

08 August 2019

Meghna Tewari
Head of Vulnerability and Consumer Policy
Vulnerability and Consumer Policy
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Email: Fayewiddowson@utilita.co.uk

Dear Meghna,

RE: Draft Consumer Vulnerability Strategy 2025

Utilita welcomes the opportunity to respond to Ofgem's draft Consumer Vulnerability Strategy 2025 ("CVS"). As the first supplier to install a smart prepayment meter, we can draw from over 11 years' experience of providing support to some of the most vulnerable energy customers in Great Britain: a previously poorly served sector of the energy market.

Our smart prepayment portfolio is one of the largest in the industry with just under 90% of all our domestic customers using a smart prepayment meter. Our business product offering is a smart prepayment service, customers who sign up to Utilita, also sign up and agree to have a smart meter installed in their home. Our customers tend to be disproportionately people in low income households and we are alert to the difficulties these vulnerable customers face.

Executive Summary

Utilita broadly agrees with the five priority themes outlined in the draft CVS. As a predominantly smart prepayment meter supplier, we are already offering specialist services to our customers who find themselves in vulnerable circumstances.

- Our dedicated Extra Care Team has specific expertise in these areas. They offer customers advice on how to reduce their energy spend appropriately, perform health checks on the continued safety and reasonable practicability of using prepayment meters, offer financial help with the use of discretionary vends, and signpost to independent help and charities when required, while allowing customers the breathing space to be able to utilise any help offered.
- We have also recently developed an exciting and flexible new product for our smart customers called Power-Up. The service is accessible by smart phone or online and allows many of our customers to benefit from financial help without having to put themselves in the position of asking for money. Use of the service is spreading and it is clearly popular.

We agree with Energy UK's comment around the issues of affordability and its wider reach than just energy. However, as an essential service, we would seek further clarity from Ofgem on their expectations of energy suppliers to be responsible for a customer's lack of funds to pay for their ongoing consumption.

The Consultation Questions:

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)?

Utilita broadly agrees with the five priority themes outlined in the draft CVS.

We support the need to improve identification of vulnerability, this includes the promotion of self-identifying vulnerability. As an energy supplier, our customer care agents are told to actively listen or watch (where the customer contact is face-to-face) for signs of vulnerability and we do this at every customer touch point, whether it is at point of sale, engineer appointment, via a customer visit to one of our high street Energy Hubs, or general telephone enquiry. We also conduct an annual review of our PSR to prompt customers to add or remove their vulnerabilities as required. We are one of a small handful of suppliers who has an online form that a customer can explain their vulnerability and the level of support required without the need to speak to anyone.

However, customers may not wish to disclose their vulnerability, or they do not respond to our proactive communication. We agree with the CVS that customers may not wish to be labelled as vulnerable, and perhaps this is a challenge for Ofgem to consider in their fifth key priority, *"working with partners to tackle issues that cut across sectors"*. We believe that Ofgem, working in conjunction with consumer advocates particularly financial and mental health charities, could play a key role in helping customers find the trust and confidence to disclose their vulnerabilities to their providers in order to benefit from the tailored services on offer.

In their draft CVS, Ofgem consider that suppliers can make better use from smart data to proactively identify vulnerable customers. We would question how this could work in practice. Utilita has been very successful in engaging customers and installing smart meters. From our experience, the key issue will be that you cannot force customers to give consent to storing and using smart meter data for the purposes of monitoring low or little consumption. There is a fine balance to be struck between monitoring consumption patterns and the customers' data privacy. By using smart data to monitor in this way, this may mean supplier changes to customer communications such as privacy information notices.

Our Extra Care team monitor when a PSR customer self-disconnects. They make proactive contact by telephone to offer assistance to aid the customer into getting their meter back on supply. In some instances, the customer has responded negatively to this contact and have asked that we do not contact them. We would envisage that, should we extend this offering to low usage customers, we may be in danger of becoming a nuisance, or create a sense of "being watched" for customers using smart meters thus creating a negative image of smart meters. Low usage customers, or self-rationing customers, may also be in danger of receiving confusing or mixed messages from their supplier. Suppliers are under an obligation to offer energy efficiency advice, and tips for reducing energy consumption and therefore spend. Whether the consumer uses this advice or not, they may also receive a future message from their energy supplier explaining that they are not using enough energy and to spend more.

Ofgem has suggested that more can be done to identify customers that are self-rationing their energy supply. We would like Ofgem to form a clearer definition of self-rationing, with an emphasis on distinguishing those households who are low users due to financial difficulty, and those who are energy conscious, efficient households.

