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Priority Services Register Review – Final Proposals

Consultation

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Overview:

In June 2014 we consulted on proposals to review provisions for the Priority Services Register (PSR) to ensure that the existing services relating to safety, access and communication in the energy market meets the needs of consumers in vulnerable situations. Proposals included: changes to eligibility requirements to ensure support is better targeted to customers in vulnerable situations; updated services to deliver better overall customer experience and ensure equal outcomes for customers based on vulnerability needs; improvements to how data about customers registered for PSR services is recorded and shared between energy companies with the appropriate privacy protections and customer consent; provisions to allow for better awareness of and take-up of services, and provisions for improved company compliance and performance monitoring.

This document sets out our final proposals for consultation for the PSR following our review. Included in the document is a draft impact assessment, alongside our draft licence conditions which we are also consulting on for suppliers and distribution networks in line with our final proposals.

Subject to stakeholder responses we expect to issue a statutory consultation in spring 2016.

Context

Our Consumer Vulnerability Strategy (CVS) published in 2013 sets out our approach to identifying and tackling consumer vulnerability. It recognises that vulnerability is about the situations and circumstances that consumers are in, rather than just about individual characteristics. Risk factors stem from personal and wider circumstances as well as from the energy market itself, and vulnerability can be transient as individual consumers' circumstances change.

Alongside the CVS we published a work plan, which included a commitment to review the PSR to ensure that existing support to access the energy market meets the needs of consumers in vulnerable situations. This document sets out our final proposals for consultation following our review.

This document also considers links to other Ofgem policy areas, including reliable next-day switching, Project Nexus (improving systems in the gas industry) and a transition to increased reliance on principles.

Associated documents

Consumer Vulnerability Strategy, 2013
https://www.ofgem.gov.uk/publications-and-updates/consumer-vulnerability-strategy

Review of the Priority Services Register, 2014
https://www.ofgem.gov.uk/ofgem-publications/88552/condocpsrreview-pdf

Review of the Priority Services Register – update and next steps, 2015
https://www.ofgem.gov.uk/publications-and-updates/review-priority-services-register-update-and-next-steps

Social Obligations Annual report, 2014
https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/annual_report_2014_final_0.pdf

Statutory consultation on the Standards of Conduct
https://www.ofgem.gov.uk/publications-and-updates/proposed-licence-modification-slc-1-and-insertion-new-slc-25c

RIIO-ED1 stakeholder engagement and consumer vulnerability incentive consultation
https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-stakeholder-engagement-and-consumer-vulnerability-secv-incentive-consultation

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Executive Summary

Energy supply and distribution network companies have an overarching responsibility to protect customers in vulnerable situations through statutory obligations placed on them in their licences and other legal requirements including the Equality Act. Ofgem's Consumer Vulnerability Strategy (CVS), published in July 2013 provides the framework for considering vulnerability. The overarching objective of the CVS is for companies to understand and identify the causes of vulnerable situations in the energy market. We expect companies to embed consideration of customer vulnerability when they design and deliver products and services.

There is a requirement on energy companies to provide certain services free of charge (referred to as non-financial services) relating to **safety, access and communication** to specified groups of customers. As energy is an essential service, the provision of these services to customers in vulnerable situations is vital to ensure these customers are appropriately supported and protected.

Our proposed changes to the priority services licence conditions for suppliers and distribution networks set out our expectations to the industry on how it should identify vulnerability and provide appropriate support around safety, access and communication. We believe the industry can do more to be flexible and innovative so as to ensure positive outcomes for customers.

Suppliers and electricity distribution network operators (DNOs) are currently required by their licences to maintain a register and put customers from certain eligible groups on the register when they request it. The eligible groups are currently people of pensionable age, the disabled, those who are chronically sick, and those with visual or hearing problems.

Our initial proposals [1] for changes to the priority services provisions showed that the current arrangements often follow a 'tick box' approach and are not fully supporting customers in vulnerable situations. Some of the key problems include:

- **Eligibility** is currently defined by specific groups but most eligible customers are not on a register. There are also customers who do not meet the current eligibility criteria but would benefit from receiving additional services.

- The provisions for offering **services** do not currently allow flexibility, for example to take account of advances in technology. They require reviewing and updating to ensure they provide support to meet the needs of customers in vulnerable situations.

- There is currently limited **awareness** of the Priority Services Register (PSR) and what it offers. Our evidence showed that only 24% of consumers are aware of any

non-financial support provided by energy companies for customers in vulnerable situations[2]; the low uptake of services may reflect this.

- The provisions for **recording and sharing vulnerable customer data** across suppliers and distribution network companies to identify and respond to customer needs are poor and inconsistent, and do not reflect our wider definition of consumer vulnerability.

The collective effect of the above is creating poor outcomes for consumers in vulnerable situations.

Final proposals

Our final proposals are as follows:

- **Eligibility and customer identification**

  - Make it the responsibility of suppliers and distribution networks to identify the appropriate customers for PSR services.

  - Apply an outcomes-based model to services offered by suppliers; remove 'core' eligibility groups for supplier services and instead introduce a broader eligibility requirement based on customer need. Retain core groups for the safety-related services offered by distribution networks as a minimum. As part of this we propose to add families with children aged five and under to the core eligible groups based on evidence that this group suffers detriment from disrupted supply.

  - Our changes will ensure that PSR support is better targeted to customers in vulnerable situations.

- **Services**

  - Update the PSR services offered to customers in vulnerable situations to meet their safety, access and communication requirements. We expect companies to offer other services to customers if they identify need, and where doing so is practicable.

  - Our changes will ensure that services deliver better overall customer experience and ensure equal outcomes for customers based on vulnerability needs; by this we mean that customers should not feel disadvantaged or be in

[2] https://www.ofgem.gov.uk/ofgem-publications/75553/quant-psr-research-mori-consumer-vulnerability-strategy-june-2013.pdf

a worse situation due to their personal characteristics, situation or circumstance.

- **Data recording and sharing**

  - Require all energy companies to record relevant data about their vulnerable customers and to share it with each other with the customer's informed consent using consistent vulnerability categories. Our changes will optimise eligible customer identification and provide a more holistic customer service. The industry has led the development of the consistent categories through the ENA Customer Safeguarding Working Group (consulting with consumer groups).

  - Supplier-to-supplier sharing of vulnerable customer data at the point of switching to ensure customers continue to receive appropriate support. This is to be considered within the scope of Ofgem's project on reliable next-day switching. In the meantime we expect suppliers to consider appropriate communication approaches with customers to help move a PSR customer from an old to a new supplier as efficiently as possible.

- **Raising awareness of services and take-up**

  - Energy companies should promote the PSR services to make more customers aware of the support available and increase consumer trust. Companies are encouraged to do this through the single brand name 'Priority Services'.

  - Energy companies with Citizens Advice and other third party advisors should develop customer advice and information materials on the PSR provisions.

- **Compliance and performance monitoring**

  - Retain the existing reporting requirements for suppliers and DNOs covering the provision of priority services. We will consult on changes to the supplier Social Obligation Reporting (SOR) requirements to update the information on priority services to align with our proposals.

  - We will also measure more widely suppliers' performance and quality of service provided to customers in vulnerable situations including the provision of priority services. Performance monitoring for networks will continue through the Stakeholder Engagement Incentive for DNOs and Gas Distribution Networks (GDNs) and the Discretionary Reward Scheme for GDNs.

To support these proposals we are consulting on changes to the following licence conditions: Standard Condition 26 of the Gas and Electricity Supplier Licences, Standard Condition 10 of the Electricity Distribution Licence, and Standard Condition 17/Standard Special Condition D13 of the Gas Transporter Licence.

In addition we have reviewed the provisions for gas suppliers to provide free gas safety checks (Standard Licence Condition 29). At this stage we do not propose changing it to an obligation to include pregnant women due to potential difficulty in identifying pregnancy alongside the already tightly drawn criteria for this service. We note however that there is some support for this suggestion and encourage suppliers to consider how support can be provided in this situation.

Overall, we consider these changes will benefit customers in vulnerable situations by ensuring that they are not disadvantaged or receive a worse service because of their personal characteristics, situation or circumstance. We also expect the industry to be proactive in developing innovative solutions which provide support for these customers as appropriate to their needs.

Increased reliance on principles

Our changes to Supply Licence Condition SLC 26[3] have taken into account our transition to relying more on principles than prescriptive rules in the way we regulate the retail market. We think that relying more on principles, where appropriate, will focus our efforts as regulator on more effective and comprehensive consumer protection, create room for innovation and put a greater onus on suppliers to understand and deliver what is right and fair for all consumers, including those in vulnerable situations. The changes would require suppliers to identify customers in vulnerable situations and to offer them appropriate services to deliver positive outcomes. We continue to see Standards of Conduct (SoC) working alongside the revised provisions of SLC 26 to ensure that customers are treated fairly.

Next steps

We welcome your feedback on these proposals and the associated draft licence conditions, along with evidence by **18 February 2016**. Subject to consultation responses, we expect to issue a statutory consultation on licence changes in spring 2016.

We expect these changes to come into force later in 2016, taking into account the various links with other policy areas and timescales for industry systems changes.

[3] The Standard Conditions of Electricity Supply Licence:
https://epr.ofgem.gov.uk//Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf
The Standard Conditions of Gas Supply Licence:
https://epr.ofgem.gov.uk//Content/Documents/Gas%20supply%20standard%20licence%20conditions%20consolidated%20-%20Current%20Version.pdf

Introduction

Chapter Summary

This chapter gives an overview of the current arrangements, the case for making changes and the background to the PSR Review including wider developments.

Current requirements on suppliers and distribution network operators

1.1. Under their licence conditions,[1] suppliers and electricity distribution network operators (DNOs) are required to maintain a Priority Services Register (PSR) and put domestic customers from certain eligible groups on the register when they request it. Gas distribution networks (GDNs) are not required by their licence conditions to hold a list of their domestic vulnerable customers.

1.2. All energy companies are required to offer eligible customers – those who are of pensionable age, disabled and chronically sick and those with hearing and visual needs – access to free services designed to help them with their access, communication and safety needs. These are referred to as non-financial services.

1.3. In addition, energy companies must publish information about their obligations to maintain a PSR, to provide services and how to join the PSR. They must make this information readily accessible on their website and tell customers about it once a year.

The case for change

1.4. Our research suggests that the current PSR provisions are not providing fully effective support to customers in vulnerable situations.

1.5. Eligibility is currently defined as specific groups, and most eligible customers within these groups are not on a PSR. Conversely, not all eligible customers,

[1] Standard Licence Condition 26 for gas and electricity suppliers – https://epr.ofgem.gov.uk//Content/Documents/Electricity%20Supply%20Standard%20Licence%20Conditions%20Consolidated%20-%20Current%20Version.pdf , https://epr.ofgem.gov.uk//Content/Documents/Gas%20supply%20standard%20licence%20conditions%20consolidated%20-%20Current%20Version.pdf
Standard Licence Condition 17 for gas distributors – https://epr.ofgem.gov.uk//Content/Documents/Gas_transporter_SLCs_consolidated%20-%20Current%20Version.pdf
Standard Special Condition D13 for gas distributors: https://epr.ofgem.gov.uk//Content/Documents/Standard%20Special%20Conditions%20-%20PART%20D%20Consolidated%20-%20Current%20Version.pdf
Standard Licence Condition 10 for electricity distribution network operators - https://epr.ofgem.gov.uk//Content/Documents/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf

including some who are on a PSR, actually need any of the priority services. There are also customers who do not meet the current eligibility criteria but would benefit from receiving additional services.

1.6. Take-up of PSR services is also low. We estimated that of those registered on suppliers' PSRs in 2013, only 21% of electricity consumers and 26% of gas consumers benefited from a service[2].

1.7. That service take-up is low may reflect the current types of customers covered by PSR services – we want to ensure that the right services are offered to the right people. By targeting the groups of customers that are in most need of these services, we could ensure that take-up is increased where appropriate.

1.8. Low service take-up may also reflect the fact that not many people are aware of the PSR and what it offers. Only 24% of consumers are aware of any non-financial support provided by energy companies to customers in vulnerable situations, and only around one in ten customers can name a PSR service without being prompted[3]. The services themselves also need updating to reflect advances in technology.

1.9. Additionally, provisions for recording and sharing vulnerable customer data to identify and respond to customer needs could be improved and made more consistent across the industry.

1.10. There is a case to align current PSR provisions with our revised approach to consumer vulnerability, as laid out in our Consumer Vulnerability Strategy (CVS)[4]. The Strategy, published in July 2013, introduced a new definition of vulnerability which recognised that vulnerability in the energy market is based on personal characteristics and circumstance together with aspects of the market. In addition, vulnerability itself can be transitory as individual consumers' circumstances change.

