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## **CAS Response to Ofgem draft Vulnerability Strategy (July 2019)**

### **Who we are**

The policy teams at Citizens Advice Scotland use research and evidence to put people at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations. We aim to represent the views of different consumer groups using evidence of consumer views and supporting research wherever possible.

### **Citizens Advice Network in Scotland**

Citizens Advice Scotland (CAS), our 59 member Citizen Advice Bureaux (CAB) and the Extra Help Unit, form Scotland's largest independent advice network. Advice provided by our service is free, independent, confidential, impartial and available to everyone. Our self-help website Advice for Scotland provides information on rights and helps people solve their problems.

In 2017-18 the Citizens Advice Service network helped over 295,100 clients and dealt with almost 874,000 advice issues recorded in 2017/2018 across EHU, CACS, and CABS for clients living in Scotland. With support from the network clients had financial gains of over £138 million and our self-help website Advice in Scotland received approximately 3.2 million page views. On energy consumers issues in particular, we advised on over 41,000 energy-related issues in 2017-18, generating over £1.8m in client financial gain.

Our extensive footprint is important in helping us understand how issues impact locally and nationally across the country and the different impacts that policies can have in different areas.

## **General comments**

CAS strongly welcomes Ofgem's Draft Vulnerability Strategy 2025. It signals to industry, Ofgem's renewed commitment to strengthening its own work in supporting consumers in vulnerable situations, as well as placing greater onus on suppliers and network operators to do more in this area. We recognise that since the publication of the first Vulnerability Strategy in 2013, Ofgem and industry has already made good strides in this area. It is notable that the first Strategy, which defined the range of vulnerable circumstances, has helped to elevate the issue of vulnerability within industry and across other sectors – putting emphasis on Priority Service Registers for example, and improving the identification of vulnerable consumers.

This is a positive step forward, yet there is much further to go. With unprecedented levels of change in the energy system and wider industry, it is important that this next 5 year Strategy, carefully pre-empts and future-proofs for pinch-points where vulnerable consumers could face more detriment than the average consumer. We propose a number of key factors which we think can be used to frame all components of the revised strategy.

These are:

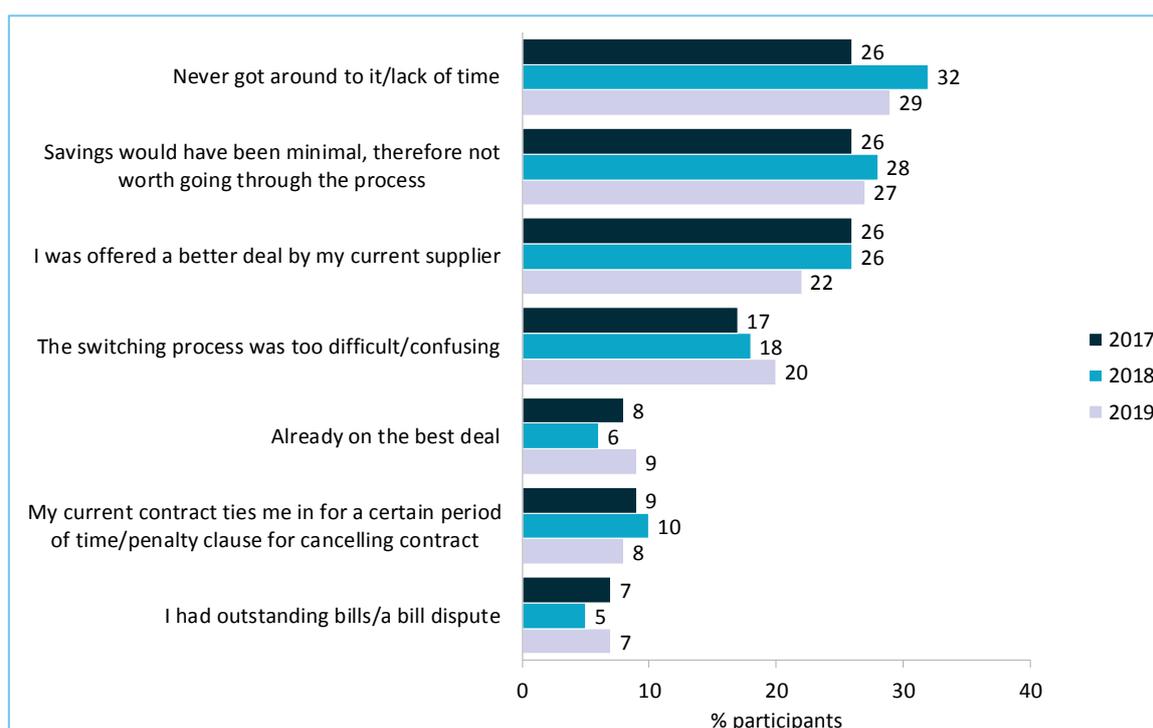
1. Compliance with existing obligations and regulations
2. A universal service no matter where you live or who you are supplied by
3. Integration and streamlining of support services across sectors (networks, retail, water etc.)
4. Getting the basics right to reduce detriment (billing, meter reading, digital access)

## **Supporting consumers in a changing landscape**

The importance of protecting consumers in vulnerable situations cannot be overstated. As is frequently cited, we're in the midst of a fundamental shift towards a decentralised, decarbonised and digitalised energy system. Added to this is a backdrop of volatile fuel costs, particularly heating oil and enduring impacts of welfare reform which contribute to many consumers' *financial* vulnerability, as well as exacerbate other types of vulnerability. It is more important now than ever before, to ensure that consumers in vulnerable situations are supported during the energy transition, and that all industry players, not just the Big 6 retailers, step up to the plate to shoulder a greater responsibility for this.

