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Our ref

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Date

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8 August 2019

Dear Meghna

Draft Consumer Vulnerability Strategy 2025

WPD supports Ofgem's draft strategy and I have pleasure in providing the following answers in response to the specific questions set out in the recent consultation. Where Ofgem's desired outcomes are relevant to networks we have also given feedback for consideration. None of our answers are confidential.

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

WPD supports the five priority themes and Ofgem's required outcomes. In each case WPD has already made huge progress around the outcomes Ofgem proposes. Some examples of our initiatives follow and further, more detailed, information can be found in WPD's 2018/19 Stakeholder Engagement and Consumer Vulnerability Incentive submission at: <https://yourpowerfuture.westernpower.co.uk/ofgems-secv-incentive>.

Outcome 1A: We want energy companies to act swiftly to provide support to the people who need it. To ensure they can do this, we want them to regularly maintain and proactively update the data they hold on their customers, including their Priority Services Register data.

WPD has two dedicated data cleanse teams (20 staff) that proactively contact every Priority Services Register (PSR) customer by phone to update their details, give power cut advice and offer additional fuel poverty support. 55 wider Contact Centre staff are trained to top-up this activity during quiet periods and this led to 1.1 million customers on our register being proactively contacted during 2018/19. We believe this cleansing activity should be conducted by all network companies.

Outcome 1B: We want to see evidence that there has been an improvement to support consumers to self-identify, for example through best practice guides that are easy to access and understand.

WPD uses a wide range of communication tools and partnership work to help consumers self-identify their eligibility to be registered on the PSR. As noted in the Ofgem strategy, our

contact centre staff are trained by various organisations enabling them to offer bespoke help and advice to customers. In addition, this year we created five short animated videos for consumers and our partners to explain the benefits of the PSR for key hard-to-reach groups: carers, ventilator users, hearing impaired, recent hospital leavers and sufferers of mental health issues. These videos are available online and have been shared with our network of referral partners. In addition, the pages on our website specifically for vulnerable customers are currently undergoing a full refresh with the help of our Customer Collaboration Panel.

Outcome 1C: We want to see better use of data across regulated sectors to enable more holistic and targeted support for consumers in vulnerable situations.

By April 2020 the UK Regulator's Network wants water companies to be included in the data share process currently in place between networks and suppliers, so that customers vulnerable to a power, gas or water outage only have to tell one organisation. In 2017/18 we launched the UK's first 'DNO to water' PSR data share process with Welsh Water. We now have manual agreements in place with five of the eight companies in our area to allow DNO to water sharing. We are keen to develop the process and have already trialled sending and receiving automatic data flows (via the industry gateway run by ElectraLink) with Anglian Water and Severn Trent Water – in addition we have proactively offered to undertake this testing with all water companies in our area.

We would like to express some concern that the industry-wide data share project has currently stalled. Whilst a number of water companies reassure us they are keen to progress, there is a real risk of the project not progressing due to some water companies using GDPR concerns as a reason not to proceed and/or making extensive requests for standardised industry-wide business processes. This could jeopardize the success of the project and act as a barrier to customers in vulnerable situations getting critical support in an emergency.

We would argue that whilst GDPR and the continued protection of customer's sensitive data is highly important, companies should be independently and individually responsible for ensuring their own continued compliance (with both licences and GDPR statute).

Question 2: Do you agree with our approach on affordability?

Ofgem states that addressing wider affordability pressures is mainly a matter for government to address. It is also evidenced in the strategy that affordability can be measured by examining rates of fuel poverty. Whilst the outcomes required in the strategy are focused on supplier actions and the likelihood of customers self-disconnecting, WPD believes there is a very clear role for network companies to help address fuel poverty.

Where companies can demonstrate a clear link between fuel poverty and their core obligations to support vulnerable customers (in relation to emergencies and outages, for example), then companies have a responsibility to do so.

WPD's own research (in 2016/17) revealed that of those customers in fuel poverty, 43% are also eligible for the Priority Services Register (PSR). Identifying and supporting customers affected by fuel poverty is therefore a key responsibility for network companies; however, it is for them to work with their stakeholders to define how far these responsibilities go and what outcomes they should be expected to deliver.

WPD's Contact Centre handled over 2.1 million contacts with customers last year and 1.1m of those contacts involved conversations with vulnerable customers. Arguably therefore, network companies are already evidencing that they are well placed to facilitate support for fuel poor customers. This can include life changing assistance such as tariff switches, boiler replacements and behavioural changes leading to reduced energy consumption.

In relation to WPD's role to address fuel poverty, we have worked with our stakeholders to define how far we should go in relation to this issue and ensure that we do not go beyond our core responsibilities as a network company. By ensuring we address fuel poverty via schemes primarily driven to identify new customers for the PSR (who would struggle to cope during an outage), we were able to support 17,764 fuel poor customers to directly save £6.4 million a year in 2018/19. These outcomes could be replicated by all network companies in all GB regions, delivering huge benefits for customers in vulnerable situations.

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?