1.11. On the basis of the case for change outlined above, in June 2014 we consulted on initial proposals to change the PSR provisions. Our consultation reviewed existing provisions for eligibility, services, data recording and sharing, awareness and take-up of services, and compliance and performance monitoring. It set out our vision that the provisions should deliver equalised outcomes for customers. By this we mean that customers should not be disadvantaged or receive a worse service as a result of being in a vulnerable situation.

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[2] Based on 2013 figures and using the generous assumption that each instance of a PSR service being provided can be associated with a different customer. In reality we would expect that a number of PSR customers will receive more than one service from their supplier resulting in this calculation over estimating the percentage of PSR consumers receiving a service.

[3] https://www.ofgem.gov.uk/ofgem-publications/75553/quant-psr-research-mori-consumer-vulnerability-strategy-june-2013.pdf

[4] Consumer Vulnerability Strategy, July 2013: https://www.ofgem.gov.uk/publications-and-updates/consumer-vulnerability-strategy, Progress Report, September 2015: https://www.ofgem.gov.uk/publications-and-updates/consumer-vulnerability-strategy-progress-report

1.12. Following stakeholder responses, we published an open letter in March 2015 outlining our updated proposals and intended next steps.

1.13. Our final proposals in this document have been developed after considering responses to our June 2014 consultation and our open letter in March 2015, together with extensive stakeholder engagement, including workshops and meetings with industry representatives and consumer groups.

1.14. Alongside our final proposals we are consulting on changes to the licence conditions for both suppliers and distribution networks. For distribution networks, our proposals cover DNOs and GDNs in addition to independent DNOs (iDNOs) and independent GDNs (iGDNs). We are consulting on changes to the following licence conditions: Standard Condition 26 of the Gas and Electricity Supply Licences, Standard Condition 10 of the Electricity Distribution Licence, and Standard Condition 17/Standard Special Condition D13 of the Gas Transporter Licence.

1.15. We recognise that there are links to the priority services provisions in other supplier and distribution network licence conditions. We will consider these in light of this review and propose relevant changes where appropriate.

1.16. Some companies highlighted the impact our initial proposals would have on delivery costs. Further to seeking views on this, we have assessed the costs and benefits of our proposals through a draft impact assessment published alongside our final proposals in **Appendix 2**.

Wider developments

1.17. Our approach to the proposed changes to the PSR has taken into account a number of interacting policy areas. These have informed the overall scope of the changes, the way we have updated the relevant PSR obligations, how obligations relate to other protections for vulnerable consumers and the timescale for the changes.

Increased reliance on principles

1.18. Our proposed changes to SLC 26 will help us move towards relying more on principles to protect consumers in vulnerable situations. One of the main benefits we see in this approach is creating room for innovation, so suppliers can be more flexible in how they meet the needs of their customers to ensure positive and appropriate outcomes. Relying more on principles will also place a greater onus on suppliers to understand and deliver what is right and fair for all consumers to encourage higher standards and a consumer-centred culture.

1.19. Following stakeholder feedback from our supplier workshops on the PSR and future retail regulation project in summer 2015, we have explored whether a model based on principles or prescription would protect consumers in vulnerable situations best.

1.20. In light of this, we have considered each of the provisions of the supply licence conditions covering priority services[5] to see if the Standards of Conduct provisions (SoC) in SLC 25C, together with other legislation such as the Equality Act, provide a clear alternative.

1.21. Although we continue to see SoC as helping to ensure that customers are treated fairly, we consider that we should not solely rely on these for delivering PSR provisions, given their broad focus.

1.22. In addition, we are signalling that suppliers should continue to consider other ways to assist consumers in vulnerable situations. Using the revised vulnerability categories and getting suppliers to be more active in identifying eligible customers will help achieve this.

1.23. Suppliers broadly agreed with our proposed approach and considered that guidance may help them to interpret this in practice. In addition, we propose to introduce measures to allow for more effective compliance and monitoring of supplier performance towards meeting their PSR obligations. This includes updating the current Social Obligations Reporting criteria. We will also consider running a SoC Panel with a vulnerability focus. **Chapter 5** has more information on our proposals for compliance and performance monitoring.

Other industry definitions of vulnerability

1.24. We are aware that our proposed PSR obligations for vulnerable consumers differ from existing industry definitions of vulnerability such as that set out under the Smart Metering Installation Code of Practice (SMICoP) and the Energy UK Safety Net. We are mindful of these differences and will work with stakeholders where necessary to ensure that requirements are clear and consistent where appropriate.

Reliable next-day switching

1.25. There may be benefit in aligning the two-way sharing of PSR data between energy companies with the new supplier switching arrangements. We will look to incorporate the outcomes of our review within these arrangements as they are developed.

Distribution networks

1.26. Both gas and electricity distribution networks have incentives under the RIIO price controls to fund the improvements we propose under the PSR. The Broad

[5] SLC 26 for gas and electricity suppliers. SLC 29 for gas suppliers has also been reviewed; however this is a separate licence condition and so does not sit under the current PSR provisions.

Measure of Customer Service provides incentives for both DNOs and GDNs to deliver good customer service. One component of this is the Stakeholder Engagement and Consumer Vulnerability Incentive for DNOs.

1.27. We set out in our RIIO-ED1 decision document the type of activities and behaviours the DNOs will need to perform to fulfil this role and have consulted on how these can be included in the incentive[6]. We want to encourage DNOs to maximise their role in understanding, identifying and dealing with consumers in vulnerable situations. In particular, we wanted the DNOs to:

- Demonstrate a strategic understanding and commitment to the role that network companies can play in tackling social issues relevant to customers in vulnerable situations.
- Engage with stakeholders to improve the data and information that they hold on vulnerable customers and what they do with it.
- Improve the approach taken to the management and use of Priority Service Register and associated services.
- Develop and use partnerships (e.g. referral networks) to identify and deliver solutions (both energy and non-energy) for vulnerable customers.
- Embed their strategy for addressing consumer vulnerability in their systems, processes and how they manage customer interaction.

1.28. GDNs have similar arrangements under a Stakeholder Engagement Incentive, which drives network companies to engage effectively with stakeholders to inform how they plan and run their business.

1.29. GDNs also have incentives under the gas Discretionary Reward Scheme (DRS). The gas DRS is designed to reward performance of those GDNs which best serve the interests of customers by delivering outputs across three specified categories, beyond those funded at the RIIO GD1 price control: social, environmental and carbon monoxide safety outputs[7]. Scope to support vulnerable customers is covered within these outputs.

1.30. Under the RIIO-GD1 arrangements, the next gas DRS is in 2018 with a maximum reward of £12m available across the GDNs over the price control period

[6] https://www.ofgem.gov.uk/ofgem-publications/47068/riioed1decoutputsincentives.pdf.
[7] RIIO-GD1 is the first gas distribution price control under the new RIIO (Revenue = Incentives + Innovation + Outputs) model. RIIO-GD1 is set for an eight-year period from 1 April 2013 to 31 March 2021.

1.31. We intend the Stakeholder Engagement and Consumer Vulnerability Incentive for the DNOs and both the Stakeholder Engagement Incentive and the gas DRS for the GDNs to play an important role in our monitoring of distribution network performance against delivering their obligations under the PSR.

1.32. We are proposing to make changes to the distribution networks licence conditions, noting that the intended outcomes are rewarded through these regulatory processes. **Chapter 5** provides further detail on our proposals for compliance and performance monitoring.

1. Final proposals for enhancing eligibility and customer identification

Chapter Summary

This chapter summarises our final proposals for enhancing eligibility and customer identification. It considers the current arrangements and issues, associated stakeholder feedback on our initial proposals, and next steps.

Question

1. Do you agree with our final proposals for enhancing eligibility and customer identification and the associated proposed licence conditions?

Current arrangements

1.1. Suppliers and DNOs are required to offer PSR services to specified groups of domestic customers. They must maintain a PSR and put eligible customers on the register when they request it. GDNs are not required by their licence conditions to record and hold a list of their domestic vulnerable customers, but are still required to offer eligible customers PSR services.

1.2. Eligible customers are those who are of pensionable age, disabled and chronically sick and those with hearing and visual impairments. All energy companies are required to offer eligible customers free services to help them with their access, communication and safety needs.

Issues we have identified

1.3. Current eligibility requirements for PSR services are defined by specific groups of customers with particular characteristics.

1.4. However, not all eligible customers necessarily need priority services. Conversely, there are other types of customers that would benefit from access to additional services but are not currently eligible. This view is supported by our research[8] and responses to our original consultation which demonstrated that the current eligibility criteria are too narrow and need to take into consideration other customers in vulnerable situations.

[8] https://www.ofgem.gov.uk/sites/default/files/docs/2013/07/vulnerable-consumers-and-the-priority-services-register-june-2013-%28bt%29_0.pdf

1.5. The current arrangements also do not prompt energy companies to identify and respond to their customers' needs. Furthermore there is a need to align existing eligibility requirements with our CVS and its approach to identifying vulnerable customers.

1.6. Customers in vulnerable situations are less likely to identify themselves as vulnerable and are therefore less likely to seek assistance, be it from their energy company or a third party. This could also contribute to the low numbers of customers registered on company PSRs[9]. These types of customers could therefore benefit from their supplier seeking to identify their eligibility for PSR services, rather than relying on the customer to identify themselves.

1.7. We therefore consulted on using a definition of vulnerability for the eligibility criteria for PSR services, based on our CVS, to ensure that the PSR provisions are more inclusive.

Our final proposals

1.8. Our final proposals for eligibility are as follows:

- Amend the current eligibility criteria for PSR services to bring more in line with our CVS definition of vulnerability with **suppliers offering services to customers in vulnerable situations based on their needs.**

- **Retain core eligible groups for services related to safety needs (offered by distribution networks).** Services must be offered to these customers as a minimum level of protection. The core groups are: of pensionable age, disabled, chronically sick and families with children aged five years and under (the latter group is an additional group as evidence shows that they are vulnerable during supply outages).

- Energy companies will be expected to **identify** such customers and offer them appropriate services.

1.9. Below we explain the detail, rationale and potential implementation timescales for these proposals.

Widening the eligibility criteria and core eligibility groups

[9] At the end of 2014, 11% of electricity accounts and 10% of all gas accounts were on suppliers' PSRs. This is an increase in 1% for both electricity and gas numbers from the previous year's reporting, however is still considerably low. The low uptake of priority services could be a result of lack of awareness of services. For DNOs, 9.8% of customers were registered on their DNO's PSR in 2013/14, and this increased to 11.3% in 2014/15.

What

1.10. We propose to change the eligibility criteria for PSR services to ensure that a customer in a vulnerable situation who needs additional support to help them with their access, communication and safety needs in the energy market receives it free of charge from their energy company.

Why

1.11. In response to our initial proposals and open letter, there was overall support for widening our eligibility criteria, although some consumer group stakeholders considered that core groups should continue to be defined across all services to provide a minimum level of protection.

1.12. There was also some concern among companies that widening the eligibility criteria would increase PSR customer numbers and therefore increase costs.

1.13. One supplier was concerned that using the term 'typical' customer would create uncertainty in determining the threshold of eligibility.

1.14. We have decided to retain core eligibility groups for the priority services relating to safety that are offered by distribution networks, to ensure a minimum level of protection for customers during network incidents. We expect companies to look beyond these core groups in offering services to customers that fall outside of these groups who also require additional assistance. In response to further evidence, we also considered where the core eligibility groups could be expanded for safety-related services.

1.15. Distribution networks and consumer groups both considered it vital that companies should also be given the flexibility to consider the individual needs of their customers and offer them additional services to address these requirements. We consider that our revised eligibility criteria provide the means for energy companies to do this. iDNOs have also supported our proposals.

1.16. Below we have outlined the analysis for the treatment of the core eligible groups.

<u>Pensionable age or aged 75 years and over</u>

1.17. We consulted on proposals to amend the 'pensionable age' category of the core eligible groups to 'aged 75 years and above'[10]. This was on the basis of a

[10] The specific services to which this proposal relates are: advice and information during and in advance of supply interruptions offered by DNOs; alternate heating and cooking facilities offered by GDNs; and free gas safety checks offered by gas suppliers.

suggestion from consumer groups that the pensionable age group could be better defined to include pensioners who are most in need. This also supported wider evidence suggesting that the risk of detriment through factors such as health and living alone increased due to age[11].

1.18. In line with these views, we considered that our proposal would better target support to those who really needed it. It was intended that customers who fell in between the categories 'pensionable age' and 'aged 75 years and over' and were in need of PSR services would continue to be captured under our proposals for a new consistent set of vulnerability categories and 'needs' codes[12].

