

Consultation Response

Ofgem consultation: Standards of Conduct for suppliers in the retail energy market

March 2017

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About Age UK

Age UK is the country's largest charity dedicated to helping everyone make the most of later life. The Age UK network comprises 150+ local Age UKs reaching most of England. We provide information and advice to around 5.9 million people each year, through web-based and written materials and individual enquiries. We work closely with Age UK Cymru, Age UK NI and Age UK Scotland.

About this consultation

In January 2017 Ofgem, the UK's energy regulator, published a consultation on the Standards of Conduct (SoCs) for suppliers in the retail energy market.¹ The SoCs are principles-based licence conditions that, among other things, require suppliers to treat customers fairly. The document includes a proposal to add a broad principle requiring suppliers to have special regard for customers *in vulnerable situations*. In this response we focus solely on this proposed 'broad vulnerability principle', answering questions 10 and 11 from Chapter 3. We add some broader comments towards the end.

Key points and recommendations

1. In response to Q10, we support the inclusion of a broad vulnerability principle in the domestic SoCs. Many older people face difficult circumstances (e.g. illness, bereavement) and it is vital that suppliers improve how they meet their needs.
2. We see older people facing various energy-related difficulties, including broken heating systems, metering and billing disputes, health conditions requiring high energy usage, and difficulty switching.
3. In response to Q11, we generally agree with the definition of a 'vulnerable situation'. We underline (Ofgem's view) that vulnerability should not be equated with age alone; many older people are capable and self-reliant and do not wish to be seen as vulnerable.
4. However, we do not think it necessary to define 'vulnerable customers' in contrast to other, 'typical' ones. Also, removing the 'combine with aspects of the market' part of the definition implies that suppliers have no role in creating or exacerbating customer vulnerability. Therefore, we recommend keeping this in the definition.
5. Circumstances that can lead to vulnerability include bereavement, diagnosis of a health condition, and going into hospital or care.
6. Suppliers should take steps to identify customer vulnerability, plan in advance how to spot and respond to particular customer circumstances, and ensure they do not exacerbate vulnerabilities through their actions.
7. People need various kinds of practical support, including managing debt, resolving billing disputes, improving home energy efficiency and support to switch. Suppliers should offer this support and refer to other organisations for further help.
8. Ofgem should publish good practice examples now, and issue guidance in one year's time if complaints or other evidence shows a lack of improved practice by suppliers.
9. A key element of treating customers fairly and supporting vulnerable customers is to ensure a degree of price fairness. Suppliers can do this in different ways, and Ofgem should consider extending the safeguard tariff to other customers, for example those receiving the Warm Home Discount.
10. In the context of a fast-changing market and technological innovation, suppliers should be guided by a 'no-one left behind' principle. This should entail helping older and vulnerable customers get to grips with new developments.

Q10: Do you agree with our proposal to include a broad vulnerability principle in the domestic Standards of Conduct? If not, explain why with supporting evidence.

1. Introducing a vulnerability principle

In response to Q10, yes, we agree with the proposal to include a broad vulnerability principle in the domestic SoCs. Energy is an essential service; we consider it vital that all older people – especially those in vulnerable situations – have a secure and affordable supply of energy, and effective support to negotiate difficulties and navigate the market. While age does not equate to vulnerability, many people develop health conditions or face challenges such as bereavement as they grow older. For example, half (47 per cent) of people aged 75+ have a limiting longstanding illness. In the context of an ageing society, energy suppliers must improve how they support the growing number of older people who may face vulnerable situations.

We also welcome this new principle because we continue to see cases where vulnerability puts people in harmful situations. See the examples in Boxes 1 and 2, which come from our 2016 Community Energy programme² – which involved fully-qualified Energy Advisers at local Age UKs delivering wide-ranging energy support to older people – and our general Information & Advice service. We want to see suppliers improve how they deal with people in these kinds of scenarios; an explicit reference to customer vulnerability in the SoCs will help achieve this.

Box 1: Harmful situations from Age UK Community Energy Programme

- **Heating not working** – An older man with significant health issues, living alone, has an old boiler that is not working. His gas fire is not working and he has no hot water. He does not have enough money to pay for replacements and does not know what help is available.
- **Hospital stays and debt** – A woman in her 80s, with multiple health conditions, goes into hospital a number of times. During this period, she forgets to make payments and accrues debt with her supplier. The supplier puts her under pressure to make urgent payments, threatening her with debt collectors.
- **Health problems and high costs** – A couple in their late 80s who both have health conditions that require high energy usage to keep warm are being billed high amounts they are struggling to afford. They wonder if there is a more appropriate tariff or source of support.
- **Billing complexity** – A woman in her late 80s, living alone, is having problems with her meter and bills, resulting in a demand for payment of over £2k, causing stress.
- **Switching** – An older man feels he is paying more than he can afford. He has had a severe stroke, has poor mobility, finds communication difficult and struggles with paperwork. He does not know how to switch.