Self-disconnection is a side-effect of not paying in advance for energy supply through the prepayment meter. There are many reasons why self-disconnection occurs, not all these reasons are out of the customer's control. Self-disconnection is often an intended outcome for customers who may want to limit their energy (this is particularly apparent over the summer, where some customers prefer not to use their gas supply in the warmer weather). Therefore, while self-disconnection and self-rationing are a major problem for some customers, they should not be considered as harmful in each and every case. Equally, self-rationing, when occurring as part of a drive towards the efficient use of energy, may not be a problem. The process of distinguishing the intentional self-disconnection or self-rationing from customers who are struggling is both difficult

and emotive, and must be managed sensitively. A smart prepayment meter provides a flexible and convenient way for the customer to manage their energy bills.

The difficulty of monitoring self-disconnections or low usage through smart meter data is predicting what is consumer behaviour, lifestyle choice or vulnerability. It doesn't take into account vacant properties, change of tenancy, student lets, holiday lets, customers going away on holiday, self-disconnecting gas in the warmer months, houses of multiple occupancy, empty nest homes, growing families etc... low usage customers or self-disconnections are not always attributable to vulnerability. In addition, some of our most vulnerable customers are the highest customers of energy, needing it to warm their homes or power medical or mobility equipment.

In addition, Ofgem highlights that 1 in 10 PPM customers temporarily self-disconnected in 2017 (although 80% of these were up and running again within 3 hours), and also notes the related issue of self-rationing. Although Ofgem would like to see a decrease in the number of disconnections, we would first urge Ofgem to undertake further research into the complex reasons behind why customers are self-disconnecting, and perhaps consider a better outcome would be to see a decrease in the length of time between a self-disconnection and reconnection.

We agree with Ofgem's findings that there are inconsistencies across suppliers in the support available to customers at risk of self-disconnection, and the extent to which customers are made aware of this support. We would be supportive of any move to increase public awareness of the support. Currently, the unique service offerings between suppliers for offering tailored services for different groups of customers creates healthy competition between suppliers.

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.

We agree that affordability pressures go much further than just energy and should be a matter for Government to address. However, as an essential service, energy suppliers and the regulator have a key role to play, therefore we broadly agree with the proposed approach outlined in the CVS.

While suppliers have a degree of responsibility for customers who are in financial difficulty we would like to explore with Ofgem the extent of this responsibility. It is important to distinguish customers who can't pay, from customers that won't pay. We echo Energy UK's comment on the unpaid gas and electricity where we have exhausted the collection process. The challenges that these cause place an increased demand on resources and drives additional cost.

Our own research reveals that prepayment meters are a good option for managing a low budget; as it allows customers to manage their ongoing energy needs without the risk of incurring further debt. The vast majority of custom do not see it as either a problem or inconvenient. Our extensive friendly credit hours (minimum 20 hours out of each 24-hour period), high level of emergency credit (£15 per fuel), and wide range of top up methods, mean that the service is flexible and easy to use. The approach of percentage recovery from top up rather than fixed amounts is generally less onerous for customers and can be flexed where customers are in difficulty. In addition, Utilita has very low average debt repayments and we believe this reflects both our customers' desire to avoid debt and the assistance we provide.

We would like to reinforce Energy UK's comment about Ofgem and the Department for Work and Pensions working together on the third party deduction process to review and remove conflict between our current obligations in the supply licence and the rules set out by DWP. Under Universal Credit, Fuel Direct operates as a debt repayment scheme rather than an ongoing payment scheme which risks making life more difficult for customers who would prefer to manage their finances through a more stable arrangement.

We believe that an increased collaboration between Ofgem and charities to publish more information to customers would help them in understanding the sources of advice available to them. This includes the very positive efforts and achievements of many suppliers supporting those most in need. Research shows that where customers have energy debt, they are more likely to

experience debt in other sectors. We consider that energy efficiency advice is crucial to helping customers manage their energy most efficiently. However, further, more generic advice about how to effectively budget/manage household bills, how to prioritise debt and encourage a saving culture for a rainy day is needed at a social policy level.

We feel strongly that any actions should be coordinated with other initiatives currently underway to ensure effort is not duplicated or wasted. The new Energy UK Vulnerability Charter is an outstanding example, which we believe will bring real benefit to vulnerable customers.

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?

We echo Energy UK's call for Ofgem's clear position on an effective regulatory regime for price comparison websites and third-party intermediaries. Whilst consumer behaviour suggests that price is still a major factor for deciding on an energy supplier, we are increasingly seeing greater consumer demand for specialist customer service and unique service offerings. Suppliers that take part in the Warm Home Discount scheme or offer support that is additional to what is mandated by the Licence are not being taken into consideration by these third parties and price comparison sites when switching their customers.

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

We agree with the proposals for the first year of the strategy. We would like to see further detail on self-disconnection, especially around whether self-rationing is still an area of interest for Ofgem.

We echo Energy UK's statement that clear and realistic timescales should be formalised in the final document as suppliers will need time to implement any regulatory change.

Should you have any further questions, please let me know.

Yours sincerely,

By email

Faye Widdowson
Regulatory Manager