The next 5 years will be a testing time in this regard as we see the completion of the roll-out of smart meters, the rise of smart time-of-use tariffs and curtailment of price-caps to name but a few changes. Those in vulnerable situations may face more confusion than most over with the introduction of new technologies, types of tariff and perceived complexity of information.

We already see from our Scottish Citizens Advice Bureaux, that people in vulnerable situations already struggle to access support such as Priority Service Registers or Warm Homes Discount, to know how to switch supplier when they see news of suppliers collapsing. The energy retail landscape is already confusing for many consumers, with many choosing not to switch. Our latest tracker survey found that in the past twelve months only 26% of respondents had switched supplier. The main reasons respondents had for switching were lower prices (73%) and price caps or price freezes (20%). Of the respondents who did not consider switching, 20% said that it was mainly or partly because the switching process was too confusing or difficult.



Reasons for not switching supplier in the last twelve months (multicode) (by year):  
 Base: all participants who gave serious consideration to switching; 2017 (653); 2018 (1,076); 2019 (1,071)

## Support for electric heat users

Restricted meters are far more common in Scotland than in the rest of the UK: 124,000 households were thought to be using DTS tariffs in Scotland compared to

32,000 households in the rest of Britain<sup>1</sup>. Consumers who are reliant on electric heating and restricted meters often experience higher costs and lower incomes. The complexity of the market for restricted meter users often leads to disengagement with the market and with support services<sup>2</sup>. We have [previously recommended](#) that additional advice services for these users should be developed. We were pleased to see that Home Energy Scotland, beginning this year, offers advice to electric heat users, but would like to push further. Our research (available at request) suggests that the [CMA remedy for Restricted Meters](#) which went into effect in September 2017 is not effectively helping Scottish consumers navigate switching tariffs and saving money<sup>3</sup>. We would like to renew our call for tailored, expert advice to deal with system operation, metering, tariffs, upgrades, and access to targeted financial support where appropriate for restricted meter users.

## Welcome initiatives proposed for GD2

In particular we welcome proposals in the strategy where detail is given on new policies such as the intention to introduce a new principles-based Licence Obligation on gas distribution network companies to support consumers in vulnerable situations and the introduction of the 'use it or lose it allowance'. As stated in our consultation response to RIIO 2 earlier this year,

*"CAS supports the proposal to have a principals based licence obligation to provide minimum standards for vulnerable consumers. While GDNs have made good progress in supporting vulnerable consumers in GD1, a licence obligation will help to drive up standards and ensure that vulnerable consumers in all regions receive a consistent service. The principle based condition should enable GDNs to take a flexible customer orientated approach that seeks to deliver real positive outcomes for consumers. Ofgem should ensure that they proactively monitor this to ensure that the licence obligation is consistently met."<sup>4</sup>*

This is a positive step forward to ensuring parity across the industry in their respective commitments to supporting vulnerable consumers. In our essay<sup>5</sup> which addressed how we think vulnerability programmes in RIIO 2 should be taken forward we argued for the need for consumers to receive consistent access to support services no matter where they live in GB. We think that policies such as the

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<sup>1</sup> *Issues faced by electric heat users in Scotland*, CAS 2018. Not published- available by request.

<sup>2</sup> *Hard Wired Problems*, [https://www.cas.org.uk/system/files/publications/hard-wired\\_problems\\_-\\_delivering\\_effective\\_support\\_-\\_11-10-2018\\_0.pdf](https://www.cas.org.uk/system/files/publications/hard-wired_problems_-_delivering_effective_support_-_11-10-2018_0.pdf)

<sup>3</sup> *Issues faced by electric heat users in Scotland*, CAS 2018. Not published- available by request

<sup>4</sup> [https://www.cas.org.uk/system/files/publications/cas\\_response\\_to\\_ofgem\\_riio\\_2\\_sector\\_consultation.pdf](https://www.cas.org.uk/system/files/publications/cas_response_to_ofgem_riio_2_sector_consultation.pdf)

<sup>5</sup> <https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/consumer-coalition-sets-out-riio-2-vulnerability-proposals/>

use it or use it allowance – which are distributed proportionally to customer base- is a positive development.

## General recommendations

Below we make a number of general recommendations for the Vulnerability Strategy:

1) Firstly we suggest that it could be strengthened by identifying more time specific outcomes for consumers, and state how it will be achieved over the 5 year period. Suggestions of metrics for assessment per outcome will be important to give industry a clear steer on how Ofgem's expectations of reporting on progress towards outcomes. An outcomes-approach with a break-down of current benchmarks, milestones and metrics seems sensible given that a central focus for Ofgem is the monitoring and evaluation of policies in practice. We also think the outcomes could be framed under the consumer principles<sup>6</sup>. CAS uses the 7 consumer principles as a basis for assessing whether policy is sufficiently consumer-centric. These are: access, choice, safety, information, fairness, representation, redress. These principles are a framework of assessing outcomes could help to ensure that they are sufficiently consumer-centric.

2) We suggest that Ofgem add a break-down of outcomes on a year by year basis in Appendix 2. This would be helpful for clarity for all stakeholders, and furthermore provides a quantifiable measure of success, and external scrutiny. While we appreciate Ofgem's reluctance to be overly prescriptive on industry, we urge Ofgem to identify exactly where and how it can enforce non-compliance with the themes of the Vulnerability Strategy.

3) We suggest a tightening of the language around the action points. So for example, where you say 'explore' or 'consider whether it is necessary to...' – we would like to see more definitive and concrete actions. We consider this to be vague and we are concerned that it would be interpreted too loosely by industry. We think this is critical to the ensuring that industry complies with the principles, without compromising innovation.