<p>Box 2: Cases from Age UK Information & Advice line</p>
<p>High bills due to medical conditions My parents are in their late 80s, and have various medical conditions. Due to the medication my mother takes, she is permanently cold and so the central heating is always on. They have just had a bill for over £600. Is there a more affordable tariff they could be put on, given their circumstances?</p>
<p>Supplier pursuing debt for person who has gone into a care home My father has been sectioned under the Mental Capacity Act and is now in a care home. I have applied for deputyship powers and am still waiting for these to come through. In the meantime, his utility bills are outstanding and the supplier is pursuing payment through court. I have tried talking to the supplier to explain that I cannot yet access the account, but they are pressing ahead with court action.</p>
<p>Supplier charging a high amount on an empty home My mother recently became a care home resident. I have lasting power of attorney and have managed to sort out most things apart from her energy supplier for the home she used to live in and still owns. The supplier is charging over £100 per month even though no electricity is being used apart from an occasional light when I check the property. Can you advise if there's a way to have this monthly bill reduced until the house is sold?</p>
<p>Need help with unaffordable debt repayments My sister has fuel debt which I don't think is correct. She is repaying but can't afford it. She needs someone to go through the paperwork and talk to her electricity supplier on her behalf.</p>
<p>Complex dispute re metering and billing My mother, in her late 80s, lives on her own. She is having problems with her electricity supplier. There is a problem with her meter and the billing. The supplier's lack of clarity and communication is causing her a lot of stress; she has a mountain of paperwork and has now been told to go to the ombudsman. This has been a long saga and they are now saying she owes over £2,000. Her monthly direct debit is going up to approximately £500. She needs help.</p>
<p>Query re discounts for disabled people Is there a gas and electric supplier that gives a discount to disabled people who need to use more electricity due to equipment they require for their daily lives?</p>

Q11: Do you agree with our proposed definition of 'Vulnerable Situation'? If not, please explain why with supporting evidence.

2. Definition of a vulnerable situation

In response to Q11, overall we agree with the definition of a 'vulnerable situation'. Reflecting Ofgem's Consumer Vulnerability Strategy (CVS), we emphasise that age on its own should not be equated with vulnerability; many older people are capable and self-reliant and do not wish to be seen as 'vulnerable'. Vulnerability arises from particular combinations of adverse circumstances as they interact with the behaviour of firms, and can affect people of any age.

Having said that, there are a range of circumstances that affect many people as they grow older. We appreciate that Ofgem (in its CVS) is aware of these, and that the aim is not to enforce a tick-box approach to regulation. Nonetheless, it is vital that all suppliers have a full understanding of the circumstances many of their customers will face at some point in their lives. Box 3 shows a non-exhaustive list of **personal characteristics** that can make people vulnerable, that we see via our services.

Box 3: Personal characteristics that can cause a risk of vulnerability

- **Health conditions**, which can be caused/exacerbated by living in a cold home, or which result in people being more susceptible to the effects of cold, e.g. stroke, arthritis, COPD.
- **Physical impairments**, such as sight, hearing or dexterity.
- **Other disabilities**, including mobility issues.
- **Frailty**, i.e. very low physical resilience.
- **Mental health conditions**, including depression.
- **Lack of mental capacity**, for example people living with advanced dementia.
- **Cognitive decline**, such as diminished memory function or ability to deal with new situations and complex information.
- **Low income**, meaning no ability to deal with bill shocks or pay for improvements/repairs; this includes people who are cash-poor but asset-rich.
- **Internet**, lack of access, including to comparison/switching services.

Similarly, Box 4 shows a list of **personal circumstances** that can cause a risk of vulnerability through the associated stress or disruption.

Box 4: Personal circumstances that can cause a risk of vulnerability

- **Social isolation**, including living alone or feeling chronically lonely.
- **Bereavement** – grief/stress from the loss of a spouse, partner, parent or other.
- **Diagnosis of a health condition** – stress, possibly reduced income.
- **Hospital/care** – Going into hospital, perhaps for multiple stays, moving into a care home, being out of home for long periods.
- **Floods** – having your home flooded or living in an area susceptible to flooding.

