



OFGEM DRAFT CONSUMER VULNERABILITY STRATEGY 2025

JULY 2019

1. INTRODUCTION

- 1.1. Fair By Design welcomes OFGEM's invitation to comment on the Draft Consumer Vulnerability Strategy 2025.
- 1.2. Please note that we consent to public disclosure of this response.
- 1.3. For more information about this response please contact Martin Coppack, m.coppack@barrowcadbury.org.uk Tel: 0207 632 9060.

2. ABOUT FAIR BY DESIGN

- 2.1. Fair by Design is a movement dedicated to reshaping essential services, like energy, finance and insurance, so they don't cost more if you're poor.
- 2.2. People in poverty pay more for a range of products including energy, through standard variable tariffs; credit, through pay day loans; and insurance, through post codes considered higher risk. This is known as the Poverty Premium.
- 2.3. We collaborate with industry, government, and regulators to design out the Poverty Premium.
- 2.4. Our Venture Fund provides capital to help grow new and scalable ventures to innovate in the market.
- 2.5. Fair by Design was conceived by the Joseph Rowntree Foundation and Big Society Capital. The Campaign is led by the Barrow Cadbury Trust, and the Venture Fund is managed by Ascension Ventures.

RESPONSE TO OFGEM'S DRAFT CONSUMER VULNERABILITY STRATEGY 2025

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

1.1. Improving identification of vulnerability and smart use of data

- 1.1.1. Smart meter data could be used to flag when consumers are self-rationing, or to identify patterns of disconnections i.e. when people are not simply forgetting to top up a prepayment meter. If spotted early, interventions could be made, for instance, to discuss affordability of bills.
- 1.1.2. This would be in the spirit of Energy UK's Safety Net scheme¹, which in turn can prompt individual remedies such as changes to payment method or discretionary prepayment meter credit.
- 1.1.3. Examples of existing innovations that could be utilised include Eon's Smart Thermostat, whose primary use is for room-by-room efficiency, similarly could record unusual trends in use – that could possibly indicate vulnerability.
- 1.1.4. **Recommendation:** Within the energy industry, firms should continue to lead initiatives to streamline the registration process for the Priority Services Register (PSR). The industry should also develop systems that facilitate the transfer of a customer's PSR registration when they switch to a new energy supplier.²

1.2. Supporting those struggling with their bills

- 1.2.1. **Recommendation:** OFGEM should extend the remit of the Warm Home Discount to include all households on a low income, regardless of children or disability. Alternatively, the age limit on the child could be removed, provided the child is still a dependent.
- 1.2.2. OFGEM may also want to address the issues concerning awareness – not everyone in the "Broad Group" realizes their eligibility.
- 1.2.3. The biggest contributor to the Poverty Premium is the result of not being on the best value fuel tariff. The average of Poverty Premiums paid by low income consumers is £490 a year, of which energy bills contribute £233.³
- 1.2.4. Not switching to the best fuel tariff is often due to being time poor or feeling less confident navigating complex markets – which can be linked to vulnerabilities such as poor mental health – however, as Andrew Tyrie recognized, in his speech 'Is competition enough' at the Social Market Foundation, all consumers, regardless of income, can be time-poor, and therefore vulnerable to paying more.⁴
- 1.2.5. **Recommendation:** OFGEM should require firms to introduce auto-switching, in line with the best available price and value. OFGEM's Chief Executive acknowledged that "people who are seen as vulnerable, elderly or with some

¹ <https://www.energy-uk.org.uk/our-work/retail/safety-net.html>

² <https://www.energy-uk.org.uk/publication.html?task=file.download&id=7140>

³ <http://www.bristol.ac.uk/media-library/sites/geography/pfrc/pfrc1615-poverty-premium-report.pdf>

⁴ <http://www.smf.co.uk/andrew-tyrie-keynote/>

issue in accessing the market will need a form of switching service. Probably some long-run intervention will be needed.”⁵