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<sup>6</sup> [https://www.cas.org.uk/system/files/publications/leading\\_by\\_example\\_final.pdf](https://www.cas.org.uk/system/files/publications/leading_by_example_final.pdf)

## Response to specific questions

Below we answer all of the consultation questions, contributing insights from the CAS network in Scotland where possible. We aim to highlight the particularly Scottish consumer issues.

### **Question 1: Do you agree with the five priority themes and the outcomes we will aim for (as set out in chapter 3-7 and annex 2)?**

Yes, we broadly support the five priority themes – although as noted in the introduction we suggest that the outcomes are more definitive and measurable. The five themes seem sensible and capture the most of consumer issues for vulnerable consumers that we see on the frontline. However we've identified some other issues which we think are missing from the Strategy, and could easily be incorporated under one of the five overarching themes, as follows:

- Tackling digital exclusion (this is an issue particularly for accessing the Warm Homes Discount where in some cases suppliers only offer a web-based application form and not a paper one. This is highly exclusionary. Evidence from our CABs suggests that often those in vulnerable situations are also those without access to a smart phone or PC-internet. Being able to access the £140 Warm Homes Discount clearly has an impact on those struggling to afford their bills.
- Specific reference to supporting customers with pre-payment meters. We've seen cases at CABs where a house-bound elderly client with mobility issues has a pre-payment meter installed without consent and yet they're unable to get out of the house to top up their PPM card.
- More reference is needed on supporting consumers in vulnerable circumstances in the smart meter roll out. Although SMICOP may give guidance on supporting consumers in vulnerable circumstances we are not confident that this is being adhered to by installers. Given the scale and complexity of the smart meter roll out we think this should be one of the priorities of the strategy.

**Case Study:** Client, who is 80+ years old, faced a 20% increase in tariff after her current contract expired, unless she switched to an online tariff or had a smart meter installed. She did not want to do either of these things. Client has always used her supplier and does not want to change provider.

## 1.1 Improving the identification of vulnerability and smart use of data

We agree that there is an appropriate work stream theme. There is still considerable work to be done in improving the identification of consumers in vulnerable situations and increasing the number of PSR registrations. As our research in 2018 highlighted, the number of Scottish consumers registered on PSRs is proportionately lower than in the rest of GB; in 2017 21.97% of electricity customers and 20.76% of gas customers in GB were on the PSR, compared to 18.56% and 18.65% of electricity and gas customers (respectively) in Scotland. The reasons for this are unclear<sup>7</sup>. We are therefore keen to see emphasis on improving the identification of vulnerability – both in terms of boosting the numbers of eligible customers, but also in terms of better identifying the varying *needs* of vulnerable consumers at the point of registration. For example: asking “what sort of help do you need” rather than “which of these categories do you fit into” to identify consumers who may need tailored or additional support<sup>8</sup>.

We have previously [called](#) for simpler registration processes and more widespread training of staff to better identify consumers in need. Better collaboration and information sharing across sectors could help identify and signpost consumers. While CAS supports the use of smart meter data and data sharing across sectors, it is vitally important that approaches to data cleansing are improved as well, so that consumer details are up to date, and consumers who are no longer in a vulnerable situations are removed from databases. We have previously recommended that the Scottish Government convenes a dedicated public/private working group to push simpler registration processes and co-ordinate recommendations<sup>9</sup>.

We agree that data could and should be better utilised to support people who need it most. To this end, the priority service register information should be shared cross sector. However, while we strongly encourage a more integrated approach, [we do not believe](#) that there is a clear cut case for a single register of vulnerable consumers across sectors. Substantial exploration and cross-sector discussions on this topic have been ongoing for a number of years, and there appear to be too many complexities to overcome to achieve a single register across devolved nations and multiple-sectors, particularly over the security and practicality of data-sharing. Instead, CAS believes a more practical approach would be the creation of a single central database that allows a consumer to enter details and signposts them to

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<sup>7</sup> CAS, “Making it Easy” (2019)

<sup>8</sup> CAS, “Making it Easy”, (2019)

<sup>9</sup> [https://www.cas.org.uk/system/files/publications/2019\\_03\\_29\\_cas\\_making\\_it\\_easy\\_simpler\\_registration\\_for\\_consumers\\_in\\_vulnerable\\_situations.pdf](https://www.cas.org.uk/system/files/publications/2019_03_29_cas_making_it_easy_simpler_registration_for_consumers_in_vulnerable_situations.pdf)

registers that are applicable to them<sup>10</sup>. This would involve a central resource through which consumers provide their details, and are then signposted towards the registers that best meet their needs. This is a key recommendation borne from our 2018 research into the consumer experiences of accessing PSRs. We welcome Ofgem's intervention in this area to test the concept of a single registration process through area-based pilots, for example, targeted in areas with high proportions of people in vulnerable situations, or in areas that experience high levels of supply interruption.

Any data sharing between sectors or industry members should be predicated by clear and informed consent from the consumer. It is essential that consumers are made aware of what information is being shared, who it is being shared with, and for what purpose – as per GDPR rules.

## 1.2 Supporting those struggling with their bills

As an essential service, consumers should always have access to affordable and reliable supply of energy. We are pleased that Ofgem plans to step up support for consumers on prepayment meters who self-disconnect to reduce occurrences of self-disconnection, especially as Scotland has a [relatively high number](#) of prepayment meters (there are 3,198,816 prepayment meters in Great Britain, 460,529 of which are in Scotland)<sup>11</sup>. Our Citizens Advice Bureaux gave advice about prepayment meters 1,913 times and about emergency credit on prepayment meters 978 times in 2017/2018. As stated in our [response](#) to Ofgem's prepayment self-access to emergency fuel credit is essential to drive down rates of self-disconnection<sup>12</sup>.

