

Proposed variation:	<b>CR031 – aligning the definition of vulnerability with industry best practice</b>		
Decision:	The Authority <sup>1</sup> has decided to withhold approval of CR031		
Target audience:	SMICoP Governance Board, SMICoP Members, all interested parties		
Date of publication:	10 February 2016	Implementation Date:	N/A

**Authority decision on proposed Change Request CR031, “aligning the definition of vulnerability with industry best practice”, produced under Section B2 of the Smart Meter Installation Code of Practice (“SMICoP”)**

**Background to the Change Request**

The smart meter rollout, and the SMICoP, place an important emphasis on identifying and serving vulnerable customers appropriately. As well as ensuring that everyone can benefit from smart meters, the installation process represents a once-in-a-generation opportunity to improve suppliers’ understanding of their customers and, for example, improve their priority service register (PSR). The definition of vulnerability is therefore central to suppliers’ approaches to this important topic.

Over the past few years the industry has developed its approach to identifying and serving vulnerable customers. In 2013, our Consumer Vulnerability Strategy (CVS) signalled a shift towards a more dynamic definition of vulnerability, acknowledging that people may be more or less vulnerable depending on their circumstances – and may fall in and out of vulnerability. It is in this light that SMICoP members have sought to review the definition in the SMICoP.

As currently drafted, the SMICoP currently states that

*A Customer is Vulnerable if, for reasons of age, health, disability, or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household.*

This definition mirrors the one used by some suppliers in the Energy UK Safety Net, which aims to protect vulnerable consumers from disconnection.

In SMICoP, this definition is used to inform how suppliers should approach particular aspects of the installation process to meet the needs of vulnerable customers. These are set out in appendix 2 of the SMICoP (pp.31-3), and include requirements to provide appropriate information, identify vulnerable customers, keep records and make adjustments before and during the installation visit.

Change Request 031 (“CR031”) was raised by Citizens Advice, and approved by the SMICoP Governance Board (“SGB”) on 26 November 2015. The aim of the proposed Change Request was to align the definition of vulnerability with industry practice.

The Final Change Report (“FCR”) for CR031 was issued to us on 30 November 2015. Parties had two weeks to make representations to us about the request, after which we had until 14 January 2016 to approve the change request, withhold our approval or delay our decision.

<sup>1</sup> The terms ‘the Authority’, ‘Ofgem’ and ‘we’ are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

On 14 January 2016, we provided Notice to Citizens' Advice and the SGB under paragraph 2.7.5 of Section B that we were unable to reach a decision on whether to approve or withhold approval within the 30 working day period, but that we would aim to provide a decision on or before 5 February 2016.

On 5 February 2016, we provided further Notice to Citizens' Advice and the SGB under paragraph 2.7.5 of Section B that we were unable to reach a decision on whether to approve or withhold approval by 5 February 2016, but that we would provide a decision on or before 12 February 2016.

## **The Change Request**

### The proposed change, and Citizens Advice's rationale

The change request, CR031, proposes to replace the current definition with text lifted from our CVS:

*A Customer is Vulnerable if their personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:*

- *Significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or*
- *Significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial.*

Citizens Advice proposed this change to align the definition in SMICoP with the CVS definition. They argued that suppliers are already adhering to this definition across the rest of their 'business as usual' work, so this would result in consistency across their businesses, as well providing a clear and consistent steer to the consumer experience.

Citizens Advice highlighted industry's challenge to ensure that intelligence about consumer circumstances is recognised, collated and shared in a systematic, organised way. They see the smart meter rollout as a unique opportunity for energy companies to make contact with consumers in every property in Great Britain. As part of this, they want SMICoP to be 'fit for purpose', and aligned to the text in the CVS. They also acknowledged that we had not at the time of submission published our plans to change the PSR licence condition.

### Views of other SGB members

The six supplier members who voted on this change request all approved the plans. One supplier said that they were pleased to see a consistent approach being taken for vulnerability and saw the change as a positive step forward. Two suppliers also raised concerns with the proposal:

- One noted that we were planning to publish our PSR proposals to update the PSR obligations in the light of our CVS imminently. They suggested that the wording of this change request should be reviewed before SGB finalises it. They felt it would be prudent to ensure the wording is aligned to prevent this change being amended again.

- Another felt that the revised definition of vulnerability makes the installer's determination, which was always subjective, that bit more difficult, as it requires them to consider the individual in the context of the prevailing market conditions.

We published the PSR proposals after we received CR031. In light of the comments above, we circulated the PSR proposals and tabled a discussion at the January 2016 meeting of the SGB. At the meeting, members still supported the SGB's initial recommendation to approve CR031. We also received written comments from one supplier, broadly restating the views set out above.