In the proposed definition we would query the notion of comparing a vulnerable customer to a 'typical' customer. Most people will over the course of their life likely go through some period of vulnerability, e.g. illness, bereavement. It would be sufficient to say instead that a customer in a vulnerable situation is 'significantly less able to protect or represent his/her interests, and/or is significantly more likely to suffer (substantial) detriment *than a typical customer if they were not in that situation.*' Alternatively, the definition could be non-comparative, i.e. '...where he or she is at significant risk of detriment through a reduced ability to protect or represent his or her interests'.

We are disappointed with the removal of the 'combine with aspects of the market' part of the definition. Vulnerability can result not just from a person's characteristics or circumstances, but also from aspects of the market, including supplier behaviour. Supplier

actions can, in some cases, exacerbate vulnerability. For example, if a supplier pursues a customer's debt aggressively, without understanding their needs, this can cause upset, anxiety and could even trigger significant mental and physical health problems. Deleting this aspect of the definition implies that suppliers have no role in creating or exacerbating customer vulnerability. We recommend keeping this in the definition.

3. Identifying vulnerability

We support the requirement on suppliers to *identify* customers in vulnerable situations in order to treat them fairly. We also support the idea that supplier staff members at all levels should take vulnerability into account.

We are aware of concerns among suppliers about the practical cost of identifying vulnerability. We think identification is essential, and in fact early identification may actually be more efficient if it helps suppliers (particularly smaller suppliers) plan *in advance* for *common/typical* customer circumstances or life events that can lead to vulnerability; this could be understood as a 'prevent and expect strategy'. Examples of these circumstances are listed in Box 4 above, including bereavement and going into hospital. This could help suppliers plan how to practically support customers in these circumstances, but also to spot the signs of customers going through them. Suppliers should then test their systems to make sure they have anticipated and developed appropriate responses to all reasonably foreseeable customer needs.

Further, we would like to see suppliers not only plan how to *respond* to customer vulnerabilities, but also to consider pro-actively if/how their own practices *cause* or *exacerbate* them. They should, for example, test how all their processes and policies (particularly processes such as debt recovery) would impact on people with different types of vulnerability. This would create a more proactive approach.

Suppliers should maximise the use of their Priority Service Registers (PSR). Data on customers registered on the PSR should be used to flag the fact that they have a hearing impairment, for example, so that call handlers can adjust how they speak to them. And given the widely shared aim that more customers will switch supplier more frequently to get a better deal, it is essential that the vulnerability data captured on the losing supplier's PSR is reliably transferred to the gaining supplier's PSR.

More broadly, there may be opportunities in light of the Digital Economy Bill for suppliers to access data from other agencies that will help them highlight and address circumstances that could make customers vulnerable. Of course, such activity would have to be subject to respect for individual ownership of data, and data protection and privacy requirements.

4. Treating customers fairly: the kind of support people need

In terms of achieving good customer outcomes, our experience supporting older people in vulnerable situations includes the activities listed in Box 5.

Box 5: Age UK practical support for older people

- **Sorting complex billing disputes** – addressing problems around meter readings and disputed bills by collecting and going through paperwork, making multiple calls to the supplier on the customer's behalf.
- **Fuel debt** – support to manage debt, access grants and make repayments.
- **Energy efficiency** – arranging for equipment to be sourced, funded (accessing grants) and installed.
- **Support to switch** – to a cheaper tariff, supplier or payment type by finding information and facilitating conversations with suppliers.
- **Income maximisation** – making people aware of a range of benefits, including Pension Credit and Attendance Allowance.
- **Savings** – giving practical tips on how to save money, including helping people access discounts (e.g. Warm Home Discount).
- **Using heating systems effectively** – teaching people how to set their systems to the right temperatures at the right times.
- **PSR** – making people aware of their supplier's PSR, helping them register.
- **Condensation, mould** – helping people tackle dangerous home conditions.
- **Oil heaters** – supplying heaters in emergency situations.
- **Signposting** – to other charities, grant-giving bodies and sources of support.

This outlines the range of practical support many people need. While Age UK and other advice agencies are keen to play our part in providing support, energy providers have direct contact with vulnerable customers and therefore the expectation should be that they deliver as much of this support as possible. While we appreciate that some suppliers already do some of these activities, it is essential that all suppliers do as much as possible, to ensure that fair treatment does not depend on your supplier and that the cost is shared equally. Where they can't provide support, suppliers should provide a supportive ('warm') referral to other agencies, such as Age UK.

At a recent Ofgem workshop,³ a charity said many of their clients are unaware they can get help from their supplier and so wouldn't think of asking for help. We hope to see a culture change whereby suppliers become more approachable and clear that they can offer help or find solutions, even if by referring to another agency.

While we appreciate that Ofgem favours a non-prescriptive approach, we have some general ideas for how suppliers can support vulnerable customers, shown in Box 6.