- 1.2.6. The cheapest deal may not always be the best for a consumer, and they may have other concerns e.g. renewable sources.
- 1.2.7. **Recommendation:** OFGEM should consider whether Price Comparison Websites (PCWs) provide consumers with sufficient information on what matters to them, for example, environmental impact, or number of disconnections a certain period.
- 1.2.8. **Recommendation:** The reinstatement of social tariffs, which would pick up on Energy UK’s recommendation.⁶ Social tariffs could complement – or replace – the Warm Home Discount, supporting particular groups of financially vulnerable consumers with their energy costs.
- 1.2.9. We are supportive of the price cap; however, it is due to end in 2023 and OFGEM’s Chief Executive acknowledged that “for vulnerable customers in energy...there will need to be some form of fairly significant long-run intervention in the sector, which might involve a price cap.”⁷

1.3. Driving significant improvements in customer service for vulnerable groups

- 1.3.1. OFGEM should require firms to maintain multiple channels of communication, mitigating against digital exclusion. For instance, enabling the giving of readings over the phone or to speak to someone.
- 1.3.2. **Recommendation:** In light of OFGEM’s Chief Executive admitting that reading an energy bill required some application, OFGEM should consider issuing guidelines that are similar to the FCA’s handbook for firms communicating with bank customers.⁸
- 1.3.3. Money and Mental Health Policy Institute has devised ‘Mental Health Accessible’ standards.⁹ These look at how well a company trains its staff to support customers with mental health problems and whether they offer a wide range of communication channels. They also consider what tools are offered to people to help them stay on top things when they are unwell.
- 1.3.4. Energy UK has a list of voluntary ‘Pre-payment Meter (PPM) principles’ to which approximately 20 firms are signed up.¹⁰
- 1.3.5. **Recommendation:** OFGEM should requiring existing firms and new entrants to adhere to these standards. However, OFGEM could consider creating an independently monitored Code of Conduct for standards of support for customers in vulnerable circumstances.

⁵ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/consumer-protection/oral/102359.html>

⁶ <https://www.energy-uk.org.uk/our-work/commission-for-customers-in-vulnerable-circumstances.html>

⁷ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/consumer-protection/oral/102359.html>

⁸ <https://www.handbook.fca.org.uk/handbook/BCOBS/4.pdf>

⁹ <https://www.moneyandmentalhealth.org/mentalhealthaccessible/>

¹⁰ <https://www.energy-uk.org.uk/files/docs/PPMPrinciples2016.pdf>

1.4. Encouraging positive and inclusive innovation

- 1.4.1. There is a need to ensure that the burden of funding for transitioning to renewable energy sources, i.e. decarbonisation, is not placed on low income groups.¹¹
- 1.4.2. While improvements in energy efficiency and ongoing drops in the price of renewable power will play a major role in reducing the cost of bills over time, it is widely accepted that shorter term costs are higher¹².
- 1.4.3. And while many UK households are reportedly willing to accept some increase of their bills in the meantime (between 9% and 13%) to help finance the future energy transition¹³, this is a privilege not accessible to all households – particularly those with little slack in their existing household budgets.
- 1.4.4. All the while, heating improvements require capital investment. This presents difficulties for people without the capital, or who do not own their own home.
- 1.4.5. Policies may be introduced to encourage households to switch away from natural gas central heating but penalties such as a ‘carbon tax’ on gas, or boiler prohibition would penalize those unable to afford an alternative.
- 1.4.6. **Recommendation:** OFGEM should conduct a review of the Energy Company Obligation (ECO3) and the roles of other stakeholders in ensuring proper insulation and other energy efficiency measures for households across the country, focusing first on fuel poor households and those in social housing.
- 1.4.7. **Recommendation:** OFGEM should look to other regulators to set up a mission-based sandbox for new startups and/or intrapreneurs/teams within firms to ensure innovation is pursued to a positive end e.g. identifying vulnerability.
- 1.4.8. This should incorporate Inclusive/Universal design principles to:
 - 1.4.8.1. guide an approach to understanding the needs of all consumers (through evidence, research and market analysis), to help set priorities, develop and implement interventions, and assess their effectiveness.
 - 1.4.8.2. guide OFGEM’s expectations of firms to embed consideration of low-income consumers when they design and deliver products and services.

