

Meghna Tewari, Head of Vulnerability and
Consumer Policy
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Electricity North West

304 Bridgewater Place, Birchwood Park
Warrington, Cheshire WA3 6XG

Telephone: +44(0) 843 311 4800

Fax: +44(0) 843 311 5119

Web: www.enwl.co.uk

Email:

Stephanie.Trubshaw@enwl.co.uk

Thursday 8 August 2019

Dear Meghna,

Consultation response: Draft Consumer Vulnerability Strategy 2025

Please find below our response to the Draft Consumer Vulnerability Strategy 2025 consultation. We welcome the opportunity to provide our view on how the energy industry can support customers in vulnerable situations, and how network companies in particular can play a key role.

Our experience of working with United Utilities to exchange priority service register information has provided us with several important insights on how the system could be developed further. We also have a track record in investing in our network to help reduce customer bills. For example our Smart Street pilot project has shown that customer bills can be reduced by as much as £70 per year using our network optimisation equipment, and is currently the subject of an innovation rollout mechanism request.

I trust these comments are helpful. Please do not hesitate to contact me or Tom Selby (07824 321980) if you want to discuss any aspect of this response.

Yours sincerely

(by email)

Stephanie Trubshaw

Customer Director

Question 1 – 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)?

We broadly agree that the five priorities are appropriate, as the best way to assist vulnerable consumers is to coordinate between different sectors and to do so efficiently to keep the cost as low as possible. Additional value would be achieved by coordinating on efforts to help vulnerable consumers across the energy, water, local authority and telecoms sectors.

We would like to draw out some specific points associated with the themes as documented below. At a high level more clarity is required on how the activities will be achieved and how they will result in the most significant outcomes for consumers. In the annexes the measures should be more outcome-specific to create clarity, and within the overarching aim for a single priority services register (PSR) further detail is required on how Ofgem will assist in delivering this significant objective.

Theme 1 ‘Improving identification of vulnerability and smart use of data’

The current effort across the industry to collect clear data to deliver PSR services from multiple sectors is creating a significant volume of work introducing additional costs to consumer bills. We therefore believe that Ofgem should amend supplier licence requirements to improve the quality of their PSR data with standardised processes including how data is captured and removal of it when it is no longer valid.

The cross-sector PSR trial we have taken part in with United Utilities have shown that in the water industry where the network company is also the supplier there are more touch points with the customer which ensures more accurate PSR data compared to a network-only company. In electricity and gas where the network and suppliers are separate, introducing additional contact with network companies can create disruption, inconvenience and confusion for people in vulnerable circumstances. A single source of data at least by sector held by suppliers should be the primary aim for Ofgem, with a view to widening participation with industries in the future. The outcomes of this should lead to reductions in costs across the industry in managing poor data, and less inconvenient or intrusive contact for the customer.

Theme 2 ‘Supporting those struggling with their bills’

Ofgem’s view suggests this sits within the remit of suppliers. However, DNOs can contribute to fuel efficiency through network improvements focusing on fuel poverty and other innovative ideas. Our initiatives such as the Smart Street project¹ can have a positive impact on consumers by reducing bills.

It is essential that both network companies and suppliers are incentivised to continue to work within their communities, using partnerships and innovation to build resilience. DNOs and suppliers are well placed to help vulnerable customers increase their understanding of how they can reduce their bills through efficient management of their energy, or improve access to transparent information regarding different payment options.

We support the continuation of the Fuel Poor Network extension scheme for off gas customers.

We welcome more specific and ambitious targets set by Ofgem to measure the success of their actions, such as a target to reduce the number of households defaulting on payment arrangements, or the number of fuel poor customers who are off gas.

Theme 3 ‘Driving significant improvements in customer service for vulnerable groups’

The accessibility of customer support services for vulnerable customers is a licence condition for all DNOs, and we support a continued focus on enhancing services tailored to meet the

¹ <https://www.enwl.co.uk/zero-carbon/our-key-innovation-projects/smart-street/what-is-smart-street/>

needs of the customer. No supplier or network company should be limiting their communications largely or solely through digital channels as this creates exclusion. As part of the data capture standard, suppliers should share individual customer's communication preferences with network providers, allowing network companies to utilise the information to ensure a speedy and appropriate response to customers if their supply is lost. Currently DNOs must contact customers directly to find this out, which increases the impact on the customer. Development of a clear data capture standard for information sharing between suppliers and network companies would create a seamless level of customer service in the industry.

There should be a distinction between vulnerability and specific customer needs such as communication and accessibility barriers on the PSR. There has been an increase of 36% in the number of customers on the PSR nationally, and there is there a clear need to ensure those customers receive support tailored to their specific needs. With the potential future growth in the number of vulnerable customers, it will become increasingly important to record the difference between a household with a vulnerability compared to a bill payer with a vulnerability. For example, individuals may require a bill in Braille; however they may choose to not actively register with other companies on their PSR if they are not billed by that company, such as an electricity network company.

It is arguable that treating customers according to their needs should be business as usual. Companies should collect the right information from all of their customers and be prepared to communicate with them in a wide range of forms as a minimum standard.

The outcomes in the Annex could be more specific, for example on the number of customers whose queries are resolved first time, or the decline in the number of reoccurrences of interruptions for vulnerable customers. A net promoter score for customer satisfaction is a clear measure that could be solely focused on PSR customers.