### **The SGB recommendation**

On 26 November 2015 SGB voted unanimously to accept the FCR for CR031.

### **Our decision**

We have considered the issues raised by CR031, the details set out in the FCR and the votes of the SGB to accept the FCR for CR031 and Change Advisory Group's response and comments which are in Appendix B attached to the FCR. We also considered these factors in light of whether CR031 would better facilitate the achievement of the objectives set out in Standard Conditions 41.2 and 42.1 of the Electricity Supply Licence and Standard Licence Conditions 35.2 and 36.1 of the Gas Supply Licence ("SMICoP Objectives").

Despite our strong support for the objectives of the modification – to ensure that suppliers are taking a broad approach to considering vulnerability and are taking account of consumers' circumstances, we have to regretfully withhold our approval of CR031.

In coming to our decision we have also considered our wider statutory duties, including particularly our principal objective to protect the interests of existing and future energy consumers.

### **Reasons for our decision**

#### Consideration against the SMICoP objectives

We have considered the impact of CR031 against each of the SMICoP objectives, which are listed below. We also considered the impact of CR031 against our principal objective to protect the interests of existing and future energy consumers.

**Objective (a): the licensee and any Representative provides and maintains a standard of service which helps to ensure that Domestic Customers' experience of the installation of Smart Metering Systems at their premises meets their reasonable expectations**

**Objective (b): all activities undertaken by the licensee and any Representative in relation to the installation of Smart Metering Systems are conducted in a fair, transparent, appropriate and professional manner**

**Objective (c): Domestic Customers are given information about, and during, the installation of Smart Metering Systems which:**

**(i) is complete and accurate;**

**(ii) does not mislead them; and**

**(iii) informs them about the benefits of Smart Metering Systems and about what to expect in relation to the installation process;**

**Objective (d): Domestic Customers are not subject to unwelcome Marketing during any visit to their premises for the purposes of installing Smart Metering Systems.**

We share Citizens Advice's determination to protect vulnerable consumers during the smart meter rollout, and its point about the once-in-a-generation opportunity to make contact with customers and identify vulnerability. This change would move the industry to a more dynamic definition of vulnerability, which suppliers already use in other parts of their business. As such, we consider it could have a positive impact on the SMICoP objectives.

The definition of vulnerability is important to enable suppliers to train their staff and agents to identify any vulnerable customers, and adapt their installation process as set out in the SMICoP. As we set out in our CVS, vulnerability can be dynamic according to each consumer's circumstances, and this proposal moves towards the definition we set out in that strategy. This shifts the onus on to suppliers to think about vulnerability in the context of the CVS, in advance of the ramp up of smart meter installations. It would mean suppliers have to consider whether a broader range of consumers may need additional support to realise the benefits of smart meters, rather than a prescriptive list of customer types.

Unfortunately, the proposed text is not aligned with the current wording of electricity supply standard licence condition 41.11(c), and gas supply standard licence condition 35.11(c). These, in effect, require the SMICoP to identify and meet the needs of domestic customers who are of pensionable age, disabled or chronically sick. The drafting of CR031 does not give the certainty that the SMICoP would cover these particular groups of customers. As such, if we were to approve this modification there is a risk that suppliers may not be compliant with the relevant licence conditions in electricity SLC 41, and gas SLC 35.

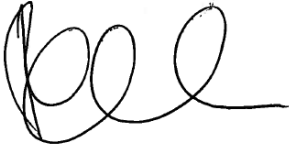
### **Decision notice**

In accordance with the Section 2.7 of SMICoP, we hereby withhold our approval.

We suggest that SGB reviews its change proposal in light of proposed changes to the PSR SLC26 licence condition<sup>2</sup>. This approach includes both a reference to the specific consumer groups (for the SMICoP, this would be those identified in condition 41.11(c) of the electricity supply licence and 35.11(c) of the gas supply licence) **and** a broader reference to vulnerability which takes into account consumer circumstances. Given the importance of ensuring a definition of vulnerability which matches our approach as set out in the CVS, we stand ready to consider a revised proposal as quickly as possible.

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<sup>2</sup> Priority Services Register Review - Final Proposals  
<https://www.ofgem.gov.uk/publications-and-updates/priority-services-register-review-final-proposals>

A handwritten signature in black ink, appearing to read 'Rob Church', with a stylized, cursive script.

**Rob Church**

**Partner, Retail Markets**

Signed on behalf of the Authority and authorised for that purpose