1.19. Feedback from distribution networks and National Energy Action (NEA) in consultation responses however, suggested that older age (including those under the age of 75) should continue to be recognised as a risk factor and that the current category of 'pensionable age' provided the appropriate coverage of customers that may need safety-related services. NEA cited 'pensionable age' as consistent with coverage for wider support in the energy market. It was also considered that further defining this group to 'aged 75 years and above' could risk excluding customers between the age boundaries of 'pensionable age' and 'aged 75 years and above'.

1.20. We have therefore decided **not** to amend the 'pensionable age' core eligible group to 'aged 75 years and above'. However, we expect energy companies to capture information about these customers to help target support during a supply interruption, along with other specific 'needs', as part of our proposals for a new consistent set of vulnerability categories and 'needs' codes. Further details are in **Chapter 3.**

Families with children aged five years and under

1.21. We consulted on proposals to add 'families with children aged five years and under' and that are in vulnerable situations to the core eligible groups of customers to whom certain safety-related services[13] should be offered as a minimum. This was on the basis of a range of evidence from the Children's Society, the government's recent Fuel Poverty Strategy[14] and other government support schemes which suggested that young children are at particularly high risk of suffering detriment from living in cold homes, and are therefore more susceptible to detriment caused by supply interruption.

[11] http://www.ageuk.org.uk/Documents/EN-GB/Factsheets/Later_Life_UK_factsheet.pdf?dtrk=true
[12] These are codes used to transfer data about vulnerable customers between energy companies using industry data flows.
[13] The specific services to which this proposal relates are: alternate heating and cooking and facilities service offered by GDNs, and advice and information during and in advance of supply interruptions offered by DNOs.
[14] [14] The government's Fuel Poverty strategy recognises the impact of fuel poverty on young children in line with its High Cost Low Income model: https://www.gov.uk/government/consultations/cutting-the-cost-of-keeping-warm-a-new-fuel-poverty-strategy-for-england

1.22. There was overall support from our stakeholders on our proposal. The link with the detriment caused by vulnerability within this group was acknowledged, as was the link with the government's Fuel Poverty strategy and eligibility for existing support schemes for the fuel poor including Warm Home Discount and Cold Weather Payments.

1.23. Some DNOs reported that they are already offering their safety-related services to households with young children in an attempt to capture and help the most vulnerable households. One DNO was concerned about the risk of capturing too many customers that by definition fit these eligibility criteria but did not necessarily require the relevant services. There was an acknowledgement of the transient nature of this core group and the challenge of keeping records up to date to ensure the services were being delivered where most needed.

We therefore propose to include families with children aged five years and under as a core category for network companies, to ensure those that require the additional support in relation to their safety needs, are offered the appropriate services to do so. We expect companies to act proportionately in the steps they take to identify these customers and have the relevant systems in place to ensure that their records of these customers are kept up to date.

Pregnant women

1.24. We consulted on proposals to add pregnant women who own their own home and are on means-tested benefits to the current eligibility criteria for free gas safety checks. This service is offered by gas suppliers under SLC 29. It is not a PSR service but has been considered under this review due to the similarity of support for customers and our concern over the low take-up of this service over recent years[15].

1.25. Our proposal to add pregnant women to the eligibility criteria for this service was on the basis of evidence received from the All Party Parliamentary Carbon Monoxide Group (APPCOG) outlining the risks to pregnant women from carbon monoxide poisoning.

1.26. Suppliers agreed in principle to the proposal, but raised concerns on viable methods and techniques to capture potentially sensitive information. Some suppliers were also concerned about the transient nature of this vulnerability and the challenges of maintaining up to date information. A GDN also cited the range of support provided to customers by gas networks on carbon monoxide, with a view to building further on cross-industry initiatives. Citizens Advice supported the proposals although did not provide additional detail and we did not receive any further views from outside the industry.

[15] In 2014, around 28,000 free gas safety checks were carried out in Great Britain, compared to around 17,000 free gas safety checks carried out in 2013, and 40,000 free gas safety checks carried out in 2009 (https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/annual_report_2014_final_0.pdf).

1.27. Having considered the responses, on balance we have decided **not** to amend the current obligations for gas safety checks under SLC 29 to introduce pregnant women as an additional eligible group.

1.28. However, consistent with our move towards considering regulating through principles, we encourage suppliers to consider the support they can provide when they identify customers in vulnerable situations at risk of CO poisoning. We will continue to monitor supplier performance on the take-up of free gas safety checks through the SOR. Suppliers should consider adapting their communications to ensure that their written materials and oral scripts are tailored to obtain this information in a sensitive and non-obtrusive way. This would align with our overall ambition to embed our wider vulnerability model into supplier practices.

1.29. We will monitor supplier activity in delivering this service to their customers in vulnerable situations, with a view to making changes at a later date where necessary.

Customer identification

What

1.30. We propose to require energy companies to take reasonable steps to identify eligible customers for their PSR customers. This entails picking up on signs and trigger points from customer interactions in addition to using relevant approaches to target promotion and awareness of services. We consider that this will ensure that the right services and support are delivered to the right people in the most cost-effective way.

Why

1.31. We received overall support from stakeholders on our proposal to require companies to identify eligible customers for PSR services. Stakeholders agreed that the current model, where the onus is on customers to contact their energy company to register for PSR services, needed to be revised to fit into our model of vulnerability published in our CVS.

1.32. We have noted that energy companies have already started to adopt this approach in their businesses. Responses to our June 2014 consultation and our March 2015 open letter confirmed that some good practice has developed across energy companies.

Summary – existing requirements and final proposals

Current requirements	Final Proposals
• Eligibility limited to defined groups of customers: ○ of pensionable age ○ disabled ○ chronically sick ○ blind/partially sighted and deaf/hearing impairments	• Eligibility widened to customers in vulnerable situations with specific needs • Revised core eligibility groups for safety-related services offered by distribution networks. The following customers to be offered services as a minimum: ○ of pensionable age ○ chronically sick or having an impairment, disability or long term medical condition (including but not limited to a visual, auditory or mobility impairment) ○ families with children aged five and under
• Customer to request to be added to supplier/DNO priority services register to receive a service.	• Companies to identify eligible customers in vulnerable situations.

Next steps

1.33. We will issue a statutory consultation to gather final stakeholder views. Our view is to implement our final proposals on eligibility and customer identification after publishing the licence modification in 2016.

1.34. We will monitor the delivery and impact of company performance in identifying vulnerable customers following their implementation next year, using measures described in **Chapter 5,** with a view to making any changes if we consider them necessary.

2. Final proposals for improving priority services

Chapter Summary

This chapter provides a summary of our final proposals for improving PSR services. It considers the current arrangements and issues, associated stakeholder feedback on our initial proposals and next steps.

Question

2. Do you agree with our final proposals for amending the PSR services and the associated proposed licence conditions?

Current arrangements

2.1. Energy companies are required to offer a specific set of services free of charge to customers who are registered for their PSR. These services are intended to offer assistance to customers with additional needs relating to safety, access and communication.

2.2. The prescribed services across companies which are designed to offer **safety related assistance** are password schemes and advice and information about planned and unplanned supply interruptions. In addition, there are some services that are offered by companies to customers in vulnerable situations which sit in separate regulations. For example, gas suppliers are required to provide free gas safety checks to customers that meet separate eligibility requirements, while GDNs offer alternative heating and cooking facilities to their customers in vulnerable situations for certain lengths/types of interruption.

2.3. The prescribed services designed to offer **access related assistance** are re-siting of the customer's prepayment meter (if the customer cannot readily access it) and quarterly meter readings of non-prepayment meters if nobody in the customer's household is able to read the meter.

2.4. The prescribed services designed to offer **communication related assistance** are accessible bills and statements of account, redirection of bills to a nominated person, facilities to complain for blind/partially sighted and deaf/hearing impaired customers and the provision of information about the PSR that is suitable to the customer's special communication needs.

Issues we have identified

2.5. Suppliers and GDNs currently have obligations to offer only the services specified in their licence conditions[16] to their PSR customers. In doing so, the current arrangements do not provide these companies with an incentive to consider how to identify and respond to their customers' needs more widely. DNOs are currently expected to provide certain support for customers during interruptions but also tailor additional support on the ground based on need.

2.6. We consider that the provision of services should be judged by outcomes for customers. All energy companies should be required to deliver services, which, so far as possible, result in delivering specific equalised outcomes to the customer, based on an assessment of their circumstances and situation. In doing do, we expect industry to be flexible and innovative in the services that they provide to customers and have systems and approaches that proactively help them to factor in the special circumstances of consumers. This includes factoring changes to reflect advances in technology, such as the smart meter roll-out.

Final Proposals

2.7. Our final proposals for services are as follows:

- Outline a set of **services based on delivering specific outcomes which should be offered to PSR customers free of charge** to provide a minimum level of protection.

- Companies must offer the following services to their PSR customers, free of charge:

    - All energy companies to offer appropriate mechanisms to enable customers to identify energy company representatives - this could include password schemes;

    - All energy companies to formulate communications in an accessible format appropriate to the customer's Personal Characteristics and/or vulnerable situation. For suppliers this includes but is not limited to bills, statements of account, and any other information the licensee is required to provide to the customer;

[16] DNOs are an exception to this; they have conditions specifying that they are free to offer services to Domestic Customers that exceed those required by the licence condition. The same also applies in respect to their eligible customers.
https://epr.ofgem.gov.uk//Content/Documents/Electricity%20Distribution%20Consolidated%20Standard%20Licence%20Conditions%20-%20Current%20Version.pdf

- DNOs to continue to offer advice about precautions to take in the event of an interruption to supply and information about planned and unplanned interruptions and the help available;

- All companies (suppliers, DNO and GDNs) should continue to provide information on the provision of facilities for the customer to contact the licensee and ask/complain about services in accessible formats;

- Suppliers to offer appropriate arrangements to read the customer's meter at appropriate intervals, where the customer is unable to do so;

- Suppliers to make appropriate arrangements to ensure the safe and practicable access to the functionality of the customer's prepayment meter;

- Suppliers, on request, to redirect communications associated with a customer's account to a nominated person (with both party's consent);

- Our expectation is that these services should be offered by way of a minimum. Where other vulnerability needs are identified which require services outside of this list, **energy companies should offer appropriate services to address these needs where it is reasonably practicable to do so.**

2.8. Below we explain the further detail, rationale and implementation timescales for these proposals.

Formalising Knock and Wait practice through regulations

2.9. In our March 2015 open letter we proposed to add a new service, 'Knock and Wait', to the prescribed set of services that companies should offer to their PSR customers. This service ensures that a company representative waits for a longer period of time when waiting for the customer to answer their door during a planned visit. It was intended that 'Knock and Wait' would be beneficial for customers who required a longer period of time than the typical customer to answer their door.

2.10. Responses from energy companies suggested that it would be challenging to regulate this given the need to determine specific waiting times. It was considered that it was not necessary to set this as a prescribed PSR service as it appears to already be offered by some companies. In addition, from a commercial perspective there is an incentive on suppliers to wait for a response to achieve good customer service and avoid costs of repeated visits.

2.11. Having considered this further feedback we are **not** proposing a specific obligation on energy companies to offer a 'Knock and Wait' service.

2.12. We consider this type of support is one suited to a principles-based approach, where companies offer this service to customers where a need is identified and where it is reasonably practicable to do so. We therefore encourage companies to

consider developing 'Knock and Wait' approaches to ensure a good customer service outcome is achieved.

2.13. Quarterly meter reads

2.14. Suppliers are currently required to read a meter at least once a quarter where the customer is unable to do so, and to provide the customer with that reading. We proposed to retain a meter reading service but to update the requirement to ensure it remains appropriate particularly in relation to smart meters.

2.15. Following consultation, one supplier raised a proposal for this service to be aligned with the customer's chosen billing plan. The supplier explained that this was to ensure that the customer would only get billed at the periods agreed under their chosen plan, therefore preventing the customer from receiving too many bills/statements should the customer wish that. We sought informal feedback from suppliers on this proposal. They provided a range of views based on their different existing billing practices and their links to meter reading.

2.16. Whilst we consider there would be benefits to amending the service to suit customers who prefer to align the meter reading service with their existing billing arrangements, we recognise that other customers may prefer the security that a separate quarterly meter read service provides in allowing them to engage more fully with their energy consumption and costs. In addition, the roll out of smart meters could potentially see suppliers developing alternative arrangements to read customers' meters, such as the use of remote methods.

2.17. We have therefore decided to amend the service to ensure that suppliers are offering a service that is best suited to the customer's needs. Suppliers should offer appropriate mechanisms to enable a customer's meter to be read, and at intervals that are appropriate to the needs of the customer.

Advice and information during and in advance of supply outages

2.18. We proposed in our June 2014 consultation document that GDNs should be required to offer advice and information to their vulnerable customers in relation to planned and unplanned supply outages. GDN performance in this area is measured through a customer satisfaction survey on gas emergencies which specifically asks customers on their views on communication during interruptions[17]. We considered that aligning GDN requirements with those already on DNOs provides protection to those customers equally at risk if their gas supply is interrupted.

