



By email only

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Review of the Priority Services Register - Update and Next Steps

Dear Bhavika,

Please find npower's response to Ofgem's open letter of 26 March. We are happy for it to be placed in the public domain apart from the reference clearly marked therein.

Please do not hesitate to contact me if there is anything within the response that you wish to discuss

Yours sincerely,

Paul Tonkinson
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Review of the Priority Services Register - Update and Next Steps

Response to Ofgem's PSR open letter

Introduction

We welcome the opportunity to comment on Ofgem's open letter. The proposals and the work required to take them forward will involve a degree of cooperation between interested parties across supply and distribution companies regarding customer-facing services not seen for some time. This is evidenced by the make-up of the Energy Networks Association (ENA) Customer Safeguarding Working Group (CSWG), which includes suppliers, gas and electricity network operators, and EUK, as well as input from Ofgem and Citizens Advice.

As stated before, we support the review and are actively engaged with it. It should be understood that the level of change that will result from this will take time to fully embed, requiring both IT system changes and significant staff training. Based on this we offer the comments, below, which for ease of reference follow the order of the open letter and the heading contained therein.

Eligibility

There are several elements to this.

- Proactive identification of vulnerability

We have serious concerns about what proactively identifying vulnerability may mean in practice, particularly, as appears to be the case, Ofgem will enshrine this requirement in some form in industry-parties' licences. If this is so, then unless the wording is clear, unambiguous and, probably if necessary, supported by guidance from Ofgem, this may leave affected parties open to a subjective interpretation of what it means by the regulator should any enforcement action be contemplated, even where suppliers have acted reasonably, openly and in good faith.

Suppliers are already subject to a myriad of definitions of vulnerability, some wider than others, some involving a degree of subjectivity, some based on defined physical traits, others on income or benefits, or family make up. They are not mutually exclusive. This can make it incredibly difficult for operational staff to be completely certain that in any particular case, a customer's needs have been fully identified.

power staff are trained to pick up on trigger words phrases or noises off (children in the background in the case of a phone call) when speaking to customers, but as with these things, obtaining information has to be undertaken without causing offence, for some defined purpose and without being too intrusive. With more and more customers dealing with their suppliers online, ascertaining the former's status becomes more difficult.

The corollary of this may mean that suppliers take a risk-averse approach and place customers on their Priority Services Registers (PSR) on a 'just-in-case' basis. This defeats the object of the review, where services should be offered based on needs, and may also dilute any additional services being offered or make the core services unnecessarily expensive to provide (because they may be provided to customers who don't actually need them).

It is important, therefore, that suppliers and others work with Ofgem to formulate suitable wording for any licence condition, so that it achieves what is required, is workable, and will also encourage consumers to come forward to ask for services if they believe they need them. To this end, and for example, we would ask Ofgem to eschew the use of the phrase “all reasonable steps” in any licence condition related to identifying vulnerability. This is uncertain, subjective and will be difficult to operationalise.

- Needs-based vulnerability

We support, in principle, a needs-based approach for offering services to vulnerable customers. On the face of it, this seems an efficient way to allocate finite services. Again, the devil will be in the detail of how this translates when enshrined in the licences and what it means when Ofgem says that the PSR comprises “customers who really need a service”. No doubt, it will be readily apparent, in the main, that a customer needs a particular service; on the margin, however, there will be, inevitably, a degree of subjectivity involved, and this should to be understood and taken into account when looking at parties’ compliance with such undertakings that arise from this approach.

‘Needs’ should not be those based on or for cosmetic reasons: for example, a meter move requested for decorative convenience.

As stated above, we would wish to avoid being put in the position of adopting an overly cautious approach and hence diluting services by offering them to customers who do not need them; which, ironically, could be the case if too rigid a compliance framework is offered. Rather, it would be better to allow a more flexible paradigm to emerge as this will drive innovation and best practice.

- Core groups

We agree that, complementing the needs-based approach, there should be a prescribed core group of customers who are eligible for certain services. Our comments on the additions to this group as set out in the appendix to your open letter and applying to suppliers are set out below:

- *Free gas appliance safety check for customers aged 75 and over, and pregnant women, both groups being in receipt of means-tested benefits and who own their own homes*

See below

- *Knock and wait (when visiting customers’ homes)*

We support this. In addition, it may result in more flexible ways of contacting customers (for example, phoning them beforehand to alert them to any visit)

- *Making certain communication and access services available to “consumers who may find it harder than the typical consumer to communicate with the licensee or access the licensee services”*

This is highly subjective. What is a “typical consumer”? There is no such thing; there is a spectrum. Suppliers’ staff are not experts in determining typicality; as such, this uncertainty may result in reliance on consumers self-identifying their needs. To that extent, we would expect guidance from Ofgem to expand on this.

Ofgem has asked three questions regarding certain changes to the core service eligibility.

Q1: Do stakeholders agree that ‘families with children under 5’ should be added as a specified “core” group to receive additional help during interrupted supply and for the provision of free gas appliance safety checks?

A: Yes. We agree that network companies should be required to offer services to the same core groups as suppliers.

Q2: Do stakeholders agree that the specified eligibility covering elderly people for the services related to safety should be changed from ‘pensionable age’ to ‘75 and over’?