Research we conducted this year revealed that 1 in 10 working Scots have run out of money to pay fuel bills at least once<sup>13</sup>. In the first nine months of 2018/2019, our bureaux have given advice on regulated fuel debt 4,389 times. We believe the industry should be required to take every possible step to prevent their customers accumulating fuel debt, and when it does happen, to reach affordable payment plans with consumers before employing a debt collection agent, which can cause further stress and worry to consumers who are already in a difficult situation. Citizens Advice [found](#) that debt collection methods are sometimes perceived as aggressive, and support is viewed as generic and unhelpful, which can exacerbate vulnerability and discourage consumer engagement. We agree with recommendations that call for suppliers to take a holistic view of a consumer's situation and frame debt

<sup>10</sup> Ibid.

<sup>11</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/793448/Local-authority-prepayment-electricity-statistics-2017.csv/preview](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/793448/Local-authority-prepayment-electricity-statistics-2017.csv/preview)

<sup>12</sup> [https://www.cas.org.uk/system/files/publications/cas\\_response\\_to\\_ofgem\\_self\\_disconnection\\_consultation\\_final\\_version.pdf](https://www.cas.org.uk/system/files/publications/cas_response_to_ofgem_self_disconnection_consultation_final_version.pdf)

<sup>13</sup> <https://www.cas.org.uk/news/1-10-scottish-workers-have-been-unable-pay-fuel-bills>

communications in a way that is consistent and emphasizes the benefits of proactive engagement with the supplier<sup>14</sup>. We agree that Ofgem can do more to encourage suppliers to improve their customer communications to help destigmatise debt and make customers aware of their right/options/sources of advice. This could be through better sign-posting to sources of debt-advice, outlining clearly what their debt management options including debt repayment plans, and offering to review whether debt repayments are set at an affordable level for them.

We strongly agree with other stakeholders<sup>15</sup> that Ofgem and suppliers should revisit the provision of social tariffs. The fact that a quarter of Scottish households are in fuel poverty, despite the existence of price caps and various financial support mechanisms in Scotland (Warm Homes Discount, Cold Spell Assistance and Winter Fuel Allowance), as well as energy efficiency schemes, suggests that energy is still unaffordable for many people. Those in vulnerable situations are arguably more at risk of fuel poverty given that many are unable to work, low income and dependent on benefits.

Our 2018 report [Speaking up: understanding fuel poverty support needs](#)<sup>16</sup> concluded that what those in fuel poverty need is simply hard cash to pay their energy bills, as well as targeted advice. Low income households are the least referenced category of vulnerable people by organisations that deal with vulnerable people, and need more support to make ends meet<sup>17</sup>. While the Warm Home Discount goes so far in achieving that one-off subsidy on electricity bills, a social tariff that is targeted at those most at risk of fuel poverty could have real potential to make energy more affordable. We think it is appropriate that social tariffs are reviewed as a serious alternative to price-caps, or in addition to price-caps. A competitive energy retail market has only taken us so far in reducing the cost of electricity and gas, despite interventions like price caps on PPMs and SVTs. Analysis needs to be done in this area to understand the impact of price caps to date on affordability, as well as the potential impact of social tariffs as compared with other financial support mechanisms. The consultation document states:

*If government were to revisit its approach, and conclude regulated social tariffs were the right way forward, Ofgem could take on this role. However, we do not believe it appropriate to do so unless government promotes such an approach.*

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<sup>14</sup><https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Supply%20and%20final%20demand.pdf>

<sup>15</sup> Such as the Energy UK Commission for Customers in Vulnerable Circumstances

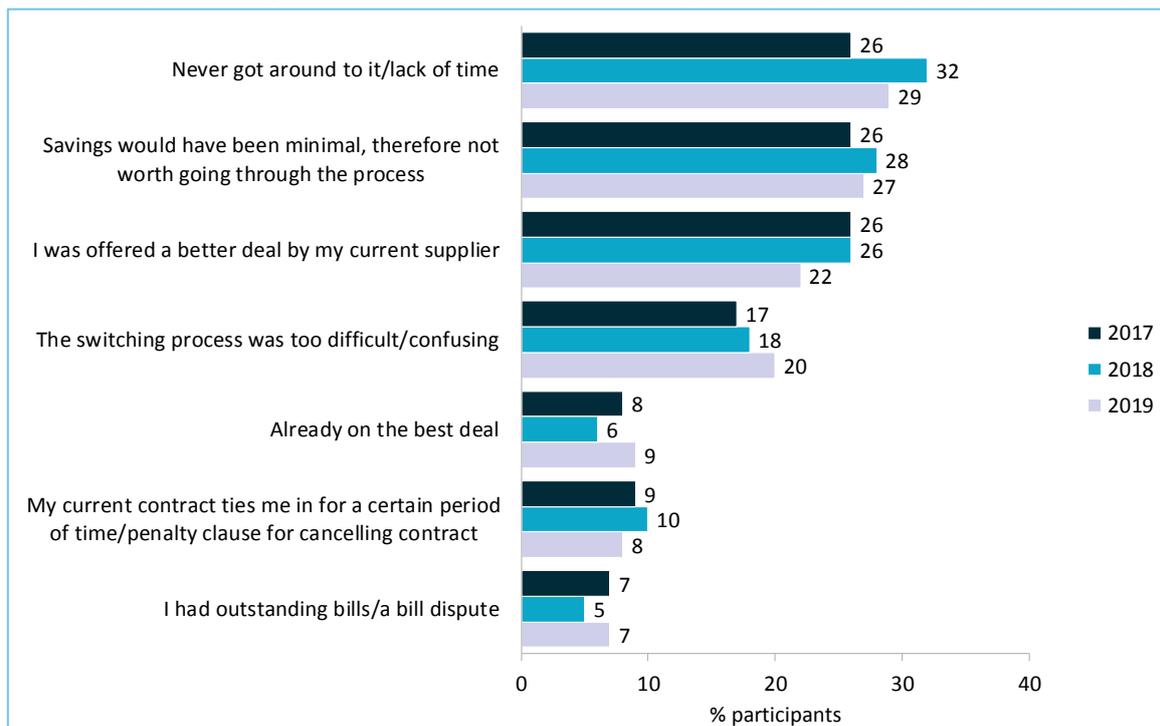
<sup>16</sup> <https://www.cas.org.uk/publications/speaking-understanding-fuel-poverty-support-needs>