Box 6: Ideas for supporting vulnerable customers

- **Phone calls/systems** – Some older people find it difficult to have phone conversations or use automated phone systems. This can be due to hearing, dexterity or speech impairments, memory problems, or a lack of confidence. Our recent report on *Age-friendly business*⁴ describes these issues and

suggests ways in which suppliers can meet these needs, for example by call handlers being patient but not patronising, speaking clearly and not too quickly, being willing to go 'off-script', with systems that employ good sound quality.

- **Complex situations** – We see cases where people are overwhelmed by complex disputes around billing. Where supplier staff members show empathy, respect and patience, this reduces the risk of exacerbating a vulnerable situation.
- **Home visits** – Some people are unable to leave their home due to mobility or health problems. We know from our Community Energy programme that sometimes it is only possible to help an individual by going into their home, building a trusting relationship, seeing their home environment first-hand and giving intensive support.
- **Empty homes** – Suppliers should encourage customers to inform them if they (or a relative) have left their home empty due to going into hospital, for example. Suppliers should then take action, whether putting them on the PSR, voiding debt or notifying them of their right to switch to a tariff/supplier with no standing charge.
- **Evaluation** – To fully embed a culture of supporting vulnerable people, suppliers should evaluate staff performance with reference to customer vulnerability and continuously improve their service.

Regarding guidance, we recommend Ofgem collects, publishes and shares with suppliers examples of good and bad practice. We also recommend that Ofgem shares guidance after an initial period (e.g. one year) in which suppliers get to grips with the new principle, if complaints or other evidence indicates that supplier performance continues to be poor. This could include examples of good and bad practice, including responses to the common customer characteristics and circumstances listed above in Boxes 3 and 4. It could also include examples of suppliers using a Vulnerability Team or Champion model.

5. Fairness in pricing

While energy prices are not part of the consultation, we are concerned that a crucial aspect of treating customers fairly is that they should pay fair prices. Ofgem notes that around 66 per cent of households are on standard variable tariffs, in many cases paying up to £250 more per year than if they were on a cheaper tariff.⁵ We have heard of cases where a person who has not switched for many years has been paying up to £700 more. We also know that some people ration their energy usage, damaging their health.

Given the detriment to people in such a situation – in terms of paying over the odds or health impacts – we argue that 'fairness' should require suppliers to take meaningful action. This might include rewarding loyal customers or putting customers onto cheaper tariffs. While we look forward to the results of the current Ofgem customer communication trials, we also suggest that Ofgem consider expanding the role of safeguard tariffs, for example for customers in receipt of the Warm Home Discount.

6. Additional comments on the changing energy market

We end with some additional comments on the need to protect vulnerable customers in a fast-changing energy market.

No-one left behind

There are many new innovations and technological developments, including smart meters, time-of-use tariffs and switching apps. We are concerned that while many older people do engage with new technology, others are unable to do so. This might be because they are not online, or because cognitive ageing means *some* are less able to deal with novel or complex ideas. Given the pace of change, we echo Ofgem's desire that **vulnerable customers are not left behind**. In broad terms, this should be a guiding principle, in future.

Number v quality of suppliers

The number of suppliers has grown in recent years; there are now at least 40, including smaller ones. While we recognise the positive effects on competition, we are concerned that not all suppliers are effectively tackling vulnerability.

Smart meters

We are also concerned that suppliers should give vulnerable customers the right support when (offering and) installing smart meters. Due to the rollout delays, there is concern among some suppliers that the length and quality of installation visits could be affected.

Given the significant shift that smart meters represent, suppliers must do all they can to help all customers engage, even if they are vulnerable. In practice, this means: 1) installation visits being long enough to be effective; 2) providing understandable and accessible (not just online) information for customers, including how to deal with troubles as they get to grips with the new technology; and 3) referrals to local agencies that can provide ongoing support. Installation visits are also a unique opportunity for suppliers to identify vulnerability.

¹ <https://www.ofgem.gov.uk/system/files/docs/2017/02/standards-conduct-suppliers-retail-energy-market.pdf>

² <http://www.ageuk.org.uk/professional-resources-home/research/communities/community-energy-programme-evaluation-june-2016/>

³ Workshop on an enforceable vulnerability principle in the energy sector, University of Leicester, 26.1.17

⁴ Age-friendly business, Feb 2017: http://www.ageuk.org.uk/Documents/EN-GB/For-professionals/Policy/communities-and-inclusion/Report_age_friendly_business.pdf?dtrk=true

⁵ <https://www.ofgem.gov.uk/publications-and-updates/ofgem-publishes-new-information-standard-variable-tariffs>