WPD noted in Ofgem's recent RII0-2 Sector Specific Methodology Decision that the financial stakeholder incentive will be replaced by bespoke outputs network companies propose in their individual Business Plans. WPD has concerns about the logic of this approach. The current incentive scheme drives innovation and continual improvement through annual competitive assessment, which risks being lost here. New initiatives come via an evolving and expanding programme - companies can't predict five years into the future what they will deliver that is innovative and value-adding. If delivery is to become limited to only initiatives companies commit to at the start of the price control, then there is a risk that they will cease to be as innovative as at present.

Ofgem's own feedback after the 2018/19 incentive scheme continues to highlight that there has been a significant step-change in the approach of companies in this area as a result of the financial incentive structure. Ofgem's assessment of companies, and associated rewards achieved, has helped to drive up standards in an area where outcomes and benefits for customers can be largely qualitative and difficult to quantitatively value. However, there remains some way to go and there is currently a significant disparity in the different performance levels of companies in relation to addressing consumer vulnerability.

Citizens Advice Scotland's recent policy paper '*Pylons, Pipes and People: Energy networks in Scotland and their changing role with consumers*' concluded that the gap in service provision for vulnerable customers is dramatically different depending on where they live. A financial incentive (potentially penalty and reward) would help to tackle the considerable differences in effort made by companies and the quality of outcomes achieved. A reputational incentive alone is unlikely to drive this same rate of improvement, given that there will be limited consequences for companies failing to aim for the most ambitious innovation and maximum value outputs.

Outcome 3A: We want energy companies to have a corporate culture that focuses their efforts to identify and support consumers in vulnerable situations.

WPD fully supports this objective. WPD's CEO and Directors annually review WPD's stakeholder engagement and consumer vulnerability strategies. WPD's structure, based around local depots and managers with responsibility for all aspects of service delivery within specific geographic regions, ensures employees are close to the customer at all times

and recognise the direct impact they have on the services and improvements we deliver. In recent years all WPD field and front line staff have had training on consumer vulnerability and now have the ability to arrange welfare support during outages (planned and unplanned), arrange for crisis packs to be delivered to those who need them and sign customers up to the PSR.

Outcome 3B: We want industry to have systems to better target and to tailor their customer service to consumers with specific needs, and

Outcome 3D: We want consumers to be effectively identified as eligible for priority services; and for them to receive consistent and high-quality priority services in a timely way.

Ofgem expresses a concern that not all companies may be taking appropriate steps to identify vulnerability and then tailoring the approach to treat these customers fairly. WPD supports Ofgem's plan to investigate further the issue around customers being unaware of the PSR and the benefits of being registered.

WPD has been fully compliant with the British Standards Institution (BSI) Standard for Inclusive Service Provision (BS18477) for six years. These robust assessments provide an independent, external view of our performance and are integral to the process of updating our vulnerability strategies each year. We are surprised that Ofgem's strategy did not express a desire for all energy companies to work to the BSI Standard. Ofgem's 2013 strategy suggested it was a worthwhile standard to work to, yet uptake from energy companies has been patchwork to date.

Outcome 4A: We want all consumers (particularly those in vulnerable situations) to have access to affordable energy and suitable services. We want products and services to be designed to meet the needs of a wide range of consumers (including the most vulnerable).

We've made a significant addition to our strategy this year in light of the development of distribution system operations (DSO). As we work to deliver a smarter, more flexible, dynamically-operated energy system, it is vital we "leave no vulnerable customer behind in a smart future". Part three of WPD's 2018/19 Stakeholder Engagement and Consumer Vulnerability submission (<https://yourpowerfuture.westernpower.co.uk/downloads/39103>) details this strategy in full.

Outcome 4B: We expect suppliers and networks to demonstrate innovative measures to support consumers in vulnerable situations.

In the same way that Network Innovation Allowance funding (and previously the Low Carbon Network Fund) has successfully encouraged network companies to develop new innovative ways of working (that has laid the ground works for smarter energy systems) and helped to facilitate low carbon technologies, there is a similar and related role for innovation funding within the area of consumer vulnerability. For example, funding could enable companies to trial initiatives to ensure that vulnerable customers are not left behind in a smart future, but instead are able to fully participate and access the benefits that this transition may bring.

WPD supports Ofgem's proposal to implement a 'use it or lose it' allowance, welcoming the flexibility this provides for companies to deliver new ideas throughout the RIIO-2 period, via ongoing engagement with partners.

The funding would be intended to drive new and ongoing innovation, which often needs time to develop and respond to changing external factors (e.g. the current fast-paced changes associated with the transition to smarter energy distribution systems). Furthermore, new

innovative ideas may be generated as a result of projects undertaken early within the price control period. To lock-down innovation to pre-defined schemes before such projects have been delivered, would risk stifling innovation.

It is essential that where a flexible option is implemented, funding is only awarded when there is a clear focus on the achievement of outcomes and benefits for customers. In keeping with the overall RIIO model, the responsibility should fall with companies to work with stakeholders to define appropriate outcomes to deliver and to then co-create outputs by which these will be achieved.

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

WPD has no comments or concerns with Ofgem's proposals to focus on the stated deliverables in the near future.

If there are any aspects of this letter that you would like to discuss further then please contact me at awilkes@westernpower.co.uk or on 01332 827647.

Yours sincerely,

A handwritten signature in black ink that reads "A. Wilkes". The signature is written in a cursive style with a long horizontal line extending to the right.

ALEX WILKES
Stakeholder Engagement and Social Obligations Manager