ofgem. This is a welcome addition to the previous strategy, and clearly sets out Ofgem's expectations from suppliers, while still permitting a principles based approach to compliance. We also appreciate the additional detail provided in Appendix 2 on how Ofgem will measure the success of each of the outcomes.

Improving identification of vulnerability and smart use of data

It is useful that Ofgem has included a specific theme around the identification of vulnerability. We agree with Ofgem's assessment in paragraph 3.7 of large differences in approach between some newer suppliers as evidenced through the data provided to Ofgem under the Social Obligations Reporting. Customers should receive the support that they need from their supplier, regardless of who the customer chooses as their provider. Customers may not wish to receive any of the free services provided by suppliers under licence condition 26, however one of the additional benefits of registration onto the PSR is that any relevant vulnerability is communicated to the customer's network providers, in order to provide emergency support during energy outages. This can be vital to safeguard customers' health, and therefore suppliers should use every opportunity to discuss their circumstances and register to them on the PSR where appropriate.

Supporting those struggling with their bills

We support the second theme identified and agree that customers who struggle with their bills may need help. Financial vulnerability is an important issue and research from a number of organisations including Citizens Advice has shown a link between debt and mental health. Government is ultimately responsible for poverty alleviation, not individual companies. However, individual companies can ensure that they consider financial vulnerability in how they serve their customers, such as properly implementing the Ability to Pay principles. Where any additional financial support, for example the Warm Home Discount, is provided via suppliers, this must be designed in a way that does not commercially disadvantage a company with a higher proportion of customers who will be eligible, perhaps as a result of historical reasons or because their high levels of customer service make them more attractive to such customers.

We recognise that Ofgem is concerned about customers who self-disconnect and self-ration. We agree that the rollout of smart metering will further assist suppliers in identifying self-disconnection, although we already have considerable safeguards in place to prevent and address customer self-disconnection. These include non-disconnection periods in the evenings and Sundays and the use of emergency credit when customer's credit is running out. We also provide support services when we identify a risk of self-disconnection, such as discussing debt repayment breaks with the customer.

The Third Party Deduction scheme (Fuel Direct) can be an effective way for customers to repay their debt to suppliers, especially those who struggle to budget or have erratic lifestyles. The Department for Work and Pensions (DWP) only permits the scheme to be used to repay debt rather than as an ongoing payment method. We consider that Ofgem should encourage DWP to revise the criteria and allow this to be used for ongoing consumption, after the debt has been repaid. Additionally, DWP will not permit customers to use the scheme where the payment needed from their benefits (to cover their ongoing usage and the debt repayment) exceeds 25 percent of their benefit income. A better approach would for DWP to permit a payment of up to 25 percent, even if this does not fully cover their usage and debt at that time, as this would reduce the speed at which their debt increases. These changes could help to keep more customers debt free for longer.

The new insight we gain from smart pay as you go (PAYG) meters will enable us to deliver more accurate and timely interventions, and will allow us to communicate more effectively about support services that are available to customers. PAYG will also provide new functionality to allow customers to auto top-up their meter balance, and help to prevent self-disconnection due to forgetfulness.

We are happy to share our practices within relevant industry forums, and keen to learn from others to support continuous improvement in how we approach self-disconnection. Although we agree that there is an ongoing need for energy suppliers to support vulnerable customers and avoid self-disconnection wherever possible, we do not agree with the setting of a sector wide target. The root cause of self-disconnection is often much broader and more complex than the customer's energy needs and a target to reduce self-disconnection risks creating an impression that it is a problem solely within the energy industry's control. The contributory factors that create self-

disconnection are often related to external influences such as low income, which will be more appropriately addressed by government.

Self-rationing has not, as yet, been defined by Ofgem. Certainly, customers do monitor and manage their energy consumption in relation to their available funds. However, we should be clear about the distinction between those who have reduced their usage by being more energy efficient, those who are putting themselves at risk by severely limiting their consumption, and changes in consumption which are not related to self-rationing. This is an area that we are currently considering internally and we would welcome further industry discussion and sharing of best practice to inform our approach. Even with an agreed definition, self-rationing will be substantially more difficult to identify than self-disconnection, and it will take time and experience to improve our capabilities in this area.

