



DATE 07/08/2019

Dear Ms Meghna Tewari

**RE: Energetiks response to the Consultation on the Draft Consumer Vulnerability Strategy 2025**

We are please to respond to the consultation on the proposed Consumer Vulnerability Strategy 2025.

**Energetik’s response to OFGEM’s Draft vulnerability strategy**

**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)?**

<b>Five Priority Themes</b>	<b>Energetik Response</b>
Improving identification of vulnerability and smart use of data.	<p>Energetik support Ofgem’s prioritisation of improving identification of vulnerability by using data. Although we recognise that supporting customers who are vulnerable has complexities around GDPR.</p> <p>Energetik use data available via the “smart meters” we provide to every household receiving heating and hot water from us. We have processes in place that mean that data is interrogated to assist in identifying customers who may have a long-standing issue that means they are vulnerable, or a circumstance has arisen that has led to a period when a customer needs extra help and is therefore vulnerable.</p> <p>Extra help is available for vulnerable customers including account nominees who can act on a customer’s behalf, and we work closely with housing associations and other stakeholders to identify and manage vulnerability. We require our customer services contractor to regularly update and report on our priority services register (for vulnerable customers) to ensure the list is up to date with the right information.</p>



<p>Supporting those struggling with their bills.</p>	<p>Energetik support Ofgem's focus on suppliers to support those struggling with their bills. Energetik believe that this focus on support for customers struggling with their bills delivers both for customers and for suppliers of energy.</p> <p>The business driver for supporting customers is the reduction of debt, reducing cost and risk to the Company.</p> <p>All of Energetik's customers are on a smart 'Pay As You Go' (PAYG) system. We do not charge a premium for being on 'prepayment' as is often the case in the electricity and gas markets. Regardless of a customer's situation, the same tariff is applied to all, albeit that for social housing tenants, an element of the availability charge is passed on to the registered provider.</p> <p>Every energetik customer has a smart meter installed, usually located in the hall for easy access, which provides customers with information on their energy usage in pounds and in kWh. It shows past usage by day, month and year, to assist customers with better budgeting. Further, due to its two-way communication, Energetik can review customer usage and payment history. The Meter provides further features for vulnerability, such as allowing customers to receive audible and visual warnings that their credit is getting low.</p> <p>Should customers forget to top up for whatever reason, Energetik provides a reserve credit function, allowing customers to use heat energy up to a fixed amount until they have had a chance to top up, or if they are having financial problems, to contact us.</p> <p>We have several processes in place that allow us to see if there are patterns of self-disconnection and in these circumstances we contact the customer. If they are struggling, we have various independent agencies that we can refer them to help with income maximisation.</p> <p>Any customers who do accrue debt can seek to agree an affordable repayment plan which means their heating can be reinstated and they can pay the debt over time as a percentage deduction of each top up.</p> <p>However, as this report by Ofgem also highlights affordability of energy is ultimately outside suppliers' powers. It is a function of Government to determine what is an appropriate response. Energetik strive to keep its prices affordable for its customers, being municipally owned.</p>
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<p>Driving significant improvements in customer service for vulnerable groups.</p>	<p>Energetik welcome Ofgem’s intention to drive improvements in services to vulnerable customers. In our experience vulnerability varies form customer to customer. This vulnerability can include; not speaking English as a first language, being in poverty, being blind or being deaf, or any number of other issues that may not initially be considered such as a customer who has been recently hospitalised Vulnerability, as the Ofgem definition makes clear, can be interpreted widely. Energetik recognise this spectrum and have several processes within our overarching vulnerability strategy that address these different needs. As an example,( Energetik supply heat energy), we recognised that some customers are particularly at risk if they could not access heat and hot water. We have therefore used the National Institute for Clinical Excellence guidance around cold homes to focus our vulnerability strategy for these specific customers <a href="http://www.nice.org.uk/guidance/ng6">www.nice.org.uk/guidance/ng6</a></p>
<p>Encouraging positive and inclusive innovation.</p>	<p>Energetik welcome Ofgem’s consideration of reviewing proposed innovation around energy use and metering and how that innovation can be inclusive.</p> <p>Energetik is committed to ensuring that all its customers benefit from its innovations concerning customer service. We provide real and useful, transparent information through our innovative smart meter. We encourage engagement from our customers and deliver that through a wide range of communications methods including, workshops, drop in energy surgeries, telephone, our website, over email and letter.</p> <p>The next phase of our engagement strategy includes ‘community energy champion’ training. This champion training will enable the voice of the customer to be directly heard by our Company. We also intend to put modules together for schools and colleges to help connect our next consumers to their energy use but also to encourage the next generation of energy professional.</p> <p>Our experience is that vulnerable customers use a variety of means to engage with their energy use and require a variety of means for us to talk to them and them to talk to us.</p> <p>The energy industry is going through changes in how energy will be delivered to customers and how and in what ways customers will be able to engage with suppliers.</p> <p>Energetik are already focused on that change and how</p>