2.19. We have considered feedback from GDNs on this proposal together with the current approach to incentives and monitoring GDN performance; in particular the

[17] This is following a change on 1 April 2008 which amended the Overall Standards of Performance for gas distributors to remove provisions for GDNs to keep customers informed during unplanned interruptions.

results of the customer satisfaction surveys which have shown good levels of customer satisfaction with emergency services. We have therefore decided **not** to place an additional requirement through licence conditions on GDNs to offer this service.

Summary - existing requirements and final proposals

Current requirements	Final Proposals
• Specific prescribed services offered by suppliers and distribution networks to eligible customers around safety, access and communication	• Suppliers to offer services focused on delivering specific outcomes to customers in vulnerable situations • Distribution networks to offer specific prescribed services to customers with safety and access needs • All energy companies to offer wider services to customers where need is identified and where reasonably practicable.

Next steps

2.20. Following our consultation on the changes to licence conditions which reflect these proposals around services, we will issue a statutory consultation to gather final stakeholder views. Our view is for implementation of our final proposals around services to begin following the publication of the licence modification in 2016.

2.21. We will monitor the delivery and impact of company performance in line with our proposals around services following their implementation next year using a package of measures as described in **Chapter 5**, with a view to making any changes should we consider them necessary for effective delivery.

3. Final proposals for recording and sharing information

Chapter Summary

This chapter provides a summary of our final proposals for recording and sharing information. It considers the current arrangements and issues, associated stakeholder feedback on our initial proposals and next steps.

Question

3. Do you agree with our final proposals for recording and sharing information about customers in vulnerable situations and the associated proposed licence conditions?

Current arrangements

Recording information

3.1. Suppliers and DNOs are required to 'establish and maintain a Priority Services Register' which contains details of eligible customers to enable the licensee to fulfil its obligations under its licence conditions.

3.2. These companies record information about their vulnerable customers using vulnerability flags and hold these against the customer's account. These are used to help the energy company provide appropriate services to these customers to address their vulnerability needs.

3.3. GDNs are currently not required to establish and maintain a PSR. They are not required to hold vulnerable customer data against a 'register' of vulnerable customers. Information about customers on their distribution network is provided to GDNs by gas suppliers.

Sharing information

3.4. It is vital that DNOs and GDNs know if customers attached to their networks have special communication needs or are at particular risk if their supply is interrupted. Suppliers are required by their licence conditions to share appropriate information with the relevant distribution network.

3.5. Electricity suppliers are required to share PSR information about customers who have agreed a password or require advance notice of any interruption because

of chronic sickness or disability with DNOs. This information is shared via industry data flows[18]. These flows transfer a contact name, address and a 'needs' code used to define the customer's vulnerability needs.

3.6. Gas suppliers are required to share information about any customer on their PSR with GDNs. This is currently shared indirectly – the information is passed from the supplier to the shipper, which then passes the information through XoServe to the GDN. They also share this via industry data flows[19].

3.7. DNOs must share information about customers they have added to their PSR with electricity suppliers. This information is currently shared electronically. There are no industry data flows to transfer this data.

3.8. GDNs are not required to participate in a two way data sharing process with gas suppliers. This creates an inconsistent approach towards identifying, recording, holding and sharing vulnerable customers' needs across the industry.

3.9. Although there is a process in place for dual fuel suppliers to share information about their customers with gas-only suppliers, we understand that this is not currently common practice. This process would allow gas suppliers to obtain information about their customers, where they are currently unable to obtain this information directly from the relevant GDN.

Issues we have identified

3.10. We consider that energy companies should share relevant information about vulnerable customers with each other, with the informed consent of the customer, to allow a more joined-up customer service. Processes for recording and sharing data are inconsistent across the industry and more effective systems need to be in place. Industry data flows do not exist for all data sharing routes, leading to inconsistent sharing 'offline' between certain energy companies and resulting in what can be inefficient customer service.

3.11. The industry codes ('needs' codes) that are used by companies to record and share data are inconsistent and outdated. In addition, the categories used to describe vulnerability needs in the codes do not always match the descriptions used by individual companies, resulting in the customers' situation being recorded incorrectly. As a result the information shared between companies within the codes is challenging for companies to interpret which can lead to poor customer outcomes.

[18] Master Registration Agreement (MRA) data flow D0225 (Customer Special Needs)
[19] Supply Point Administration Agreement (SPAA) data flows S83 and S84, which provide 'Consumer specific details for use in emergencies and by Meter Reading Agencies'.

Final Proposals

3.12. Our final proposals for recording and sharing information are as follows:

- All companies should **record** relevant information about customers in vulnerable situations, with informed consent, to allow them to better respond to their customers' needs. These should be reviewed and maintained periodically.

- All companies should, with informed consent of the customer, share relevant information with other companies in line with the new **set of vulnerability categories and associated 'needs codes'** to allow them to capture and share data consistently and provide the appropriate services to customers to address their vulnerability needs.

- Companies should share the information recorded about their vulnerable customers with each other in a **2-way process**. Suppliers should share information they identify about their customers' needs with DNOs and GDNs, and DNOs and GDNs should share information they identify about their customers' needs with suppliers. The two-way process should only occur with the customer's informed consent. This will be a phased process, with electricity changes to take place from 2016 and gas changes to take place from 2017.

- Energy companies should **develop the appropriate mechanisms** to share this data through changes to relevant industry codes.

- We expect to look at the potential to include supplier-to-supplier data sharing as part of developments in Ofgem's project on reliable next-day switching. In the absence of an industry mechanism to allow data about customers to be shared between suppliers in an instance of change of supplier, we expect **suppliers to consider appropriate communication approaches with customers to help move a PSR customer from an old to a new supplier.**

3.13. We received overall support for our initial proposals. There was agreement that the 'needs' codes needed to be aligned between gas and electricity companies to allow a more joined up and effective approach to sharing data in a consistent manner between companies.

3.14. The Customer Safeguarding Working Group (CSWG)[20], led by the Energy Networks Association (ENA) and chaired by National Grid, has developed the consistent vulnerability categories and processes for data sharing.

3.15. Both energy companies and consumer groups expressed they were content with our proposals around sharing data but placed an emphasis on the importance of

[20] Terms of Reference:
https://www.ofgem.gov.uk/sites/default/files/docs/2015/03/energy_networks_association_response.pdf

robust safeguarding of vulnerable customer data. In addition, it was highlighted that customer data should only be shared upon receiving the informed consent of the customer. Some stakeholders raised concerns on sharing customer data between energy companies, to ensure that only the necessary customer information was being shared with the appropriate companies. A Privacy Impact Assessment is being undertaken by the working group to assess this issue.

3.16. We consider that scope to support vulnerable customers is covered within the existing outputs of the gas Discretionary Reward Scheme and Stakeholder Engagement Incentive schemes.

Customer Safeguarding Working Group

3.17. This group was set up in 2014 to discuss a variety of issues across the energy industry. Over the last year the Working Group, which combines expertise across suppliers, networks and Citizens Advice, has been leading the development of a consistent set of industry codes for the purposes of consistent cross-industry recording and sharing.

3.18. Significant progress has been made through the working group on the development of a consistent set of needs codes. Through bringing the energy industry together and consulting with external experts, the group has been able to a co-ordinate and agree a more standardised and simplified approach. We anticipate that the common set of needs codes will not only support our ambition to deliver better customer service to all but also potential future requirements for wider data sharing with other utilities, such as water.

3.19. Feedback from national charities, consumer groups and emergency services at both a national and local level has also been considered in the development of the needs codes and categorisation. A copy of the draft 'needs codes', which are still in working progress, can be found in **Appendix 4**.

3.20. The Working Group has also looked into methods for sharing relevant data about vulnerable customers from GDNs to gas suppliers. Currently, single fuel gas suppliers do not receive information about the vulnerable needs of their customers from the relevant GDN[21]. GDNs are able to pick up valuable information about their customers' needs' during their site visits at times of crisis; this information could be crucial in providing the appropriate services a customer needs. However, there is currently no process to transfer this data to gas suppliers. The working group carried out GDN pilots to test mechanisms for sharing the relevant information from GDNs to gas suppliers.

3.21. The group is currently working on developing a robust industry mechanism for sharing data consistently and in a two way process between energy companies with

[21] Dual fuel suppliers already have a two way sharing mechanism between supplier to DNO.

the appropriate safeguarding practices with a target date to implement changes across gas and electricity by mid-2017.

3.22. In our June 2014 consultation document, we sought views on sharing data more widely with other utilities and other fuel providers. We outlined the feedback received from stakeholders on this proposal in our March 2015 open letter and on this basis have decided not to include this in final proposals. A separate workstream under the UK Regulators Network (UKRN) on vulnerability is looking at improving the current signposting mechanisms that exist on vulnerability support between the energy and water sectors. The workstream is led jointly by Ofgem and Ofwat[22].

Next steps

3.23. We are consulting on changes to the supplier licence conditions in line with our final proposals for data recording and sharing. We are not proposing any changes to the distribution network licence conditions, as we consider that the current incentive schemes already offer appropriate coverage.

3.24. We expect implementation of our final proposals around data recording and sharing to take place through **two phases of activity.** Our draft licence conditions also recognise that the implementation of requirements will be phased through changes to industry codes and designations by GEMA.

3.25. We understand that electricity suppliers and networks are to implement IT changes to systemise use of new vulnerability categories and needs codes from June 2016. This will be phase one.

3.26. Due to the delivery timetable of Project Nexus (changes expected to take place from October 2016), gas suppliers and networks are expected to be able to implement IT changes to systemise the use of new vulnerability categories and needs codes, from June 2017. In the meantime, we expect the gas industry to pick up on lessons learnt from the earlier electricity roll-out and to be in a position to implement their changes as soon as practically possible and will continue to monitor industry's progress on this.

3.27. In line with this and upon the successful implementation of our proposals, we will seek to consider including other utilities as part of the data sharing process. As

22 The UKRN is a network of UK regulators established to share experience and best practice across a variety of industries. Members include the Civil Aviation Authority (CAA), the Financial Conduct Authority (FCA) and Payment Services Regulator (PSR), Office of Communications (Ofcom), the Office of Gas and Electricity Markets (Ofgem), Office of Water Regulation (Ofwat), the Office of Rail Regulation (ORR) and the Northern Ireland Authority for Utility Regulation (UREGNI). Further information can be found here: http://ukrn.org.uk. The relevant workstream is focused on developing a common mechanism for signposting to assistance for customers across the energy and water sectors, and working with energy and water companies to adopt a common set of 'vulnerability flags'.

previously described, work on this between the energy and water industry is currently underway through a vulnerability workstream under the UKRN.

3.28. We will monitor the delivery and impact of these proposals following their implementation in 2016 using the package of measures described in **Chapter 5**, with a view to making any changes should we consider them necessary for effective delivery.

4. Final proposals for improving awareness of the priority services

Chapter Summary

This chapter provides a summary of our final proposals for improving awareness and take-up of PSR services. It considers the current arrangements and issues, associated stakeholder feedback on our initial proposals and next steps.

Question

4. Do you agree with our final proposals for raising awareness of the priority services, including any specific suggestions for energy companies to improve awareness?

Current arrangements

4.1. Energy companies are currently required to prepare and set out a statement on their obligations under the PSR in plain and intelligible language. They are required to publish that statement and make it readily available on their website where applicable, and to take all reasonable steps to inform their domestic customers of the statement and how to find it at least once a year. Companies are also required to give a copy of the statement free of charge to any customer on request.

4.2. Awareness of PSR services is low and this is thought to impact the take-up of services. In addition, some stakeholders consider that the current use of different names amongst some suppliers to promote PSR information leads to customer confusion and subsequent detriment.

4.3. Only 24% of customers are aware of any non-financial support provided by energy companies to customers in vulnerable situations, and only around one in ten customers can mention a PSR service without being prompted[23].

[23] https://www.ofgem.gov.uk/sites/default/files/docs/2013/07/quant-psr-research-mori-for-consumer-vulnerability-strategy-june-2013_0.pdf

Issues we have considered

4.4. We want to see improved awareness of the PSR so that there is an increased take-up of services by those customers who need them. We consider the industry can do much more to promote the help available.

4.5. We are aware, that some energy companies are using different names to promote their PSR provisions and the services available to customers. This practice is considered to cause confusion amongst consumers in relation to the services available and the obligations on companies to deliver these effectively. In our March 2015 Open Letter we proposed introducing a single cross industry brand to ensure a consistent and joined up approach to help with visibility and understanding amongst consumers. Responses were generally supportive of this proposal and it was considered that the term 'Priority Services Register' would be the most appropriate joint name to promote awareness effectively.