We agree that Ofgem should continue to review suppliers' approaches to debt management and prevention, including monitoring debt repayment arrangements. Unaffordable repayment plans which are not sustainable for customers may actually worsen their situation, and lead them to self-ration, or self-disconnect. Ofgem's Ability to Pay Principles are very clear that customers' circumstances must be taken into account when agreeing a repayment arrangement. However, it is evident from the Social Obligations Reporting that there are differences in approach between suppliers, particularly smaller and medium suppliers, around this. We support Ofgem adding the Ability to Pay Principles directly into licence, as this may provide greater visibility of the expectations and encourage other suppliers to comply with the requirements.

Driving significant improvements in customer service for vulnerable groups

We support the third theme; however we note that there appears to be a degree of crossover in the outcomes identified under this theme, and the previous themes, particularly around the identification of customers in vulnerable circumstances. Duplicates could be removed in the final draft of the strategy.

It is important that all customers, including those in vulnerable circumstances, are able to contact and interact with their chosen energy supplier in a manner that is appropriate for their individual circumstances and preferences. Suppliers should therefore ensure that they have a variety of contact methods available, and not only offer digital or app only channels. Failing to do so may cause detriment to customers who cannot engage with their supplier, and may also distort competition, as customers with specific contact preferences or needs cannot access the full range of suppliers in the market. This is likely to exacerbate the current situation, with only a few suppliers in the market servicing the majority of customers in vulnerable circumstances. This is unfair on customers (lack of choice), and on those suppliers who will have higher costs because of the additional costs involved in supporting those customers. Ensuring that customers in vulnerable situations receive the services they need, no matter who their supplier is, is referenced in the recently published BEIS and Ofgem consultation: *Flexible and responsive energy retail markets*. We agree that this is not currently provided consistently across the market.

Encouraging positive and inclusive innovation

We support the fourth theme of encouraging positive and inclusive innovation. We are continually investing in innovative offerings for our customers, including initiatives that will particularly support customers in vulnerable circumstances. In addition, our wider customer service initiatives and commercial offerings, as part of our culture of continuous improvement, will benefit all of our customers including those in vulnerable circumstances.

For example, our Howz product¹ was designed specifically to support customers, and their loved ones, to live independently for longer. The system includes smart sensors, which once installed learn the routines within the home. The easy-to-use app ensures that you can track the movement of those in the premises at any time, and if any changes to their routines are detected, Howz lets you know, allowing you to check in and ensure everything is well.

Such innovations support more traditional ways of working such as partnering with the charity sector. For example, we know some customers remain unaware of the support that can be offered through their energy supplier. We established a relationship with Macmillan Cancer Support to enable our customers impacted by a cancer diagnosis who are in contact with Macmillan to obtain meaningful and practical help when they need it most. We continue to explore other partnerships to widen this reach further.

We are proactively considering how smart data can support our customers and can be used in a way that brings beneficial customer outcomes. EDF Energy values the great opportunities that this will provide in improving our customer service offerings and bringing a level of customer service which truly takes account of individual customer characteristics and preferences. However, we are fully aware that this must be done in a way that aligns with our customers' preferences in relation to the use of their data and therefore, can only proceed with the appropriate customer insight and understanding.

Working with partners to tackle issues that cut across multiple sectors

The fifth theme of working with others to solve issues that cut across multiple sectors is sensible. As you will be aware, the energy industry is currently working with the water industry to facilitate the sharing of PSR data. This will use the existing energy industry infrastructure to securely share data relating to customers in vulnerable circumstances. This joint working will not only result in a better and more streamlined experience for customers, but also creates a forum for both industries to share best practice.

We agree that it is important to create and maintain strong relationships with consumer bodies and charities to share information. Suppliers already provide data to Ofgem, to Citizens Advice and to government on a wide variety of topics. Rather than sending similar requests to suppliers, there is scope for coordination between these parties to reduce the administrative burden upon suppliers if information has already been prepared and provided to one party.

¹ <https://www.edfenergy.com/howz>

Q2. 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.

We agree with Ofgem's approach on affordability. One aspect where Ofgem does have a role to play is ensuring customers have sufficient protections such as the Ability to Pay Principles. This should ensure that all suppliers operate to a similar standard, and that customer's circumstances are considered when agreeing repayment arrangements. Ofgem should include these within licence to ensure that all suppliers are aware of their obligations to customers in this area.

In addition to the existing protections currently in place, government is implementing its Breathing Space proposals in energy and other sectors. This will allow customers a period of time where debt follow up is suspended by creditors, enabling the customer to have time and space to better organise their finances.