<sup>17</sup> [https://www.cas.org.uk/system/files/publications/ipsos\\_mori\\_scotland\\_research\\_into\\_simpler\\_registration\\_for\\_consumers\\_in\\_vulnerable\\_situations.pdf](https://www.cas.org.uk/system/files/publications/ipsos_mori_scotland_research_into_simpler_registration_for_consumers_in_vulnerable_situations.pdf)

This suggests that the decision is contingent on UK Government, however we argue that Ofgem should pre-empt any political decisions and take the lead in undertaking the aforementioned economic analysis. Ofgem could take the lead in opening lines of enquiry with the UK and Scottish Government and industry on the concept of social tariffs. This would be in line with Ofgem’s remit of ensuring best value for the consumer. In this instance, social tariffs could indeed be best value for consumers in vulnerable situations, and for whom switching supplier/tariff in the current market is too complex. Our 2019 tracker survey indicated that 74% of respondents had not switched supplier in the past year; 20% of the respondents who had not switched said this was partially or mainly because switching was too complex. The percentage of respondents who have not switched because the process was too complicated has increased from 17% to 20% since 2017<sup>18</sup>. (See figure below)

**Reasons for not switching energy supplier in the last 12 months (multicode) (by year)**

Base: all participants who gave serious consideration to switching; 2017 (653); 2018 (1,076); 2019 (1,071)<sup>19</sup>



As to the question of whether network companies can and should help fuel poor householders in the longer term, in addition to the FPNES, we believe that network companies should continue to increase their activity which supports those in fuel poverty and vulnerable situations.

<sup>18</sup> 2019 CAS tracker survey

<sup>19</sup> Utilities Tracker Survey draft report 2019, prepared by Accent. Available on request.

We strongly welcome the proposal to introduce a new principles-based Licence Obligation on gas distribution network companies to support consumers in vulnerable situations. We urge Ofgem to take action and ensure that the 'vulnerable consumers' licence obligation is underpinned with real action, so that it does not become a tokenistic with little tangible impact for customers.

The question of where the division of responsibility for mitigating fuel poverty should lie, between government, Ofgem and industry, is both an epistemological and political one. Indeed, it includes the unregulated energy market given that in Scotland, fuel poverty is high amongst heating oil users (42%) in off-gas areas. CAS has recently tried to initiate discussions between government, Ofgem and industry on this very topic given the pertinence of the debate, rising fuel bills and prevalence of fuel poverty<sup>20</sup>. We urge Ofgem to take the lead in connecting stakeholders to discuss these macro-level questions head on. It is especially pertinent given the wider decarbonisation agenda and questions over the future of gas.

### **1.3 Driving significant improvements in customer service for vulnerable groups**

CAS always welcomes more consumer support, especially for vulnerable consumers. Identifying the unique needs and circumstances of vulnerable consumers in Scotland, especially as the energy industry innovates and changes should be a top priority for policy makers, regulators, and businesses. As recommended in our [Making it Easy](#) report, service providers should be trained to utilise best practices, like asking "what sort of help do you need" rather than "which of these categories do you fit into" to identify consumers who may need tailored or additional support<sup>21</sup>.

Consumers should always have access to clear and relevant information. We support the proposed vulnerability customer service indicator proposed by Citizen's Advice and would welcome tailored consumer research. However, many vulnerable consumers in Scotland do not have access to a computer or the internet. Service

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<sup>20</sup> CAS hosted two Summits at the Scottish Parliament (21 November 2018 and 12 May 2019) with MSP Christina McKelvie with the Big 6 and third-sector energy organisations. The purpose of which was to bring suppliers together to explore their willingness to offer fuel credit schemes to those customers in financial crisis and to avoid self-disconnection. Scottish Power, E.On and Scottish Gas already offer good-will fuel credit schemes and the Summit sought to share this best-practice and encourage more suppliers to do the same. The discussion soon moved on to wider questions of whose responsibility it is to support those in fuel poverty. A suggestion was made to use supplier fines monies in a central pot to funded schemes such as fuel credit; that way any consumers, anywhere could access support. There was a commitment to engage with Ofgem to explore this further. A representative from Ofgem was present at the second Summit. CAS would welcome continuing these conversations with Ofgem bilaterally.

<sup>21</sup> CAS, "Making it Easy", (2019)

over the phone or via mail should also be easy to find, access, and understand so that these consumers are not left behind.

CAS believes that every consumer should have equal access to affordable, suitable, and high quality services. Innovation must not leave the most vulnerable behind. The cheapest tariffs and best customer service should be available to all consumers, particularly the most vulnerable. Suppliers should widen access to consumers on the PSR and ensure that vulnerable consumers can contact them for quality service over the phone.

We think that customer service needs to be improved to help customers with restricted meters to switch to a single rate meter should they wish to expand the pool of competitive tariffs. Our evidence from the CAS network suggests that restricted meter users are struggling to switch to a single rate meter (eg. in Shetland it is hard to get engineers to come out to investigate complex wiring). Our evidence suggests that the CMA remedy for restricted meter users is not being fully complied with by some suppliers, with a lack of awareness amongst call centre staff of the remedy and what restricted meter users are entitled to<sup>22</sup>. Ofgem needs to do more to check compliance with the CMA Remedy for restricted meters, and ensure that suppliers are communicating to restricted meter users:

- i) what the period of off-peak operation is
- ii) what their options are to switch
- iii) how they can be supported to switch if they choose.