Theme 4 'Encouraging positive and inclusive innovation'

The innovation incentive mechanism has delivered successes for customers, and therefore we support the continuation of innovation incentives. The recent SECV incentives within the RII0-ED1 price review have created significant improvements in customer service at all levels, and networks can use the incentive to drive funding in further service developments. We are strongly of the view that there should be a similar use-it-or-lose-it allowance for electricity distribution (ED) companies for vulnerable customer innovations as there will be in RII0-2 for gas distribution (GD) companies (or to be included within the fund that GD companies are involved in) to encourage cooperation between networks and other organisations. There is potential for significant innovation if companies are incentivised to work together.

We would welcome a single joined up approach to research and sharing learning between companies, and would actively contribute towards this ourselves.

Theme 5 'Working with partners to tackle issues that cut across multiple sectors'

This theme ties in with the issues raised about data quality in theme 1. Ofgem should encourage the development of wider benefits through collaboration within associations like the ENA where gas and electricity networks come together. It would be more efficient to fund a single customer behavioural research programme rather than several different investments performed by multiple organisations. Ofgem could work with the ENA where there is a common purpose to drive learning at low cost to the industry.

As with some of the previous points the outcomes here can be successfully measured through a third party survey to measure performance by all companies.

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.

We agree that the wider affordability pressures need to be addressed by government and the social programme of poverty is not for Ofgem to lead. However there are areas where societal benefits can be achieved through schemes enabled by Ofgem, such as the aim to reduce fuel poverty which is an incentivised objective of network businesses. There must be clear understanding of the responsibilities of Ofgem and how these flow to expectations put on energy companies to ensure that any drive to deal with fuel poverty issues is included within the regulatory framework. Additional customer needs are arising as a result of reduced support from organisations in other areas (such as the NHS) that no longer receive the level of funding from the government as they have historically. It is also a role of Ofgem to highlight the effects of the social issues caused by the lack of government funding or strategy affecting the energy industry and then to work with Government to develop policy and to reflect this back to energy companies through regulation.

Network companies are well placed to assist with affordability as they can make investments in areas that reduce bills for everyone, such as through Smart Street and other innovative ideas. Smart Street is the first demonstration in the UK of a centralised and automated low voltage network management system. In summary, it optimises the voltage of the network by adapting to the demand and supply pressures in real time. It can reduce electricity bills by up to £70 a year, reduce carbon emissions and will provide more flexible solutions to help us connect low carbon technologies to the network, without impacting power quality. Network companies can be incentivised to make such investments in their networks in the interest of customers which can contribute to reducing customer bills.

The level of assistance provided by network companies can range from straightforward energy efficiency support, to radical new thinking regarding restoration strategies driven by quantifying the impact of outages on communities with high concentrations of vulnerable customers, and the value of lost load when an outage occurs. Networks could prioritise different restoration targets based on the social demographics of the affected community, or set different standards for paying compensation. For example, network companies could pay higher compensation rates for vulnerable customers, or pay compensation to vulnerable customers for short outages as different customers are not always equally impacted by power cuts.

Question 3 – 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?

There is the potential for misalignment of the incentives of ED companies compared to GD companies, both in the timing of their price control periods, and also in GD companies providing connections to the gas network for heating for vulnerable consumers whilst also being incentivised on decarbonisation. A national approach would mean that there is consistency between network companies, and more consistent and a better standard of service for customers.

Regulation should be clearer on where the ownership of key strategies lies, such as managing customer data. Suppliers are ideally placed to manage a central PSR, if they allow access to it for other utility companies and charities. This could remove some of the barriers the industry creates for vulnerable customers, particularly around self-identification. Minimising duplication of effort in maintaining customer records would reduce costs for companies and consumers, and reduce complexity for customers.

The incentive to drive increased energy efficiencies in households sits comfortably with network companies as they manage the changing energy system and will be responsible for tackling the capacity challenges of the future. Funding the networks to deliver on schemes will ensure the required speed of change is delivered to achieve the necessary outcomes for

customers. Utilising innovation incentives for suppliers and networks will provide funding for research and development of new systems.

Question 4 – Do you agree with our proposals for the first year of the strategy?

The timescales for the strategy raise concerns in relation to the current GD timelines compared to RIIO-ED2 and the ongoing work on stakeholder engagement for electricity networks. We are concerned that the timelines for delivery do not align with the stretch targets set by the ambitions and current GD business plans may be left waiting until RIIO-GD2 for an update to their licence requirements to deliver the expected outputs.

There is also a risk of misalignment with the stakeholder feedback from GDs into this strategy and priorities not being aligned resulting in a difference between GD and ED obligations.

We agree that the timescales should be challenging to ensure consumer vulnerability is addressed as a priority. However, the timeframe for existing suppliers to deliver new obligations has been slow in the past and this will mean significant change, potentially leaving them with a greater burden compared to newer entrants in the supply market. Supporting competition across the country is essential, but as seen in some of the accessibility pieces some new market entrants at supplier and network level (including independent distribution network operators) are not held to the same standards as incumbents. Consumer vulnerability should be addressed uniformly by all companies, as a customer in a vulnerable situation does not require less support because their network operator or supplier is smaller in scale. Ofgem should consider putting equitable responsibilities on new market entrants to achieve equivalent outputs as larger and existing companies, and encourage all companies to share their learning between each other.