4.6. Some energy companies have, however, expressed concern with this proposal if it would mean that they would need to stop using their existing brand names. We understand that some companies use their respective brand names as an 'umbrella' service to promote a variety of support schemes available to their customers, of which the PSR scheme could be one of them. They were supportive however of making references to the joint branded term in their communications.

Final proposals

4.7. Our final proposals for increasing awareness and take-up of services are as follows:

- Companies are **encouraged to use the term 'Priority Services'** consistently when promoting information about the PSR provisions and services available.

- Third party advice providers to use **materials developed jointly with Ofgem to provide information to customers on PSR provisions.**

- **Companies to consider customer needs and circumstances and look to develop more innovative ways to increase customer awareness and promote take-up of PSR services.**

- Networks should continue to **prepare and set out statements on their obligations under the PSR**, in plain and intelligible language. Statements should be made readily available on their website where applicable, and companies should take all reasonable steps to inform their Domestic Customers of the statement and how to find it at least once a year. Companies should also still be required to give a copy of the statement free of charge to any customer on request. In line with standards of conduct we also expect suppliers to continue to provide this information.

Next steps

4.8. We expect companies to be taking steps to increase awareness and take-up of PSR services, as per our proposals, following the publication of our final licence modification in 2016.

4.9. We will engage with companies and monitor their practices through the package of measures detailed in **Chapter 5** to ensure effective delivery. We will also work jointly with consumer groups to produce an advice guide for third parties to assist them in providing information to vulnerable consumers.

5. Final proposals for improving compliance and performance monitoring

Chapter Summary

This chapter provides a summary of our final proposals for compliance and performance monitoring. It considers the current arrangements and issues, associated stakeholder feedback on our initial proposals and next steps.

Question Box

5. Do you agree with our final proposals for the approach to monitoring energy company performance in this area?

Current arrangements

5.1. Suppliers are required by their licence to provide us with the information about the services offered to Domestic Customers on their PSR and the number of Domestic Customers who are listed on their registers[24]. Electricity and gas suppliers provide this information annually through the SOR[25]. Gas suppliers are also required to report on the number of customers registered for free gas safety checks.

5.2. DNOs are required to report to Ofgem annually on their Domestic Customer numbers registered for PSR services. In addition to this, the Stakeholder Incentive Scheme for DNOs and GDNs and the gas discretionary reward scheme (gas DRS) for GDNs can be used to incentivise network companies to adopt good practice in their approaches to identifying and helping customers in vulnerable situations.

Issues we have considered

5.3. Current monitoring of supplier performance based on number of customers registered for services does not provide us with information about the quality of the services PSR customers are receiving from suppliers. In addition, there is a need to update the SOR to reflect our proposals for revised eligibility criteria and services.

[24] Standard Licence Condition 32.2(e) of the Electricity and Gas Supply Licences.
[25] Latest report: https://www.ofgem.gov.uk/publications-and-updates/domestic-suppliers-social-obligations-2014-annual-report

5.4. A more thorough approach to monitoring performance will improve outcomes for consumers and will help support industry to identify areas of focus and demonstrate improvements. We consulted on a range of approaches to enhance the monitoring of supplier performance. Responses to our March 2015 open letter suggested that stakeholders welcomed the flexibility that our package of proposed measures would provide to allow them to demonstrate how they will meet consumer needs. We received overall support for our decision to move away from an initial proposal for an audit-based approach to monitoring supplier compliance. This is in line with the existing monitoring approach under SoC.

5.5. Distribution networks supported our decision to use the existing mechanisms to report, and to be rewarded through the relevant incentive mechanisms as set up under the RIIO price controls with a focus on their support for consumers in vulnerable situations.

Final Proposals

5.6. Our final proposals for the compliance and performance monitoring of companies are as follows:

- **Suppliers to continue to report to Ofgem using SOR** as required by SLC 32.2(e). We will be consulting on changes to the SOR reporting criteria, in line with our proposals for revised eligibility criteria and services, in summer 2016 following implementation of changes to the Priority Services supply licence condition (SLC26). For DNOs and GDNs, reporting will be aligned with the changes associated with our final proposals.

  Undertake a wider set of monitoring to assess supplier performance focussing on the quality of suppliers' customer service.

- Consider the use of a **Panel to assess supplier performance against the Standards of Conduct (SoC) with a focus on vulnerable consumers.**

- Network companies to use the **Stakeholder Engagement Incentives and the gas Discretionary Reward Scheme to demonstrate how they have taken steps to effectively identify vulnerable customers and record and share that data with other companies.** We will be monitoring network company performance through these incentives and rewards will be provided on successfully meeting the criteria laid out.

Next steps

5.7. Following our statutory consultation in spring 2016, we will consult on changes to the SOR for suppliers. In addition, we will continue to monitor industry compliance including performance monitoring and will consider examples of good industry practice.

5.8. Additionally, monitoring of supplier performance in treating their customers fairly is in part dependent on the scope and delivery of the next Standards of Conduct Challenge Panel. Similarly, the assessment of distribution networks' performance towards PSR compliance will be dependent on the next Discretionary Reward Scheme and Stakeholder Engagement Scheme for GDNs[26] and the Stakeholder Engagement and Consumer Vulnerability Incentive for DNOs[27].

[26] Gas Stakeholder Engagement Incentive: https://www.ofgem.gov.uk/gas/distribution-networks/network-price-controls/customer-service Gas Discretionary Reward Scheme: https://www.ofgem.gov.uk/gas/distribution-networks/network-price-controls/quality-service

[27] https://www.ofgem.gov.uk/publications-and-updates/riio-ed1-stakeholder-engagement-and-consumer-vulnerability-secv-incentive-consultation

Appendix 1 - Consultation Response and Questions

1.1. The purpose of this consultation is to seek representations on the effect of Ofgem's final policy proposals and our envisaged approach to transposing the effect of the proposals into licence conditions. Ofgem would like to hear the views, alongside any additional evidence, of interested parties, including suppliers, distribution networks, consumer groups and consumers.

1.2. The specific questions are:

Question 1: Do you agree with our final proposals for enhancing eligibility and customer identification and the associated proposed licence conditions?

Question 2: Do you agree with our final proposals for amending the PSR services and the associated proposed licence conditions?

Question 3: Do you agree with our final proposals for recording and sharing information about customers in vulnerable situations and the associated proposed licence conditions?

Question 4: Do you agree with our final proposals for raising awareness of the priority services, including any specific suggestions for energy companies to improve awareness?

Question 5: Do you agree with our final proposals for the approach to monitoring energy company performance in this area?

1.3. In conjunction with our final proposals we are also consulting on draft licence conditions.

1.4. Responses should be received by **18 February 2016** and should be sent to:

Bhavika Mithani
Consumers and Competition
Ofgem
9 Millbank
London
SW1P 3GE
Bhavika.Mithani@ofgem.gov.uk

1.5. Unless marked confidential, all responses will be published by placing them in Ofgem's library and on its website www.ofgem.gov.uk. Respondents may request that their response is kept confidential. Ofgem shall respect this request, subject to

any obligations to disclose information, for example, under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004.

1.6. Respondents who wish to have their responses remain confidential should clearly mark the document/s to that effect and include the reasons for confidentiality. It would be helpful if responses could be submitted both electronically and in writing. Respondents are asked to put any confidential material in the appendices to their responses.

1.7. Next steps: Our consultation on our final proposals and the new licence conditions will close on 18 February 2016. Subject to consultation responses, we expect to publish a statutory consultation in spring 2016. Further details regarding proposed next steps and implementation timelines can be found in the Executive Summary of the main document. Any questions should be directed to **Bhavika Mithani** in the first instance.

Appendix 2 – Draft Impact Assessment

Introduction

1.1. An impact assessment is a tool to help to explain the impacts of regulatory proposals on consumers, industry participants and wider society. It allows the costs of proposals to be balanced against the benefits of action.

1.2. For Ofgem, there is a distinction to be made between Impact Assessments that are required by Statute (these are "important" within the meaning of Section 5A of the Utilities Act 2000) and those that are provided for information. Our approach to determining what is "important" within the meaning of section 5A is set out in our Impact Assessment Guidance. This includes, for example, significant impacts on consumers or on people involved in the supply of gas and electricity in Great Britain.

1.3. We have decided that this is a Section 5A Impact Assessment for the following reasons.

- Our primary duty is to the protection of consumers
- Proposed changes to the existing scheme should greatly enhance the level of protection it affords to the vulnerable consumer.

Justification for action

1.4. The Authority has a number of statutory duties. These include protecting the interests of present and future consumers. In performing these duties, the Authority must have regard to the interests of individuals who are disabled or chronically sick, of pensionable age, with low incomes, or residing in rural areas. The existing Priority Services Register protects existing consumers and has regard to those disabled or chronically sick and/or of pensionable age.

1.5. Our CVS introduced a new definition of 'vulnerable customer' which recognised that vulnerability in the energy market is based on both situation and personal circumstance. Risk factors determining customer vulnerability can stem from personal circumstances as well as from the energy market, and vulnerability itself can be transitory as individual consumers' circumstances change.

1.6. As outlined in the main consultation there are several aims to the proposed PSR changes. The primary needs are to:

- Equalise outcomes for customers to ensure that customers are not disadvantaged due to being in vulnerable situation
- Target customers in vulnerable situations more efficiently
- Improve customer experience of PSR services
- Brand the PSR in a way that creates greater awareness

1.7. In order to meet these aims, the energy companies will need to record and share data more efficiently (with the appropriate privacy protections). In addition,

better provisions for company compliance and performance monitoring will be required.

Development of Options

Context

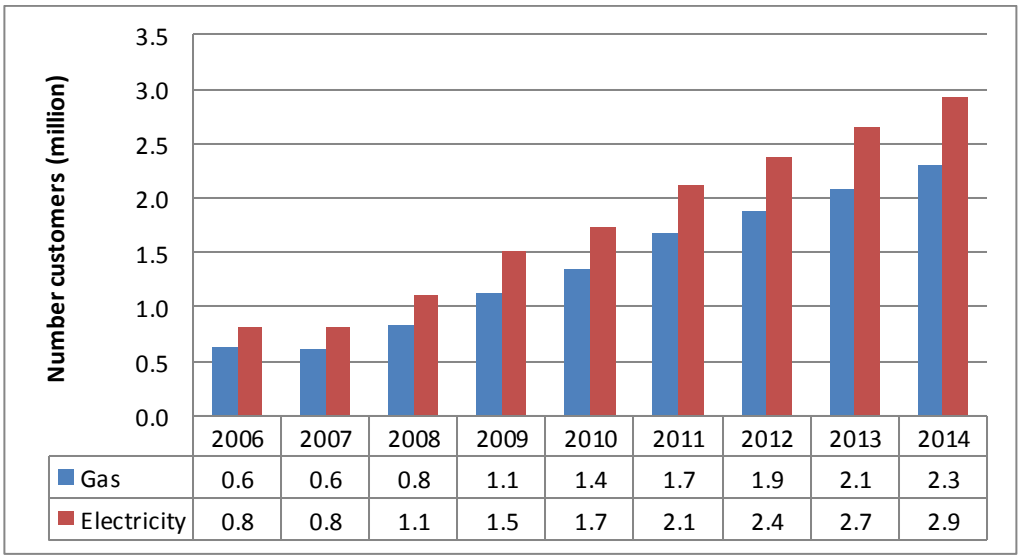
1.8. Under existing licence conditions, suppliers and DNOs must maintain a Priority Services Register and put certain customers on the register when they request it. To be on the PSR the customers must be in a defined category e.g. password schemes are available to those that are disabled, chronically sick, or of pensionable age. Services are related to safety, access and communications. These are described in **Chapter 2** of this document. The proposals also consider gas safety appliance tests under Standard Licence Condition 29 (Gas Safety).

1.9. The number of customers registered on the supplier PSRs has grown over the past 8 years, as shown in Figure 1. However, Table 1 shows that those on the register remain less than 10% of total supplier customers. It is likely that many registered users get more than one service so the beneficiaries are a small fraction of total customers.

1.10. A total of 2.9 million customers were registered on their DNO's PSR at the end of March 2014. Those registered receive support when there are planned supply interruptions (e.g. for maintenance) or disruptions caused by unforeseen events such as storms and faults on the system.

1.11. In total those registered on any PSR remains a small proportion of those potentially eligible, for example there are 11 million people in GB with a limiting long term illness, impairment or disability and 10.5 million people aged over 65 of whom 1.4 million are aged over 85.