#### **1.4 Encouraging positive and inclusive innovation**

CAS strongly encourages the introduction of consumer principles into the corporate culture of energy companies. Industry should actively try to incorporate access, choice, safety, information, fairness, representation, and redress into every level of their company and in every interaction with consumers. Integrating consumer principles will ensure that consumers in vulnerable situations are identified quickly and receive the support they need.

We would welcome the introduction of consumer panels. We are advocates of embedding community participation in utilities and support the circulation of examples of best practice. We would encourage more research into the subject. We

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<sup>22</sup> Report is not published. Available upon request.

agree that suppliers should be compelled to trial new approaches to debt communications if they fail to do so regularly<sup>23</sup>.

We support the use of pilot programs for simpler PSR registration and consumer debt collection techniques. Supplier innovations should be informed by consumer needs and, whenever possible, embedded in community participation. Our report in 2017 highlights the usefulness and application of different deliberative research methodologies to inform policy in the regulated industries<sup>24</sup>. This includes examples of costs and logistics of conducting such research e.g. Citizens assemblies and citizens juries, structured dialogues and world cafés. CAS also has experience of using deliberative research to inform policy in the practice, as published in our report [Warming up Scotland to Energy Efficiency](#)<sup>25</sup>. We would be happy to share our experience of this with Ofgem. Examples of best practices and outcomes of pilot programs should be shared with Ofgem, third sector stakeholders, and the public to ensure transparency and sector-wide adaptation of best practice.

## 1.5 Working with partners to tackle issues that cut across multiple sectors

We support the work of our colleagues at Citizens Advice and are pleased that they are present on the tripartite group to represent consumer interests. We agree with [their recommendations](#) that Ofgem set targets related to debt and regularly assess supplier performance against those targets in order to decide if further action is required. New suppliers should have processes in place to meet those targets and good referral pathways to specialist support organisations available when they begin operating<sup>26</sup>.

Many of the recommendations in our 2019 report *Making it Easy* encouraged cross-sector data sharing that would allow for greater signposting, quicker identification of vulnerable customers, and greater opportunities to enhance service quality. Full recommendations are in our report, but a brief overview can be found below:

- Better consumer-facing information support services focused on consumer needs rather than categorisation
- Sharing of best practice in identifying and engaging consumers and the community, including signposting in an across organisations
- Widespread training of staff to better identify consumers in need

<sup>23</sup> <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Supply%20and%20final%20demand.pdf>

<sup>24</sup> [https://www.cas.org.uk/system/files/publications/meta-analysis\\_and\\_scoping\\_exercise\\_into\\_public\\_participation\\_in\\_the\\_regulated\\_industries\\_ipsos\\_mori\\_involve\\_-\\_2017-10-12.pdf](https://www.cas.org.uk/system/files/publications/meta-analysis_and_scoping_exercise_into_public_participation_in_the_regulated_industries_ipsos_mori_involve_-_2017-10-12.pdf)

<sup>25</sup> <https://www.cas.org.uk/publications/warming-scotland-energy-efficiency-putting-consumers-first>

<sup>26</sup> Ibid.

- Collaboration and information-sharing between third sector, public sector, and providers so that third sector organisations can easily direct consumers to support from their suppliers
- Widespread gathering of consumer feedback to be used to enhance service quality and respond closely to consumer needs
- Putting procedures in place to support the sharing of information between organisations predicated on clear and understandable consent from customers
- A simplified registration process through a centralised source that allows consumers to enter details and be directed to relevant registers. This should be tested through pilots in areas with high levels of vulnerable consumers
- Improved data-cleansing approaches that reflect the changing circumstances of consumers who may move in and out of vulnerable situations

**Case Study:** Client moved into his current property in December 2017, and was approached on the street by a supplier in January 2018. Client agreed to swap, and was advised by sales agent that the new supplier would issue him with payment cards. Client never received the cards, and attempted contact throughout 2018 to request them. After he received assistance from advocacy worker, a gas card was sent out in April 2019, but no electricity card. Client is now receiving final demands for payment of £570 from the credit agency Capital Resolve. When a CAB advisor called supplier to request a write off of debt, supplier advised that because the debt had been turned over to Capital Resolve more than six months ago, it could not be recalled.

**Case Study:** Client brought in her annual fuel bills to see if CAB could help her switch to a cheaper provider. Client paid £50 direct debit. Client wanted to stay with the current supplier or one of the big six providers, but could not find a cheaper deal as she does not have a computer and does not want a smart meter. The best deals available were only available to online customers. Client felt discriminated against for not using the internet or having a computer.

**Question 2: Do you agree with our approach on affordability? While we recognise this is a concern for many consumers in vulnerable situations, we think addressing wider affordability pressures is mainly a matter for government to address.**

- 2.1** CAS accepts that wider affordability is a matter for government, but suppliers and the regulator also have responsibilities in this regard, and these must be maintained and extended where appropriate. We support the provisions to protect affordability that Ofgem has adopted and administered, including

price caps, the Warm Home Discount (WHD), and Energy Company Obligation (ECO). The customer thresholds which obligate suppliers to offer WHD and ECO are due to be lowered, which we support. However, suppliers can always be encouraged to do more to ensure that their customers, especially those in vulnerable situations, are able to access affordable energy. In its role as regulator, Ofgem has an ability to facilitate this.

