

Statutory consultation for a vulnerable customer safeguard tariff November 2017 A response from Scope

Summary

Scope welcomes the opportunity to respond to Ofgem's consultation for a vulnerable customer safeguard tariff. We agree with the stated objective to protect vulnerable consumers who find it harder to engage with the market by reducing the harm they experience on expensive tariffs.

We know that disabled people frequently consume more energy due to their impairment or condition, and may also face challenges in being able to communicate effectively with their energy supplier. Tackling these long-term issues is crucial to overcoming the detriment experienced by disabled people in the energy market.

We support the introduction of a vulnerable customer safeguard tariff as a short-term measure. However, we are concerned that utilising the Warm Home Discount scheme means some disabled people with additional energy costs will miss out – a long-term approach to supporting disabled people with these costs is required.

Recommendations

- **Ofgem should ensure energy companies are promoting the Warm Home Discount effectively to customers who may be eligible via the 'broader group' definition offered by their energy supplier, to help ensure as many people as possible are able to benefit from the vulnerable customer safeguard tariff.**
- **Ofgem should evaluate the impact of the vulnerable customer safeguard tariff on disabled people. This data should be used to inform long-term approaches to supporting disabled people with their energy costs.**
- **Ofgem should amend its definition of a "Vulnerable Situation", as part of its Consumer Vulnerability Strategy, to include situations where disabled people face extra costs for energy because of their impairment or condition.**
- **Ofgem should work with energy providers and the government to review eligibility criteria for grants like the Warm Home Discount to ensure they are targeted effectively at people who most need support with their bills, including disabled people who face additional energy costs.**

About Scope

Scope exists to make this country a place where disabled people have the same opportunities as everyone else. Until then, we'll be here. We provide support, information and advice to more than a quarter of a million disabled people and their families every year.

Background

1. This submission is a response by Scope to Ofgem's consultation for a vulnerable customer safeguard tariff.
2. Scope welcomes this consultation and supports the objective set out to protect vulnerable consumers by reducing the harm they experience on expensive tariffs.
3. Disabled people are more likely to experience consumer detriment because of the extra costs of disability. Scope research shows that on average, these costs amount to £550 a month¹, making it harder for disabled people to get into work, access education and training opportunities and participate in the consumer economy.
4. Many disabled people spend more on energy due to their impairment or condition. These additional costs have meant that many individuals have struggled to pay their energy bills in the past year.

As disabled people face unique instances of consumer detriment in the energy market, it is vital that there is sufficient scope within Ofgem's regulatory approach to respond successfully to these challenges. Integral to this is amending the definition of a "vulnerable situation" to include instances where disabled people experience additional energy costs because of their impairment or condition.

The extra costs of energy for disabled people

5. Disabled people face a range of disability-related costs, which may arise through things such as expensive purchases of specialist equipment, greater usage of taxis and private hire vehicles, or higher costs for things like

¹ Scope (2014), Priced Out, <https://www.scope.org.uk/Scope/media/Documents/Publication%20Directory/Extra-Costs-Report.pdf?ext=.pdf>

insurance. These costs amount to an average of £550 a month. One in 10 spends over £1,000 on costs of this sort².

6. Energy represents a significant extra cost for disabled people. The Extra Costs Commission, an independent inquiry into extra costs led by Scope, found that energy was the third most cited area of additional cost by disabled people³.
7. Whilst the impact of higher energy bills is felt by many groups, including older people and those out of work, disabled people will often consume more energy due to their impairment or condition. For instance: someone with limited mobility will need more heating to stay warm. Someone with multiple sclerosis may need to consume additional energy to maintain an optimum temperature to help them manage their condition. Someone who uses assistive technology devices will need to use extra electricity to charge these items.
8. Analysis of the Living Costs and Food Survey shows that 554,000 households with a disabled person spend over £3,000 a year on energy costs, compared to the average UK household that spends on average £1,345⁴. This points to a much wider concern Scope has about disabled people and their energy bills.
9. The extra costs disabled people face for energy can be seen by the fact that there are 939,000 fuel poor households in England with a disabled person, constituting 38 per cent of all fuel poor households⁵.
10. As a result, over a quarter (29 per cent) of disabled people have struggled to pay their energy bills in the past year.
11. The additional costs disabled people face for energy, along with other costs, will have a significant impact on disabled people's financial stability. This can be seen by the fact that:

² Scope (2014), Priced Out,

<https://www.scope.org.uk/Scope/media/Documents/Publication%20Directory/Extra-Costs-Report.pdf?ext=.pdf>

³ The Extra Costs Commission (2015). Driving down the extra costs disabled people face – Interim report, <http://www.scope.org.uk/Scope/media/Interim-report/Interim-report.pdf?ext=.pdf>

⁴ Scope, Sky high energy costs leave disabled people in the cold (13 January 2017).