Figure 1 Number of customers on suppliers' PSR



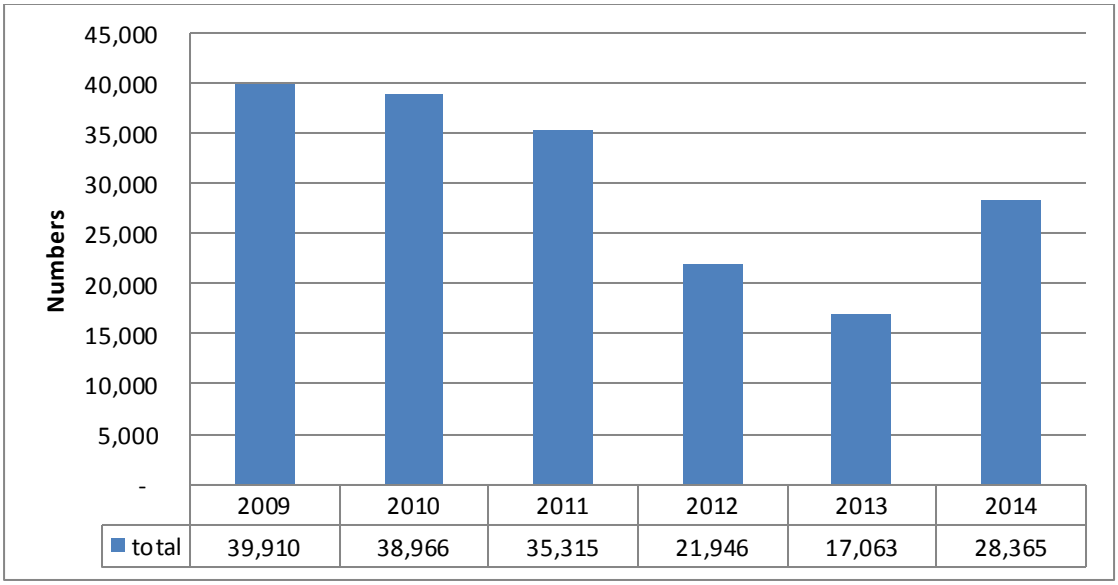
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gas	0.6	0.6	0.8	1.1	1.4	1.7	1.9	2.1	2.3
Electricity	0.8	0.8	1.1	1.5	1.7	2.1	2.4	2.7	2.9

Table 1. Number of customers on the Supplier's PSR and registered for PSR related services and gas appliance safety checks in December 2013.

PSR	Electricity	Gas
	numbers	
registered for talking bills	1,582	1,244
registered for Braille / large print bills	55,439	42,886
registered for password schemes	128,811	135,692
registered for third party billing/bill re-direction	143,264	177,154
registered for quarterly reads	200,044	105,722
Meters repositioned/replaced free of charge	83	515
Number of customers that used Mincom/text phone	987	667
Percentage of GB customers on Priority Services Register	**9.9%**	**9.2%**
Number of Gas Appliance Safety Checks (SLC 29)		17,063

1.12. Figure 2 shows the number of free gas appliance safety checks from 2009 to 2014. At the time of our review of the Priority Services Register, these had fallen to a low of 17,063 checks, but there has been a subsequent increase in 2014.

Figure 2 Total free gas appliance safety checks



1.13. In our review, we sought information on the 2013 year so in our main calculations below we have used 2013 as the baseline for all analysis. One of the

large suppliers identified a significant escalation in costs (£1m) between 2013 and 2014. This has not been taken into account in the main analysis as the main issue is the incremental costs and benefits of the proposed changes. It is probable that some of the escalation in costs is associated with the increase in gas appliance safety checks.

Refinement of Options

1.14. For the purposes of this analysis, the status quo is considered to be the existing PSR and gas safety appliance tests under SLC29 (Gas Safety). Although Gas Distribution Networks (GDNs) are not required to have a PSR they provide essential services to vulnerable customers when supplies are disrupted and these costs are included.

1.15. In common with our other policies, there has been a process of refinement of options as the policy review has progressed. Some options were discarded immediately as they were not consistent with our statutory duties and past policy evolution. For example, our analysis shows that there were differences in the levels of PSR services provided by different companies. Therefore, an option such as removing all duties and relying on the social responsibility of the companies would not realise our aim of equalising outcomes for vulnerable consumers. Likewise, options that would reduce the scope of the PSR (for example only to address safety needs) were not considered to be consistent with our duties.

1.16. In our Review of the PSR, we consulted on our proposals to move to a model that was based on achieving equal outcomes for a greater number of vulnerable consumers. We also proposed that suppliers, DNOs and GDNs would share information with each other. Our final proposals are described in the main text.

1.17. In this analysis we compare:

i) The status-quo option (where service provision is largely related to defined categories)

ii) Implement the proposed changes (where service provision seeks to achieve equal outcomes across a greater number of vulnerable consumers)

Analysis of options

Costs and benefits of the status quo option

1.18. For the vulnerable consumer the PSR provides a number of benefits. These include improved safety through appliance testing or the intervention by supply companies where supply interruptions are predicted to occur. Another aspect of safety is that vulnerable customers want to know that they are being contacted by a *bona fide* representative of an energy company. Password schemes fulfil this function and reduce the fear associated with a stranger visiting.

1.19. Being on the PSR also allows consumers with difficulties to receive information from companies on the same basis as everyone else. This means, for

instance, that a blind person can access their bill and make decisions on whether to change tariff.

1.20. Accessibility services (meter reading and movement of PPMs) ensure that vulnerable consumers are able to access information on energy use and ensure continuity of energy supply.

Costs

1.21. As part of our proposals, we asked for cost information for the current level of PSR provision and the changes that would occur were we to shift to an outcomes-based approach. PSR licence provisions have to be met by:

- Large suppliers (six largest suppliers)
- Smaller suppliers (approximately 20 businesses)
- DNOs (6 groups) and the 4 GDNs

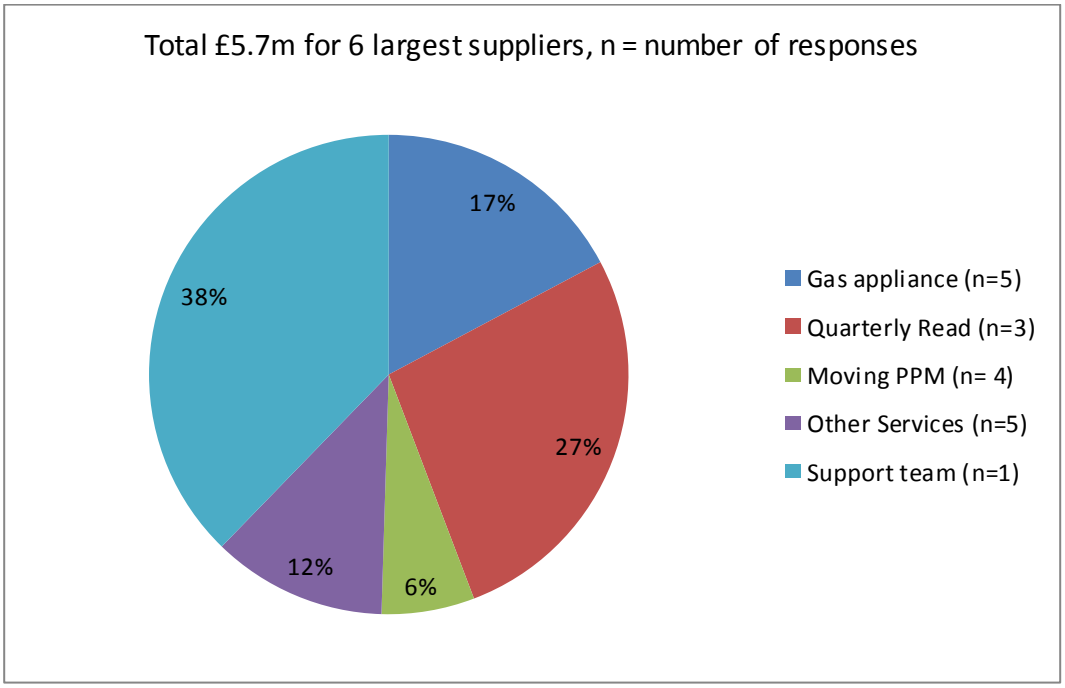
1.22. The most detailed cost information was provided by large suppliers. However, it was provided in various formats and to variable precision. For example, some submissions detailed the number of customers that received a particular service and its unit cost[28]. Others included the costs of several PSR services combined. To improve the costing we sought clarification on a number of issues relating to the initial information.

Large Suppliers

1.23. As the basis of submissions varied it was not possible to multiply unit costs by the number of services indicated in Table 1 to obtain an aggregate cost. Instead we have aggregated the costing supplied by the largest six companies. Using the data supplied our best estimate of the costs to suppliers is £5.7 million per annum in 2013, although we recognise that this estimate is uncertain. Figure 3 provides the split of this best estimate of suppliers cost by activity.

[28] From the data supplied moving a PPM can cost around £600 per move. A gas safety appliance check can cost between £40 and £70 per registered user while the annual costs of quarterly meter readings are £10-£15 per registered user

Figure 3 Allocation of 2013 Supplier PSR cost by activity



1.24. The major activity costs were the quarterly meter readings (£1.5m) and the gas safety inspections (£1m). In part, the high total cost attributed to the quarterly readings reflects that this is the most commonly used service.

1.25. One company accounts for over 50% of the costs of the PSR. In 2013, this company provided more than 40% of the PSR and gas appliance safety checks. It has several teams dealing with the PSR and related issues.

Small suppliers

1.26. We also contacted smaller suppliers to establish the implications for them. Only one independent supplier responded, and it indicated that current PSR activities were included in business as usual activity and not broken down to a level that they could be identified separately. The contribution to total costs by smaller suppliers is likely to be relatively small as they accounted for 2.4% and 1.8% of the electricity and gas registers respectively.

GDNs and DNOs

1.27. Little information was obtained in the PSR review consultation on costs incurred by GDNs and DNOs. Costs were reported by only a few companies and when scaled up the costs would be in the order of £1 million annually. As the revenues to these companies are set under a price control, these costs get smeared across network users.

Summary

1.28. For our best estimate of the status quo cost we have added the £1m for DNO/GDN costs to the large supplier costs of £5.7m to give £6.7m. It is necessary to make allowance for the potential inaccuracy of estimates. The way in which we have done this is based on the variability of the costs for the gas safety checks (the lowest was 30% less than average, highest was 30% more than average), thus the cost of the status quo is £4.7m to £8.7m. No separate estimate of the cost to independent suppliers has been included because of lack of data and the fact that smaller supplier customer numbers are a very small proportion of overall PSR customer numbers.

1.29. Assessed over 10 years at 3.5% discount rate the Net Present Costs are as shown in Table 2. It is assumed that these costs are passed through to all energy consumers through supplier charges.

Table 2 Cost of maintaining Status Quo

	Net Present Cost at 3.5%, £m
Lower bound	40
Best Estimate	58
Higher bound	75

Valuing the economic benefits of the existing PSR

1.30. This section provides an explanation of how the type of benefits of the PSR can be interpreted in economic terms. Broadly, the number actions under the supplier PSR are indicated in Table 1. Unfortunately, under the current monitoring arrangements there is no way to relate specific type of benefits to specific number of customers. However, the assessment of benefits is important in comparing the status quo with the proposed improvements.

Market Engagement (communication)

1.31. Vulnerable consumers will have characteristics that make engagement with the energy market particularly difficult. The base number of beneficiaries is difficult to ascertain. However, it is assumed that at a minimum it would be those using communication services. An initial conservative estimate is that around 200,000 have the potential to benefit under the status quo option. This is based on the communication services for electricity from Table 1 Electricity (i.e. Number registered for talking bills + Number registered for Braille / large print bills + Number registered for third party billing/bill re-direction). As most people use dual fuel they are also likely to be on the gas PSR.

1.32. If obtaining PSR services allows the outcomes to be equalised with those that are not on the PSR then one of the potential impacts is on switching. For example, recent DECC figures estimated switching savings to average £200 per

dual fuel using household each year[29]. Vulnerable consumers will have a wide range of energy needs. Sometimes, they will be in smaller households (if the single tenant archetype from the Centre for Sustainable Energy to estimate benefits[30] for a single pensioner this would imply a financial saving of £175 per annum). For some, the nature of their vulnerability will mean that their energy costs are much higher than average and they stand to save much more.

1.33. The evidence on switching rates suggests that it varies by customer characteristics:

- Energy Tariff Options for Consumers in Vulnerable Situations (2015) examined switching using a proxy for vulnerability that was receipt of Cold Weather Payments (CWP). Of those eligible for CWP only 34% had ever switched compared with 50% of those not eligible.

- In contrast, when switching rates by disability were examined the non-disabled group was 54% and the disabled group was 52%.

- We have analysed gas switching data for 2013. There are no direct vulnerability identifiers but there was a statistically significant difference of 4% in relation to switching rates by age i.e. 90% of over 65+ group had not switched compared to 86% in other groups. Similar results were found for electricity switching.