We agree that wider affordability issues should be a matter for government to address. The Warm Home Discount scheme provides an effective mechanism to target support at those who need it most. The Industry Initiatives portion of the scheme allows suppliers to provide funding to organisations to support customers. For example, our partnerships with Income Max, Citizens Advice and Islington Shine provide direct assistance to our customers. One customer received an additional £64.30 per week, and a one off payment of £3,369 in back dated benefits, as a result of our partnership with Income Max.

Warm Home Discount should be extended to all suppliers rather than only those with more than 150,000 customers. Government should address this disparity to ensure the scheme is fair, for both customers and suppliers.

As discussed earlier in this response, a key principle must be that any additional financial support provided via suppliers is designed in a way that does not commercially disadvantage a company with a higher proportion of customers who will be eligible or due to the scale of that supplier, large or small.

We already support customers who are experiencing payment difficulty in a number of ways. We attempt to engage with customers falling into arrears through a variety of channels, and we actively encourage customers to engage with us, or if preferred, our specialist third party providers, in order to understand their circumstances and reach agreement on a mutually acceptable repayment plan.

Where a customer indicates that they have challenges in repaying a debt, we can offer or amend a repayment plan to suit their circumstances. We can also pause their debt repayment until the customer is in a more financially stable position. We support customers by considering each customer's individual characteristics and preferences on a case by case basis.

Q3. What more could be done through energy regulation to assist consumers in vulnerable situations in the longer term? How should any such further measures be funded?

Ofgem should consider the role of third party intermediaries (TPIs), including price comparison websites (PCWs) and auto switching providers, and their interactions with customers in vulnerable situations. Ofgem's analysis highlights that customers are increasingly choosing to engage with these third parties, rather than directly with their supplier, when they switch, particularly those customers who may be disabled or have mental health needs. Ofgem should therefore ensure that these third parties have an appropriate consumer protection regime in place, in order to support all customers, including those who are in vulnerable circumstances. In the medium term we would support the extension of Ofgem's regulatory powers to include all organisations who interact with customers in relation to energy, and especially where this is connected to sales and switching. Until this can be implemented, we recommend that changes should be made to the Confidence Code to ensure there is an explicit requirement for signatories to consider the needs of customers in vulnerable situations.

Ofgem notes that some suppliers are not doing enough to identify their customers' circumstances and promote their priority services register. We agree this appears to be the case, however Ofgem must go further and recognise the financial disadvantage placed on those suppliers who are providing adequate levels of support as compared to those who are not. For example, suppliers who only offer a narrow contact channel approach are unlikely to attract the most vulnerable customers, who may need real-time human conversations to resolve their issues. This is obviously a higher cost approach for suppliers, and therefore as it stands there appears to be a disincentive for suppliers to encourage a greater proportion of customers with additional or specific needs to join them. This possible distortion is referenced within the BEIS/Ofgem consultation: *Flexible and responsive energy retail markets*, which suggests that it may make sense to revisit how these costs are recovered from customers to understand the impacts they have on the energy supply market. We support such a review to ensure fair allocation of costs between suppliers.

The costs of providing good customer service in general should, of course, be borne by individual suppliers, who may choose to invest specifically to develop a competitive advantage in service quality that is valued by customers. However, where additional costs are incurred as a result of an unequal share of customers in vulnerable circumstances, there is a case for the additional costs to be more equally shared between all suppliers. This is particularly evident where Ofgem expects that additional direct financial support is provided, as this must be implemented in a way that does not commercially disadvantage a supplier with a higher proportion of customers who will be eligible.

Q4. Do you agree with our proposals for the first year of the strategy?

Yes we broadly agree. For suppliers, the three key areas Ofgem has suggested are strengthening protections for customers who self-disconnect, formalising the Ability to Pay principles and providing views on the future energy retail market.

We welcome further clarity on self-disconnection and self-rationing, and the additional protections that Ofgem states it intends to deliver during the first year. As discussed earlier in this response, self-rationing is an area that we are currently considering internally and we would welcome more industry discussion and sharing of best practice to inform our views. We understand Ofgem intends to issue a further consultation on this in the coming months.

We agree that the Ability to Pay principles should be included in licence, and all suppliers, regardless of size or business model, should adhere to them. Ofgem should continue to address issues of poor performance amongst suppliers on a bilateral basis.

EDF Energy
August 2019