Research carried out by Opinium Research between 20 and 28 December 2016 with 501 disabled UK adults. The sample has been weighted to reflect a representative audience.

<https://www.scope.org.uk/press-releases/sky-high-energy-costs-disabled-people#z4JgtOZGwLQFxmWh.99>

⁵ Department of Business, Energy and Industrial Strategy (2017). Fuel poverty Detailed tables: 2015. <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2017>

Disabled people have an average of £108,000 fewer savings and assets than non-disabled people⁶.

- Households containing a disabled person are twice (16 per cent) as likely as households without a disabled member (8 per cent) to have unsecured debt totalling more than half their household income⁷.

Vulnerable customer safeguard tariff

12. As has been noted in the technical document that accompanies the consultation letter, there is currently no perfect way of identifying all vulnerable customers and targeting support appropriately. We therefore support the use of the Warm Home Discount as the preferred mechanism for implementing this proposal, although we view this as a short-term measure.
13. Research by the Extra Costs Commission found that familiarity amongst disabled people with grants to support people with their energy bills was low – 40 per cent were unfamiliar with the Warm Homes Discount⁸. The lack of awareness means many potentially vulnerable consumers who should benefit from the safeguard tariff will miss out.
14. The differing approaches to defining eligibility for the ‘broader group’ and promoting the scheme among energy suppliers means coverage is inconsistent.

Recommendation: Ofgem should ensure energy companies are promoting the Warm Home Discount effectively to customers who may be eligible via the ‘broader group’ definition offered by their energy supplier, to help ensure as many people as possible are able to benefit from the vulnerable customer safeguard tariff.

Recommendation: Ofgem should work with energy suppliers on applying a consistent set of criteria for the ‘broader group.’

⁶ McKnight, A. (2014). Disabled people’s financial histories: uncovering the disability wealth penalty, CASE paper 181

⁷ Scope (2013). Disabled people and financial well-being - credit and debt, <http://www.scope.org.uk/Scope/media/Documents/Publication%20Directory/Credit-and-Debt.pdf?ext=.pdf>

⁸ Extra Costs Commission (2015). Interim technical report, <http://www.scope.org.uk/Scope/media/Interim-report/technical-report.pdf>

Extra costs

15. However, we are concerned that many people who need support – particularly disabled people facing extra costs of energy because of an impairment or condition, will miss out.
16. Eligibility for the 'broader group' category of the Warm Home Discount is mainly based on income-related benefits, such as Employment Support Allowance. This, therefore, excludes people who are in work and not on Employment Support Allowance and still experience disability-related energy costs.

Recommendation: Ofgem should evaluate the impact of the vulnerable customer safeguard tariff on disabled people. This data should be used to inform long-term approaches to supporting disabled people with their energy costs.

Supporting disabled energy consumers

17. A long-term approach is needed to support disabled people in the energy market.
18. Based upon the challenges disabled people may face as energy consumers, Scope supports Ofgem's decision to introduce a broad vulnerability principle in the Standards of Conduct.
19. However, the definition of consumer vulnerability should be expanded to recognise the detriment disabled people face due to extra energy costs associated with their impairment or condition. This needs to be underpinned with clear guidance for energy suppliers – informed by the experiences of disabled people – on how these additional energy costs may arise. Having this clarity would help to improve the way in which energy suppliers support disabled consumers in the energy market.

Recommendation: Ofgem should amend its definition of a "Vulnerable Situation", as part of its Consumer Vulnerability Strategy, to include situations where disabled people face extra costs for energy because of their impairment or condition.

Review of energy grants

20. Given the interim nature of this proposal, Ofgem, the government and energy suppliers need to work together to support disabled people in the energy market.

Recommendation: Ofgem should work with energy providers and the government to review eligibility criteria for grants like the Warm Home Discount to ensure they are targeted effectively at people who most need support with their bills, including disabled people who face additional energy costs.

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