1.34. Government appraisal often takes account of distribution weighting, whereby benefits to those on lower incomes are weighted more heavily than benefits to those on higher incomes. This is based on the fact that as people have higher income the marginal utility of income declines and therefore a saving to a household on a low income is much more valuable than to households with higher income. Hence, if the direct financial benefit to a single pensioner household on low income (lowest quintile) was £174 then society places a greater value on this (depending on methodology it could be multiplied by 1.2 to 2[31]). In this analysis we have not used these factors but this does mean society benefits are understated.

Safety: Carbon monoxide

1.35. Government statistics suggest as many as 4,000 people each year are diagnosed with low-level carbon monoxide exposure, with a further 200 admissions to hospital with serious injuries, and around 40 fatalities every year. In addition to the human tragedy and suffering, a crude calculation suggests that carbon monoxide poisoning could be costing the country as much as £178m each year[32,33].

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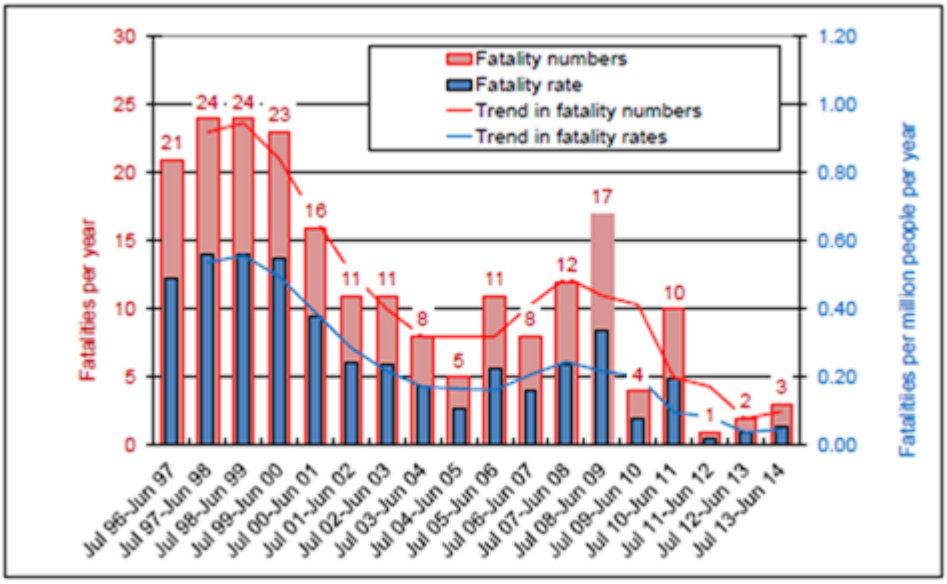
[29] See https://www.gov.uk/government/publications/household-energy-savings-through-switching-supporting-evidence
[30] CSE "Beyond average consumption" (2012) Development of a framework for assessing impacts of policy proposals on different consumer groups. Final report to Ofgem
[31] Based on adjustments recommended in Annex 5 of the Treasury Green book.
[32] Preventing Carbon Monoxide Poisoning (2011) A report by the All Party Parliamentary

1.36. As acknowledged in the Parliamentary report, this is a crude calculation and if the detail is examined, it can be seen that deaths related to natural gas are low (4 fatalities over June 2011 to June 2014). Since that report the situation in terms of fatalities from natural gas has improved as shown in Figure 4. Though it emphasises the reality of vulnerability when it is noted that two of the 5 fatalities between June 2012 and June 2014 were women in their 80s.

Figure 4 Fatality from natural gas related carbon monoxide



Source: Gas Safety Trust. Downstream Incident Data Report for 2013/14

1.37. From the data supplied by the companies the costs of appliance gas checks is in the region of £1 million.

1.38. The cost of carbon monoxide incidents was estimated at £178m (paragraph 4.18). If only the natural gas related incidents were considered there would be an ongoing cost of £17 million. Therefore, the £1 million cost is only a fraction of the existing cost.

Gas Safety Group
[33] This figure is indicative and was calculated as follows:
No. of CO incidents per annum (Department of Health) x Value of preventing an incident (Department of Transport)
Fatalities: 50 x £1,585,510 = £79, 275,500
Serious Injury: 200 x £193,677 = £38,735,400
Minor Injury: 4,000 x £14,982 = £59,728,000
TOTAL: £177,738,900

1.39. Another approach is based on using the value of preventing a statistical fatality of £1.6 million per life used above directly. In other words, if the existing policy of gas checks were saving a life at least every two years then the benefits would outweigh the costs.

1.40. Without details on specific risk levels these are rather crude estimates. However, the key point is that there has been significant progress in reducing carbon monoxide poisoning and gas appliance safety checks under SLC29 contribute to maintaining this low level of incidence. Although they may be a small proportion of all efforts to prevent carbon monoxide poisoning they are likely to make a difference. The value of maintenance is often difficult to capture in economic analysis but it can be extremely important.

Safety: Advance notice of Supply disruption and dealing with unforeseen outages

1.41. Power cuts may impact vulnerable people in terms of accessibility, vision, thermal comfort and safety. In the event of planned electricity power cuts the DNO has a responsibility to help people on the PSR. Typically, steps will be taken to ensure health care and mobility equipment can still function during the outage. In unforeseen power disruption, the DNOs collaborate with other agencies to ensure that vital equipment continues to be available to vulnerable customers.

1.42. Across the two storms at Christmas 2013 almost 1 million customers experienced a power disruption greater than 3 minutes; while 200,000 customers were cut off for over 24 hours. Steps to improve response by energy companies have been identified[34] and actioned. However, as indicated by the magnitude of the numbers affected, a substantial number of vulnerable consumers would require support in similar situations.

1.43. In theory, it would be possible to apply similar concepts to those used in the carbon monoxide analysis for valuation of impact but it is not possible to identify the numbers of people affected and how safety risks would change. It is probable that these benefits are of a greater magnitude than those from carbon monoxide safety.

Costs and benefits of the new PSR

1.44. The cost and benefits of the new PSR are expressed incrementally to the previous scheme costs in 2013. The cost of implementing the changes will depend on the level of uptake of the non-financial services, any IT system changes, and any changes to support services. It is assumed that these costs are passed through to all energy consumers through supplier charges.

Large Suppliers

[34] Severe Weather – Christmas 2013 A review of Electricity Distribution Industry Performance DECC (2014)

1.45. There were a number of different approaches in the supplier's submissions on additional costs. One assumed that there could be a 50% increase in the PSR services. Others assumed little change. There was marked variation in the estimates of support costs. In one submission these dwarfed all other changes.

Small suppliers

1.46. The respondent indicated that there would be additional costs associated with each additional customer on the PSR due to communications and gas appliance safety checks. In addition there would be additional internal management and training processes.

DNO and GDN costs

1.47. Few additional DNO costs were identified in the submissions to our consultation.

1.48. A GDN estimated the costs of implementing new data capture systems including recording the relevant data protection consents and new data transfer protocols would be in the region of £0.45m. As a one-off cost might be of some significance.[35] To err on the side of the side of caution we have scaled this up and allowed for a total additional GDN spend of £1.8m in the first year of the new PSR.

1.49. Based on an aggregation of the supplier information received, in the same way as for the status quo, our Best Estimate of the annual cost of providing the services associated with the new PSR is £9.1m. As before, one company accounts for over 50% of the cost of the PSR.

Table 3 Cost of PSR with proposed changes

	Net Present Cost at 3.5%
Lower bound	50
Best Estimate	72
Higher bound	93

1.50. The difference between the best estimate and the status quo is £14 million in net present cost. In Equivalent Annual Cost terms this is £1.7 million per annum. A worst case scenario, of the difference between the higher bound in Table 3 and the best estimate in Table 2, would have an equivalent annual cost of £2.2m.

1.51. The additional benefits of the new PSR scheme are:

[35] NGN state "We have undertaken a high level review of the work required to implement changes to meet the requirements of capturing and sharing information outlined in the consultation. As we do not currently operate or maintain a PSR, we estimate the costs to establish this to be in the region of £450k. The proposed changes would require significant modifications to our core systems (e.g. Maximo and Agentry) and potential interfaces to communicate with third party systems. This cost estimation does not include the addition resource cost to manage and maintain such systems".

- *Better Market participation (via communications for a greater number of customers)*

- *Safety for an increased number of vulnerable consumers*
- *More vulnerable consumers will get access benefits*

The increase in benefits is determined by the extent to which the overall targeting efficiency of the scheme increases.

Quantification of benefits

Market participation

1.52. The benefits are estimated on the following assumptions.

i) The level of customers receiving services under the existing scheme is 200,000 (i.e. those electricity customers registered for third party billing or other communication services). This allows for substantial overlap between the Gas and Electricity registers but is conservative.

ii) As an illustration we assume the number of consumers in receipt of services expands by 10%, 20%, 30% or 40% or 50% for non-gas-safety services.

iii) Benefit of engagement is reflected in switching levels between 5% and 15% (based on the evidence referred at paragraph 4.16). We are using the age related switching figure of 4%as a proxy for the lowest change that might occur in vulnerable groups, with a slight adjustment upwards for convenience.

iv) Benefit per switch is £200

Table 4: Annual benefit from additional market engagement (base = 200,000 unique customers)

	Switching		
Additional Uptake	**5%**	**10%**	**15%**
10%	200,000	400,000	600,000
20%	400,000	800,000	1,200,000
30%	600,000	1,200,000	1,800,000
40%	800,000	1,600,000	2,400,000
50%	1,000,000	2,000,000	3,000,000

1.53. Table 4 shows that a combination of the highest switching level and a 40%/50% increase in uptake would be required to generate benefits that would outweigh the total additional costs of the proposals (£2.4m per annum) as shown by the darkest shading. An additional 50% uptake means that a further 100,000 customers would benefit. The lighter shading shows additional combinations where the benefit outweighs the costs that can be allocated to communication measures.

Safety

1.54. The information from the companies does not allow a precise allocation of the additional cost to gas appliance safety checks as in addition to the testing cost there are support costs to be taken into account. If the additional costs of the main supplier are all attributed to this activity then a rough estimate might be that this service doubles in cost. However, the switch away from defined categories could identify many more people that can be protected by appliance testing. The changes to the scheme will also mean that this group will include pregnant women and children.

1.55. Relative to the additional costs identified (£2.4m per annum) the changes would be justified if at least two lives are saved per year. To put this into wider context the Office of National Statistics estimated 18,200 excess winter deaths occurred in England and Wales in 2013/14. This was the lowest number of excess winter deaths since records began in 1950/51.

Non-quantified/non-monetary benefits

1.56. Although attention can be drawn to the impacts that would be required to make the changes cost effective, we cannot directly quantify as the direct effect on risk that cannot be quantified.

1.57. We have not assessed the additional benefits from specific access services. Quarterly meter readings provide the user with information on their energy use. While it is ideal if customers can have frequent information on consumption, even quarterly information can alert the customer to problems or allow them to take steps to reduce their bills. For the vulnerable consumer unable to access their PPM there can be similar issues or indeed potentially more serious consequences when energy supply is interrupted.

1.58. We have also not placed a value on the savings that are possible when there is a joined up approach between companies and data is up to date and accurate.

Competition impacts

1.59. Greater participation of vulnerable groups has some potential to increase completion in the energy market but relative to total customer numbers, the effect will be minor.

Distribution impacts

1.60. The key distributional impact is that the proposal is focussed on vulnerable consumers who are potentially low income consumers. As identified previously, financial benefits to this group in society are valued highly.

1.61. The additional costs to suppliers are likely to be passed through to consumers. The costs would be a small proportion of the typical household energy bill.

Conclusions and preferred option

1.62. There are many impacts that are not quantified in monetary terms it is necessary to take a holistic view as shown in Table 5.

1.63. In terms of cost, the main change will be the additional costs to suppliers (identified as item 1). It is recognised that there may be additional costs to GDNs (item 2) but these should be largely establishment costs (a GDN running the PSR should require fewer resources relative to suppliers). Moreover, potentially to the extent that this affects their over/underspend in the price control a proportion is shared with consumers in general. Some IT costs will have been accounted for in the cost estimates supplied but it is acknowledged through item 4 that there may be some IT costs that we have not accounted for. Overall, there may be room for efficiency savings on the costings provided by the suppliers and GDNs and therefore the costs may reduce as implementation plans are firmed up.

1.64. Using sensitivity analysis, we have assessed whether there are any significant benefits from market engagement by vulnerable customers. Using sensitivity analysis we found that there are many combinations of uptake and increased switching where there could be significant benefits.

1.65. Even in the situation where there is a net cost to the changes the safety benefits for vulnerable are extremely important. Using government valuations all the additional costs of the changes would be met if on average two deaths each year are avoided. The case of carbon monoxide poisoning also illustrates that there can be considerable benefit in preventing less serious harm. In context, it would seem highly likely that such benefits can be achieved.