- 2.2** Protecting consumers from unexpected fuel bills ensures that consumers are not penalised for supplier mistakes - CAS would welcome any regulation which enhances this protection. We welcomed Ofgem’s decision last year to formalise back-billing practices in the licence code; however, concerns were raised at a recent Supplier Liaison Meeting that some of the good practice embedded in the previous Energy UK guidance document has not been maintained. Evidence from our CABs indicates that consumers still receive bills dating back more than a year fairly frequently.

**Case Study:** Client had referred his account to the ombudsman in 2014, resulting in a debt of £671.17 being written off. Following the debt, a prepayment meter was installed in Client's property. Client received a letter in December 2018 stating that his meter had been reset due to an old debt of £671.17, and that debt recovery would be attached to his meter to payback the arrears. CAB helped Client write a letter to supplier raising a complaint. Client has been deaf since birth and receives help with his affairs from his mother.

**Case Study:** Client moved into her current property in 2015. Client notified supplier when she moved in and had several engineer meter readings between 2015 and 2018. Client received her first bill from supplier in January 2019, for energy use back billed to 2017. Altogether, the charges amount to over £20,000.

- 2.4** Programs like the WHD offer consumers who need assistance paying for heat help when they need it most, but the scheme could be expanded and administration could be improved. For example, eligibility for the WHD Broader Group is unnecessarily complicated as the result of a complex set of criteria which varies greatly between participating suppliers. Plus, as WHD is a limited pot, many applicants do not receive a rebate despite being eligible. This does not feel like a best practice model for assisting those in, or at risk, of fuel poverty. CABs in Scotland gave advice on the WHD 4,013 times in 2017/2018<sup>28</sup>. Suppliers should be regularly evaluated to ensure their administration of the scheme meets targets and adheres to high customer

<sup>27</sup> <https://www.cas.org.uk/news/british-gas-price-rise-hit-poorest-households-hardest>

<sup>28</sup> This includes anything from assistance with application problems to administrative problems with the scheme. CAS intends to analyse our data to understand the types of issues consumers have accessing WHD and will share this with Ofgem

service standards, and to evaluate if the program could be better targeted or extended.

**Case Study:** Client received a letter from supplier in March 2019 stating that they had made a mistake on his prepayment meter and that they would be sending him a cheque for £140. Client cashed the cheque and used it to pay other bills. Client had been approved for the Warm Home Discount scheme and became concerned that he had not received his payment for the year, as he had participated in the scheme before and had always received payments by that time. Client contacted supplier Customer Operations directly, and was told that the cheque he received for £140 was his Warm Home Discount Payment for the year, and that no further payment was due.

- 2.5** ECO is a valuable programme in that it addresses energy efficiency as a driver of fuel poverty, but like the WHD scheme, it could be administered and targeted more efficiently, and could be extended. Energy efficiency is an especially relevant concern for Scotland, as 66% of Scottish households living in properties with EPC ratings F-G are in fuel poverty. Between 2013 and 2017, ECO delivered 59,359 loft insulation measures in Scotland. While this is a good start, in 2017, only 28% of private homes and 37% of social sector homes in Scotland have high standards of loft insulation<sup>29</sup>. To meet the ambitious fuel poverty target of 5% by 2040<sup>30</sup>, the scale and delivery of ECO will have to be increased.
- 2.6** Fuel credit vouchers which can offer a lifeline to prepayment customers, but provision in Scotland is currently a patchwork of support that can be difficult to access<sup>31</sup>. Discretionary credit can also be effective at maintaining household supplies, but fuel credits are preferable as they do not burden the consumer with a debt at a time when they are already reaching out for crisis support. Standardised financial advice would make these schemes more transparent, easy to access, and beneficial.
- 2.7** CAS actively encourages suppliers to increase the number of fuel credits offered each year; we also encourage suppliers who do not yet have a scheme to consider launching one. We previously trialled a referral partnership with Scottish Power’s voucher scheme in 11 CABs, and in May this year, we organised an Energy Credit Summit at the Scottish Parliament; this was co-hosted with Christina McKelvie MSP and attended by representatives

<sup>29</sup> <https://www.gov.scot/publications/scottish-house-condition-survey-2017-key-findings/pages/5/>

<sup>30</sup> <https://www.parliament.scot/parliamentarybusiness/Bills/108916.aspx>

<sup>31</sup> [https://www.cas.org.uk/system/files/publications/cas\\_response\\_to\\_ofgem\\_self\\_disconnection\\_consultation\\_final\\_version.pdf](https://www.cas.org.uk/system/files/publications/cas_response_to_ofgem_self_disconnection_consultation_final_version.pdf)

from each of the Big Six and other industry stakeholders<sup>32</sup>. Regulation to ensure access to fuel credits, linked with holistic support services, would ensure that those who are struggling are able to keep the heating and lights on, and ultimately improve their financial health.

- 2.8** CAS believes that clarity is required around the future of Fuel Direct (Third Party Deductions) as both a payment method and a repayment method for consumers who struggle to manage their energy bills. Whilst originally created as a debt repayment tool, Fuel Direct became the payment method of choice for many consumers who had previously cleared debt through the scheme and valued the stability and regularity that it offered. Energy Advisors from bureaux in Scotland have reported increasing difficulties with Fuel Direct since the rollout of Universal Credit citing: compatibility issues with the new benefit; the lowering of energy on the priority debt list; and changes to the paper application service with little prior warning. CAS calls on suppliers and the Department of Work and Pensions to recognise the value of Fuel Direct and to make the service accessible to consumers moving forward. Ofgem should help facilitate to this process where possible.

