

# NEA Response to Ofgem Supplier Licensing Review



Action for Warm Homes

## About National Energy Action (NEA)

NEA<sup>1</sup> works across England, Wales and Northern Ireland to ensure that everyone in the UK<sup>2</sup> can afford to live in a warm, dry home. To achieve this we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local projects and co-ordinate other related services which can help change lives.

## Background to this response

NEA welcomes this consultation to consider whether new mechanisms are needed to ensure that all suppliers are commercially sustainable and can therefore act in the best interests of their customers. We accept that an outcome of a competitive market is that new participants enter the market, and existing participants exit, but it is important that households are protected when this happens. It is also important that Ofgem acts to prevent avoidable exits, as they propose in this consultation. NEA's delivery activities and advocacy priorities are closely aligned with supporting all market participants to deliver strong improvements for consumers in vulnerable situations:

- **Improving identification of vulnerability and smart use of data** through our advocacy on the digital economy act which has helped energy suppliers to identify households with certain needs, cutting the costs of delivering the Warm Home Discount.
- **Supporting those struggling with their bills** through our continued participation in Warm Home Discount industry initiatives, and other similar schemes. Last year (2017/18) we led five industry initiative schemes, helping approximately 4,000 people with their energy bills.
- **Driving a step change in customer service for vulnerable groups** through our training courses, including "Identifying Fuel Poverty and Vulnerability". Each year we train approximately 3,000 frontline staff, who will go on to help an estimated one million people.
- **Encouraging positive and inclusive innovation through innovation projects**, such as our "Technology Innovation Fund" where overall over 44 projects were awarded funding (with an additional two programmes granted funding in 2017), involving 19 types of technology and 66 products, all targeted at people in vulnerable situations.
- **Working with partners to tackle issues that cut across multiple sectors** within our project with Northumbrian Water to identify the options for jointly combating water and fuel poverty together, bringing learnings and insights across the two sectors to more effectively provide support in the North East, and ultimately the rest of Great Britain

## Our response

NEA welcome proposals to ensure that customers receive adequate protection on debt after administrators take this debt on from suppliers and encourage Ofgem to eliminate the risk of administrators treating customers unfairly

Whilst we understand Ofgem's reasoning behind proposals to allow multiple suppliers to become the SOLR for a single supplier failing (for example splitting the customer base by domestic and commercial, or by payment type), we consider that there could be some unintended consequences that Ofgem need to more fully consider and mitigated before any final decision is made. Those which we have identified are:

- The 'ghettoisation' of customers who pay by standard credit, whereby cheaper suppliers are not willing to take them on because they are higher cost to serve.
- Prepayment customers having different outcomes to credit customers in a SOLR event, which might be unfair in the case that the tariffs that they are each moved on to are substantially different (and likely higher for those who have prepayment meters).
- Where the splitting of the customer base by domestic and commercial, or by payment type results in some customers being transferred to a market participant that do not carry social obligations such as the Warm Home Discount (WHD) scheme

Additionally, we believe that the proposals to ensure that Ofgem ensure that as suppliers grow in size, that their systems are robust enough to deal with the various obligations that they begin to carry. This is a sensible approach and would lead to better outcomes for those customers helped by the obligations. Suppliers delivering on those obligations need to be fit for purpose. Another area that we consider to needs consideration from Ofgem is how suppliers more generally approach vulnerability. Each licenced supplier, regardless of their size, should have a

strategy for identifying and providing services for vulnerable customers, but it is important that as suppliers grow in size, their strategy becomes more robust. Ofgem could implement a check of vulnerability strategies as soon as a supply licence is applied for and then at different stages of market size to ensure that suppliers have adequate systems and resources in place in order to meet Standard Licence Condition 0 in an effective manner. Ofgem must also take enforcement action if suppliers fail to comply with their obligations under SLC 0 and SLC 26. Ofgem must stress its willingness to regulate all licensees to ensure they are compliant with the domestic Standards of Conduct and not accept large variances in the different protections and services being delivered across different energy suppliers, depending on their size and capacity. In addition, Ofgem must ensure suppliers that deliver Government obligated programmes are communicating the support that is available in more consistent and accessible formats, provide adequate advice and are clearly signposting how other forms of supplier-led assistance can be accessed if the most vulnerable fail to benefit from different supplier-led schemes<sup>3</sup>.

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<sup>1</sup> For more information visit: [www.nea.org.uk](http://www.nea.org.uk).

<sup>2</sup> NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

<sup>3</sup> Energy suppliers offer a range of services but these are often poorly promoted as part of ECO by obligated parties or their suppliers and contractors. Without adding costs to the ECO scheme, obligated parties and their suppliers and contractors should be able to provide information on how households can register for priority services, get the best energy tariff, check if they can receive the WHD and hence benefit from the Safeguard Tariff, make a meter reading, benefit from a smart meter, how to maximise their income, contact their supplier to discuss energy debt, benefit from a carbon Monoxide alarm or free gas safety check.