	to ensure all our Customers benefit.
Working with partners to tackle issues that cut across multiple sectors.	<p>Energetik welcome Ofgem's commitment to work across sectors, including Government, to address vulnerable customer's needs.</p> <p>Fuel poverty is an example of an issue that crosses over many different sectors and agencies. BEIS is reviewing its Fuel Poverty Strategy, the Scottish and Welsh Governments have a different matrix for determining who is in fuel poverty, the DWP holds significant data on customers on benefits which if could be shared would allow energy suppliers to provide a more valuable service to Customers. There is also ECO and the Warm Homes Discount. Energetik would welcome a statutory agency being responsible for coordinating the sector and being responsible for disseminating information and learning both within the sector and more broadly.</p>

**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.**

Energetik, as an energy supplier, recognise that affordability is a difficult issue. What customers think of as affordable energy is determined by the income of the household and their outgoings. Vulnerability, particularly as the recent Scope report found in the case of disability, can lead to increased costs.

Current interventions by suppliers to make energy more affordable, such as the Fuel Poor Network Extension Scheme, can also increase levels of carbon and NOx. It is also to conflict with Government policy to reduce the amount of fossil fuels being used in homes. Energetik would like Ofgem to consider using some of the monies levied on suppliers, to address affordability and fuel poverty, and to invest in retrofitting social housing with efficient community heating. Many of these large social housing estates have heating systems that are inefficient and costly, often with customers who are in fuel poverty. For those fuel poor customers who are currently using oil or electric storage heaters to heat their homes and are too far away form a community or district heating network, a ground source heating system could be considered.



Energetik agree that, "Government would need to provide the legal underpinnings for many of the fundamental changes in the market. As we go through a period of energy market transformation, it is crucial that we examine our aims through an update our consumer vulnerability strategy to make sure we deliver fair outcomes for consumers in vulnerable situations." P11

**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?**

Energetik would welcome the opportunity to respond to Q3 after the first year of analysis is complete described in Q4.

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

In the first year of the strategy, we will focus on the following:

<b>OFGEM</b>	<b>Energetik response</b>
Create an analytical framework to consistently assess the impact of our policies on particular groups of consumers in vulnerable situations. This will enable us to assess consumer groups at risk in a more targeted way and propose tailored mitigations.	Energetik would support this aim
We aim to strengthen protections to protect consumers in vulnerable situations from self-disconnecting their pre-payment meters. (Ofgem will be consulting end of 2019)	Energetik welcome this proposal. However, in the supply of heat energy, we would emphasize the need of statutory agencies including Ofgem to provide information and recommendations to support and help foster a greater understanding of district/community heating versus the traditional methods of heating homes.  Energetik has a policy ensuring (heat) vulnerable customers do not self-disconnect during the coldest months, to protect those most in need. We have several processes in place that



	<p>allow us to see if there is a pattern that maybe self-disconnection. In these circumstances we contact the customer. If the customer is struggling, we have various independent agencies that we refer them to. We also review any debt they may have and seek to agree an affordable repayment plan. However, as this report by Ofgem also highlights affordability of energy is ultimately outside suppliers' powers. It is a function of Government to determine what is an appropriate response. Energetik look forward to the upcoming consultation on this area at the end of 2019.</p>
<p>Consult on our proposals for the future energy retail market</p>	
<p>Consider formalising the 'Ability To Pay' principles in our rulebook to provide targeted support to consumers facing payment difficulty</p>	<p>Energetik would generally welcome this proposal, with the caveat that innovation is required in developing processes to assist customers who are struggling, for example by utilising behavioural economics.</p>
<p>Propose a requirement on gas network companies to adhere to a vulnerability principle, similar to the obligation that we have placed on gas and electricity suppliers</p>	<p>Energetik would recommend that, in regard to Heat Networks (which may be regulated in the very near future) there needs to be a better understanding of how current private Energy Services Companies' work in terms of tariff modelling and setting (total annual costs including profit / returns is divided by estimated overall annual consumption), therefore any debt risk / vulnerability will no doubt be added to the district scheme costs and be apportioned across all customers. For small schemes this will only increase the costs to all customers.</p> <p>Energetik works on a principle of affordability for customers rather than cost plus, so it sets its tariffs based on indexation meaning they can go up or down (they must always reduce if there is a reduction in indexation). It is therefore in the company's interests to ensure the network is efficient and operating correctly, because it does not have the ability, nor would want, to levy poor network performance on to its customers.</p>

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Thank you again for the opportunity to engage with this consultation.

Yours Sincerely,

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