**Question 3: What more could be done through energy regulation to assist consumers in vulnerable situations in the longer term? How should any such further measures be funded?**

- 3.1** We support Ofgem’s recent tightening of controls on new market entrants to test their financial resilience and customer service standards. While this should help ensure new entrants are more resilient we think that assessing how suppliers will support customers in vulnerable circumstances should be also be tested before suppliers are granted a licence. If further regulation means more obligations are placed on suppliers and network companies it is important that the funding required is proportional and that any programmes are delivered efficiently. While this could increase costs for all bill payers it is likely that the most vulnerable will benefit the most from these programmes – if they deliver effective outcomes. Where more substantial programmes (e.g installation of heating systems and energy efficiency measures) are proposed more progressive financing models should be explored.
- 3.2** CAS has previously recommended Ofgem implement a consumer principles based regulatory approach. Vulnerable consumers in the medium and long term would benefit from clear standards for suppliers on PSR registration levels, support delivery, and data cleansing. We propose a working group be appointed to aid in the delivery of these goals as per point 1.5.

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<sup>32</sup> As per footnote 12

**3.3** We suggest that the personal and wider circumstances that put a vulnerable person more at risk be expanded to include:

- Having no permanent address
- Not owning a phone
- Being on a short term or zero hours contract
- Stress
- Transition from prison back to civilian life

We would also like to note that living on an island is slightly different to living in a rural area, and a distinction should be made between the two.

**3.4** Expansion of the Warm Home Discount (WHD), ECO, and fuel credit schemes combined with more holistic advice to target the root causes of fuel poverty would help meet Scottish Government targets, and ensure the most vulnerable households are able to stay warm and on supply.

**3.5** Previous research has indicated that many consumers who struggle to pay their energy bills have a range of issues that need to be addressed. Comprehensive support that extends beyond financial assistance is essential – many consumers who get financial assistance with heating bills, or even upgraded heating systems, but are never taught to properly use their system effectively, costing them extra on their fuel bills. Support does exist, but needs to be extended. Suppliers could play a large positive role in this.

#### **Question 4: Do you agree with our proposals for the first year of the strategy?**

**4.1** We support the creation of an analytical framework that can consistently assess the impact of policies on vulnerable consumers, but caution that not all consumers fit archetypes and that tailored mitigations and targeted support will require some nuance and understanding from support staff and assessors. Note that the Scottish Government's Consumer and Competitions policy team has recently undertaken a modelling exercise to identify 8 consumer archetypes in Scotland. We recommend that Ofgem consult the Scottish Government for more information and identify any potential for collaboration.

We also welcome the focus on developing a more robust and consistent measures of consumer risks. This is important in pre-empting possible causes of consumer detriment well in advance, and mitigating for this.

**4.2** We welcome stronger protections for consumers at risk of self-disconnection and self-rationing. As we [responded](#) to Ofgem’s call for evidence on this topic, we would encourage stakeholders to refer to that document for more information<sup>33</sup>. There is however, no mention in the draft Strategy of how exactly Ofgem will strengthen protections, and we urge Ofgem to state this within the document for clarity. In particular in section 8.8 there is mention of a policy consultation outlining Ofgem’s initial findings and the proposed package of work – we would ask that Ofgem specify when this consultation is due to be published.

**4.3** CAS looks forward to offering a consumer-oriented perspective on the future of the energy retail market. We suggest that the 7 consumer principles could form the basis of the analytical framework for assessing outcomes. The 7 consumer principles are derived from the United Nations ‘Guidelines for Consumer Protection’ which were initiated in the 1970s, and expanded in 1999. Our predecessors at Consumer Focus Scotland summarised these as follows:

1. Access – can people get the goods and services they need or want?
2. Choice – is there any?
3. Safety – are the goods or services dangerous to health or welfare?
4. Information – is it available, accurate and useful?
5. Fairness – are some or all consumers unfairly discriminated against?
6. Representation – do consumer have a say in how goods or services are provided?
7. Redress – if things go wrong, is there a system for putting them right?

Our 2018 research report ‘[Leading by example: A principled journey through regulation](#)’<sup>34</sup> concluded that: *Regulators and service providers should evaluate how they currently deal with consumers and answer key questions about how consumer-focused they are.*

**4.4** We would strongly encourage Ofgem to formalise Ability to Pay principles. Obligating suppliers to take these principles into account when determining repayment plans will protect consumers from accruing more debt, build a

<sup>33</sup>[https://www.cas.org.uk/system/files/publications/cas\\_response\\_to\\_ofgem\\_self\\_disconnection\\_consultation\\_final\\_version.pdf](https://www.cas.org.uk/system/files/publications/cas_response_to_ofgem_self_disconnection_consultation_final_version.pdf)

<sup>34</sup><https://www.cas.org.uk/publications/leading-example-principled-journey-through-regulation>

better relationship between supplier and consumer, and help ensure vulnerable consumers do not have to choose between paying for necessities and utilities. We agree that this work needs urgent action now in Year 1 of the CVS2025.

**Case Study:** Client was in hospital for pneumonia and stayed with his mother after being discharged to recuperate. During his stay at the hospital, Client was not topping up his prepayment meter for gas and electricity, but deductions for arrears at £5 a week continued, draining his credit and a top up applied by his mother. Client's supplier would not switch him to fuel direct, which would be more manageable for him as Client has learning disabilities. Supplier reduced debt payments to £3 for each account.

**Case Study:** Clients are couple in their 60s who recently moved accommodation to a two bedroom flat to accommodate his disability needs. Client's partner works part time and her earnings are too high for carer's allowance. £40 a week is deducted from her wages for a loan with the NHS credit union, and money for old debts is deducted from their benefits. Clients have rent, council tax, and fuel arrears. A historic meter/billing issue has left them with gas and electric arrears and their supplier is requesting significantly higher payments, which they cannot afford. Clients are currently paying £50 a month towards rent and utility arrears.