1.5. Working with partners to tackle issues that cut across multiple sectors

- 1.5.1. With regards to the Priority Services Register, as per OFGEM’s Chief Executive’s evidence to the Public Accounts Committee ¹⁴, there is currently “no legal basis to share evidence from the priority services register with (another regulator).”
- 1.5.2. **Recommendation:** OFGEM should explore providing a single sign-up point to register for the support services available from utilities.
- 1.5.3. This could resemble E.ON’s Care and Assessment Tool (CAST).

¹¹ <https://www.theyworkforyou.com/wrans/?id=2019-07-25.912194.h&s=%22low+income%22#g912194.q0>

¹² <http://www.smf.co.uk/ask-the-expert-how-can-we-ensure-a-just-transition-to-a-low-carbon-economy/>

¹³ *ibid*

¹⁴ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/consumer-protection/oral/102359.html>

- 1.5.4. CAST is a tool designed to help EON’s customer service advisers recognise and record vulnerable circumstances. This enables advisers to offer customers services that are relevant to their situation. CAST can flag to an adviser that a customer may be experiencing payment difficulties based on changes in the customer’s behaviour, and by helping to have conversations about ability to pay that a customer may not raise for themselves.
- 1.5.5. Where customers consent to their data being shared with other industry organisations such as distribution network operators (DNOs), it will send the details on to them. This helps these third parties to prioritise in the event of power outages and emergencies and allows them to service the customer’s needs.
- 1.5.6. **Recommendation:** OFGEM should establish a cross-sector sandbox, which could resemble the sandbox set up by the Information Commissioners Office (ICO), where data sharing innovations can be tested.¹⁵
- 1.5.7. This could build on work such as the Energy Networks Association (ENA) & Water UK joint working group to go further and be expanded to include financial vulnerability data sharing.
- 1.5.8. However, as per OFGEM’s Chief Executive’s evidence to the Public Accounts Committee, there is, because of data protection reasons, an inability to match a specific meter to whether or not someone is on benefits, for example.¹⁶
- 1.5.9. **Recommendation:** We therefore agree with the conclusion that legislation is required to facilitate non-financial and financial data sharing. This would ensure the support is targeted at those in most need of it.

2. Do you agree with our approach on affordability?

(While we recognize this is a concern for many consumers in vulnerable situations, we think addressing wider affordability pressures is mainly a matter for government to address)

- 2.1. OFGEM should be more ambitious and take a leadership role in addressing affordability concerns and supporting those consumers struggling with their bills.
- 2.2. Where OFTEM is unable to act, it should publicly hand over ‘problem areas’ to the government so it can take remedial action.

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

- 3.1. We firmly believe that OFGEM should adopt inclusive design principles to:
 - 3.1.1. guide an approach to understanding the needs of all consumers (through evidence, research and market analysis), to help set priorities, develop and implement interventions, and assess their effectiveness.

¹⁵ <https://ico.org.uk/about-the-ico/news-and-events/news-and-blogs/2019/03/ico-opens-sandbox-beta-phase-to-enhance-data-protection-and-support-innovation/>

¹⁶ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/consumer-protection/oral/102359.html>

3.1.2. guide OFGEM's expectations of firms to embed consideration of low-income consumers when they design and deliver products and services.

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

4.1. We are generally supportive of the proposals for the first year of OFGEM's strategy.

4.2. We support a requirement on gas network companies to adhere to a vulnerability principle, similar to the obligation placed on gas and electricity suppliers.

4.3. In addition to loyalty penalty protections, OFGEM should, as part of its Future Energy Retail Market Review, consider Social Tariffs.