1.66. On the basis of this analysis the new approach to the PSR is identified as the preferred option.

1.67. We welcome any further comment on this draft Impact Assessment from stakeholders, including any further relevant data.

Table 5: Post Implementation monitoring

	Quantified	Unquantified
Monetary factors	Additional cost of Suppliers PSR: £2.4m - per annum Additional cost to DNOs/GDNs (£1.8m year first year) Benefit of engagement in Energy market by vulnerable consumers: £0.007m - £1m/annum,	Residual cost of information system changes Benefit of keeping vulnerable customers safe from harm. Potential **values** are quantified; effects of the PSR on risk are not. The benefits of quarterly readings in part might help in the control of costs. Benefits to suppliers and distributors of having accurate information on customer needs

Appendix 3 – Draft Licence Conditions

Supply Condition 26 of the Gas and Electricity Supplier Licences - Working Draft

Duty to establish a Priority Services Register

26.1 The licensee must:
(a) establish and maintain a Priority Services Register of its Domestic Customers, who, due to their Personal Characteristics or otherwise being in a vulnerable situation, may require Priority Services, and

(b) take all reasonable steps (having regard to the interests of the Domestic Customer) to identify such customers and offer to add their names to the Priority Services Register.

Duty to share information

26.2 The licensee must take all reasonable steps to obtain the Domestic Customer's informed consent to the sharing of information about the needs of the Domestic Customer as recorded by the licensee, as specified in paragraph 26.3.

26.3 The licensee must, if it has the informed consent of the Domestic Customer, share the Minimum Details using the Relevant Industry Mechanisms.

Duty to offer services

26.4 The licensee must offer, free of charge, to any of its Domestic Customers, such of the Priority Services as the Domestic Customer may reasonably require on account of his or her Personal Characteristics or vulnerable situation.

26.5 The Priority Services are appropriate mechanisms and arrangements to enable the following:

(a) The Domestic Customer receiving additional support to assist him or her to identify any person acting on behalf of the licensee or the Relevant Distributor,

(b) A person nominated (with their consent) by the Domestic Customer being able to receive communications relating to their account,

(c) The reading (and provision of that reading to the Domestic Customer) of the customer's [Electricity/Gas] Meter at appropriate intervals, if the Domestic Customer is unable to do so,

(d) safe and practicable access to the functionality of the Domestic Customer's Prepayment Meter,

(e) Formulating communications with the Domestic Customer in an accessible format that is, so far as is reasonably practicable, appropriate to the customer's needs and Personal Characteristics, and,

(f) Such further or additional services (of a similar non-financial nature as sub-paragraphs 26.5(a) to (e)) as the licensee identifies are appropriate to the needs of its customers and reasonably practicable for the licensee to provide.

26.6. The licensee must include information on its compliance with this condition in or alongside its Treating Customers Fairly Statement under standard condition 25C.7

"Personal Characteristics" includes:

(a) The Domestic Customer being of pensionable age

(b) The Domestic Customer being chronically sick, or having an impairment, disability, or long term medical condition (including but not limited to a visual, auditory or mobility impairment),

"Minimum Details" and "Relevant Industry Mechanisms" mean such details and arrangements as the Authority may from time to time designate by notice in writing.

Standard Condition 17/Standard Special Condition D13 of the Gas Transporters Licence – Working Draft

Eligibility for services

1. The licensee must set up and maintain practices and procedures aimed at identifying domestic customers who may be eligible to become PSR customers as a result of its customer interactions, and offer these customers PSR services.

2. PSR customers are domestic customers who are:

   a) of Pensionable Age, disabled, chronically sick, or live with children aged five and under; and
   b) Because of their personal characteristics or otherwise being in a vulnerable situation, require additional services related to their communication and safety needs; and
   c) Have either:

   (i) Personally asked the licensee to add their name to the Priority Services Register, or
   (ii) Had a person acting on their behalf ask for their name to be added to it, or
   (iii) Had a Relevant Supplier or electricity distributor ask for their name to be added to the Priority Services Register.

Arrangements in respect of meters

3. Where a relevant supplier or a gas supplier who is about to become such a supplier has

   (a) pursuant to paragraph 1(d) of standard condition 26 (Services for specific Domestic Customer groups) of its supply licence transmitted to the licensee a request for the repositioning of a meter owned by the licensee; and
   (b) undertaken to pay the licensee's reasonable expenses in complying with the request,

then, so far as it is reasonably practicable and appropriate for it to do so, the licensee must comply with the request.

Services for vulnerable domestic customers

4. If a PSR customer asks it to do so, the licensee must, free of charge, agree a password with that customer that can be used by any representative of the licensee to enable the customer to identify that person for the purpose of carrying out necessary work for which the password was agreed.

5. The licensee must provide facilities, free of charge to domestic customers, which enables any domestic customer who has additional communication needs to ask or complain about any service provided by the licensee.

6. The licensee must, upon becoming aware of a domestic customer who may be eligible to become a PSR customer:

   (a) Seek the informed consent of the customer to share information with the relevant supplier and relevant distributor, and,
   (b) If (and only if), it has the informed consent of the PSR customer, give the relevant supplier and/or distributor such details of that customer, in such intervals as are relevant to the performance of that supplier or distributor's obligations under its licence.

Provision of information

7. The licensee must prepare a statement, in plain and intelligible language, that sets out and explains its arrangements for complying with its obligations under this condition.

8. In relation to the statement prepared under paragraph 7, the licensee must:

   (a) publish the statement on and make it readily accessible from its website;
   (b) at least once each year, take all reasonable steps to inform domestic customers whose premises are connected to the pipe-line system to which this licence relates, of the existence of the statement and how to obtain it;
   (c) when asked to do so by a customer with additional communication needs, provide to the domestic customer whose premises are connected to the pipe-line system to which this licence relates the statement in a manner or a format that is suitable for that customer's special communication needs;
   (d) when asked to do so, provide to a domestic customer whose premises are connected to the pipe-line system to which this licence relates and whose first language is not English, such assistance or advice as will enable that customer to understand the contents of the statement; and
   (e) give a copy of the statement on request and free of charge to any person.

9. The statement prepared under paragraph 4 may, at the licensee's choice, be published as a single document that may also include the statements referred to in Standard Condition 18 (Arrangements for access to premises)

10. For the purposes of this condition:

"pensionable age" has the meaning given in section 48(2B) of the Act.

"relevant distributor" means the licenced electricity distributor to whose electricity distribution network the domestic customer's premises are connected.

Standard Condition 10 of the Electricity Distribution Licence – Working Draft

10.1 The licensee's obligations under this condition apply in relation to Domestic Customers at premises connected to the licensee's Distribution System.

Duty to establish and maintain a Priority Services Register

10.2 The licensee must establish and maintain a Priority Services Register which contains such details of Priority Services Register Customers ("PSR Customers") as will enable the licensee to fulfil its obligations to them under this condition.

10.3 The licensee must set up and maintain practices and procedures to identify Domestic Customers who may be eligible to become PSR customers as a result of its customer interactions, and offer to add them to the Priority Services Register.

10.4 PSR Customers are Domestic Customers who**:**
a) are of Pensionable Age, disabled, chronically sick, or live with children aged 5 and under; and,

(b) due to their personal characteristics or otherwise being in a vulnerable situation, require additional services related to their access safety and communication needs; and
(c) have either**:**
(i) personally asked the licensee to add their name to the Priority Services Register, or
(ii) had a person acting on their behalf ask for their name to be added to the Priority Services Register with the persons informed consent, or
(iii) had a Relevant Supplier or gas transporter ask for their name to be added to the Priority Services Register

Duty to give information and advice to PSR Customers

10.5 The licensee must**:**
(a) when a PSR Customer's name is first added to the Priority Services Register, give that customer appropriate information and advice about what precautions to take and what to do in the event of interruptions in the supply of electricity to the customer's premises;
(b) when it needs to make a planned interruption in the supply of electricity to a PSR Customer's premises, give that customer such prior advice and information as may be appropriate in relation to that event; and
(c) ensure, so far as is reasonably practicable, that during any unplanned interruption of supply to their premises, PSR Customers are promptly notified and kept informed**:**
(i) of the time at which the supply is likely to be restored, and
(ii) of any help that may be able to be provided.

10.6 The licensee must provide the information given under paragraph 10.5**:**
(a) free of charge to any PSR Customer; and
(b) when asked to do so by a PSR Customer with special communication needs (including a visual or hearing impairment), in a manner or a format that is suitable for that customer's special communication needs.

Provision of information to the Relevant Supplier

10.7 Where a request for inclusion on the Priority Services Register has come directly from the PSR Customer or a third party (other than the Relevant Supplier) who is acting on behalf of that customer, the licensee must:
(i) seek the PSR Customer's informed consent to share the information described in paragraph 10.7(ii) with the Relevant Supplier, and,
(ii) if (and only if) it has the informed consent of the PSR Customer, give the Relevant Supplier such details of that customer and his or her reasons for being included on the register, in such form and at such intervals, as are relevant to the performance of that supplier's obligations under the Supply Licence.

Services for other vulnerable Domestic Customers

10.8 The licensee must offer, free of charge, to arrange a password with the PSR customer that can be used by any Representative of the licensee to enable the customer to identify that person.

10.9 The licensee must provide facilities, free of charge, which enable any Domestic Customer who has special communication needs to ask or complain about any service provided by the licensee.

Requirement to publicise services and procedure

10.10 The licensee must prepare statements, in plain and intelligible language, that set out and explain its arrangements for complying with its obligations under paragraphs 10.2 to 10.9 (including how PSR Customers may become listed on its Priority Services Register).

10.11 In relation to statements prepared under paragraph 10.9, the licensee must**:**
(a) publish them on and make them readily accessible from its Website (if it has one);
(b) take all reasonable steps to inform Domestic Customers, at least once a year, of the existence of the statements and how to obtain them;
(c) when asked to do so by a Domestic Customer with special communication needs, provide the statements in a manner or a format that is suitable for that customer's special communication needs;
(d) when asked to do so, provide to a person whose first language is not English such assistance or advice as will enable that person to understand the contents of the statements; and
(e) give a copy of a statement on request and free of charge to any person.

10.12 The statements prepared under paragraph 10.9 may, at the licensee's choice, be published in the form of a single document that may also include the statement referred to in standard condition 8 (Safety and Security of Supplies Enquiry Service) and standard condition 9 (Arrangements for access to premises).

Other Domestic Customers and other services

10.13 Nothing in this condition prevents the licensee from**:**

(a) including Domestic Customers additional to those specified at paragraph 10.3 in its Priority Services Register; or
(b) providing services to Domestic Customers that exceed those required under this condition.

Interpretation

10.14 In this condition, in relation to a Domestic Customer**:**
Pensionable Age means pensionable age within the meaning given by section 48(2B) of the Gas Act 1986.
Relevant Supplier means the supplier of electricity to that customer's premises.

Appendix 4 – Draft 'needs' codes

Below are the latest 'needs' codes, developed by industry. These have been shared with relevant consumer groups to ensure suitability. They are currently being considered through the Issues Resolution Expert Group (IREG), and are therefore subject to minor changes:

	PSR Needs Codes
	Chronic/serious Illness
Medically Dependant Equipment	Nebuliser
	Heart & Lung Medical Equipment
	Kidney Dialysis
	Ventilator
	Oxygen Concentrator
	Medicine Refrigeration
	Medical Equipment - feeding and medication
	Apnoea Monitor
	Careline system
	Medical dependant Electric showering
	Stair Lift, Hoist, Elect bed
Safety	Oxygen use
	Poor sense of smell
Mobility	Physical Impairment
	Unable to answer door
	Restricted Hand Movement
Age related	Pensionable Age
	75 and over
	Pregnancy/Families with young children <6
Comms	Blind
	Partially Sighted
	Hearing/Speech difficulties
	Deaf
	Language barriers

Our Behavioural SBP	Dementia(s)	
	Developmental Condition	
	Mental Health	
	Supported Living	
	Temporary	Drop downs to include -
	Dependant	Bereavement
	Female presence required	Post hospital recovery
		Life changes
		Young adult householder

Appendix 5 - Feedback Questionnaire

1.1. Ofgem considers that consultation is at the heart of good policy development. We are keen to consider any comments or complaints about the manner in which this consultation has been conducted. In any case we would be keen to get your answers to the following questions:

1. Do you have any comments about the overall process, which was adopted for this consultation?
2. Do you have any comments about the overall tone and content of the report?
3. Was the report easy to read and understand, could it have been better written?
4. To what extent did the report's conclusions provide a balanced view?
5. To what extent did the report make reasoned recommendations for improvement?
6. Please add any further comments?

1.2. Please send your comments to:

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