A: As is quite often the case, a blanket approach (‘Pensionable Age’) can mean that services are offered to customers who do not need them. More tightly defining any eligibility criteria, particularly where this is supported by evidence, means, by definition, better targeting. In principle, therefore we support this.

On a practical level, for individuals aged 75 and over, would this status apply to anyone who lives in a household, or would it be restricted to the contracted or named customer? Either way, in order to determine eligibility, suppliers would have to ask individuals their age. Ofgem should recognise there is some element of sensitivity surrounding such questions for cultural as well as practical reasons (there may be some system changes needed to add ‘75 and over’ as a separate group).

If Ofgem perceives that for safety-related aspects the age criterion can be changed, will other references in this general safety sphere to Pensionable Age elsewhere in the licence (for example, disconnection provisions and theft) likewise be amended to mirror this?

Q3: Do stakeholders consider that pregnant women should be added as a specified eligible “core” group receiving free gas safety checks?

A: In principle we agree with this, although we do have concerns how we will obtain this information. Eligible customers would, we suggest, normally volunteer information rather than being asked. Over time and with the effect of greater publicity for an enhanced PSR, it would be expected that the degree of interaction and hence candidness will become greater. In addition, once an eligible consumer has given birth, then all other things remaining the same regarding eligibility, they would fall into the category of having child under 5 (but moving from one eligibility criteria (being pregnant) to another (having a child under 5) would still only entitle the customer to one free gas safety check in that transitional 12 month period). Initially, therefore, any difficulties would be about capturing this information and ensuring it remained up to date (for example, the sensitivity in establishing that the pregnancy went full term) .

Services

In addition to the prescribed services above, Ofgem has said that it expects energy companies to “offer services outside of the minimum list in licence conditions”, “where it is reasonably practical to do so”. It’s not clear whether these additional services are applicable to the customers in the core group, or to other customers where a need is identified.

Clearly, if a customer is identified as being eligible for existing non-core services suppliers already provide (for example, Warm Home Discount), then it would be sensible to use this opportunity of contact to offer them accordingly. But, the development of any new additional services should be left to suppliers rather than being compelled by Ofgem. It may well be that this (new services) development is a direct result of and therefore meets the customers’ needs because of this lack of compulsion.

It remains to be seen, for the reasons above, whether these changes will result in a dilution of or a tighter focus on priority services suppliers provide.

Customer identification and data sharing

We agree that data sharing is integral to improving and providing an integrated and seamless approach to customer service between suppliers and network companies in assisting vulnerable customers.

npower supports, is part of and engaged in the work being undertaken by the ENA CSWG and its Data Sharing Sub-Group to develop a common set of needs codes that will facilitate the sharing of data between suppliers and network providers about customers’ vulnerabilities. To that extent, as work is being progressed in this way, it should be left to self-regulation to continue to develop this as opposed to new licence conditions being necessary.

It should be recognised that, generally, suppliers and networks will use any shared data for different purposes: suppliers for the provision of prescribed and other services; network companies for the purposes of responding primarily to the loss of supply and for safety reasons. As such, from a supplier perspective, the data shared may need further refinement to facilitate the provision of any particular service.

In order for the process of data sharing to be developed and implemented, it will require a significant amount of IT and system changes. As IT resource is finite, then it will have to be prioritised accordingly. However, it has to be understood that there are other large projects requiring IT development already in the pipeline and which will be need to be delivered by the end of the year or early next year.

These include other Ofgem initiatives (for example, Guaranteed Standards of Performance), where the requirements have not been finalised. With any IT development, changes have to be agreed and locked down before work begins. There will also have to be testing both internally and externally before go-live.

Taken together, we believe that it will be impossible for the changes to be in place and to go live by March 2016. If, however, the expectation is that any new licence changes will be effected by March next year, but, like the Theft Risk Assessment Service, the implementation date(s) will be sometime later, this offers a much more realistic prospect for a successful delivery of what will be an important and far-reaching initiative.

Finally and not least, but separate from the technical aspects of PSR development, are other equally important considerations relating to the nature of the data likely to be exchanged and the requirement to observe the necessary data protection rules.

Improving the take-up of services

We agree that more can be done to promote the PSR.

What is not clear from the open letter is whether or not Ofgem wishes solely to have a single-branded PSR across the whole energy sector or, as now, allow parties to continue individualise their own offerings (in npower's case our PSR is known as Warm Response). A single-branded PSR, if widely publicised will give consumers the degree of certainty as to a what a minimum level of service in this area will be like regardless of which supplier provides their energy. However, it may not allow companies the necessary opportunity to sufficiently differentiate and promote any additional services that it wishes to offer, if these are subsumed under one industry-wide brand. This may attenuate innovation.

We agree that further work is required to assess the best way forward, but that this, as the initiative itself, should involve all affected parties. As such, therefore, it would seem sensible for Ofgem to lead this area of work rather than EUK. This particularly so as Ofgem has said that it will produce material for advice providers on PSR. In so doing, it would seem ideally placed to look at how best the services are promoted.

Compliance and monitoring

We are pleased to see that Ofgem has changed its mind about supplier-funded audits and instead looks to use to Standards of Conduct as the means to assess parties' compliance. We believe this is both sensible and proportionate. It will identify instances of good practice, rather than adopt a rigid framework approach of, essentially, pass or fail.