

Ofgem's self-disconnection and self-rationing final proposals – statutory consultation

Energy UK Response

24 August 2020

Introduction

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering almost all (90%) of both the UK's power generation and energy supply for over 27 million UK homes as well as businesses. The energy industry invests over £13.1bn annually, delivers around £85.6bn in economic activity through its supply chain and interaction with other sectors, and supports over 764,000 jobs in every corner of the country.

This is a high-level industry response to Ofgem's statutory consultation confirming its proposals to improve outcomes for consumers who experience self-disconnection and self-rationing, and individual suppliers are likely to send their own responses also. We would be happy to discuss any of the points made in further detail with Ofgem or any other interested party if this is considered to be beneficial.

Executive Summary

Energy UK welcomes the opportunity to respond to Ofgem's statutory consultation confirming its proposals to improve outcomes for consumers who experience self-disconnection and self-rationing. The energy sector does a great deal to assist consumers who self-disconnect or are at risk of doing so, and Energy UK is supportive of the intent behind the proposals.

Energy UK would, however, welcome clear guidance from Ofgem on how a supplier ought to deem a smart meter customer to be truly self-disconnected, further clarity on Ofgem's intent behind SLC 27A.5 and 27A.7 as well as the removal of "on an ongoing and continuous basis" from SLC27A.1. We would also encourage more transparency on Ofgem's intention to monitor the steps suppliers are taking to identify consumers in vulnerable circumstances who are self-rationing their energy use.

Furthermore, Energy UK would underline the importance of customer engagement in identifying self-disconnection prior to the supplier offering the customer Additional Support Credit and is keen that Ofgem reviews the costs outlined in its Impact Assessment and considers the need for a Data Protection Impact Assessment.

Guidance on smart meter self-disconnection

Energy UK calls for further clarity from Ofgem on the definition of "smart meter self-disconnection," as well as clear guidance on how a supplier ought to deem a smart meter customer to be truly self-disconnected. We believe that it is important to differentiate between a technical smart meter self-disconnection considered non-urgent (e.g. the customer has forgotten to top up but will do so by the end of the day) and a genuine smart meter self-disconnection considered urgent (e.g. the customer is delaying topping up as a result of financial pressures).

Removal of “on an ongoing and continuous basis”

SLC27A.1 states that “*where a Domestic Customer uses a Prepayment Meter the licensee must take all reasonable steps to identify on an ongoing and continuous basis, whether that Domestic Customer is Self-disconnecting.*” Energy UK understands the intent behind this license condition to be the reduction of harm to vulnerable customers. Consequently, we feel that “on an ongoing and continuous basis” ought to be removed from SLC27A.1 and we would encourage Ofgem to make clear that the supplier identification of self-disconnecting customers applies solely to vulnerable customers and not all customers.

Clarification of intent behind SLC27A.5 and 27A.7

Energy UK would welcome further transparency on Ofgem’s intent behind SLC27A.5 which states that “[...] on each and every occasion on which a licensee identifies that a Domestic Customer who is in a Vulnerable Situation has Self-Disconnected and / or has Self-Rationed or is Self-Disconnecting and / or Self-Rationing, the licensee must offer Additional Support Credit to that Domestic Customer [...]”, and SLC27A.7 which states that “*Should the licensee [...] determine that the provision of Additional Support Credit to the Domestic Customer is not in the best interest of the Domestic Customer the licensee shall not be obliged to provide Additional Support Credit under SLC27A.5 to that Domestic Customer on that occasion.*”

We understand this to mean that if, through a supplier’s attempt at identifying self-disconnection, they identify a customer as being vulnerable, then on each and every occasion the supplier must decide whether it is in the best interest of the customer to offer them Additional Support Credit. Should the supplier deem that it is not in the best interest of the customer to offer them Additional Support Credit, then the supplier will not be obligated to do so on that particular occasion. Energy UK would welcome clarification from Ofgem on whether our understanding of the intent behind SLC 27A.5 and 27A.7 is correct.

Emphasis on customer engagement prior to offering Additional Support Credit

Energy UK would underline the importance of engagement with and from customers in identifying self-disconnection and self-rationing prior to the supplier offering the customer Additional Support Credit. We believe that maximising customer engagement allows for a more tailored approach to supporting a customer who is self-disconnecting or self-rationing their energy use. Understanding the individual circumstances of customers is essential to understanding the reasons why there may be changes in their energy usage. For instance some customers, in particular smart meter customers, may have made a conscious decision to ration their usage in order to be more energy efficient. Or, customers may have disconnected from their supply for reasons other than financial vulnerability, in which case offering Additional Support Credit may not be the right approach in the first instance.

Clarity on the close monitoring of self-rationing

Energy UK welcomes Ofgem’s decision to exclude from supply license conditions the requirement on suppliers to identify self-rationing due to the challenging nature of identifying self-rationing on a practical basis. However, we would welcome further clarity on how Ofgem intends to closely monitor the steps energy suppliers are taking to identify consumers in vulnerable circumstances who are self-rationing their energy use, as well as Ofgem’s expectations for suppliers in this space.

In referencing the Standards of Conduct, we understand that Ofgem is not placing a proactive obligation on suppliers but rather a duty to identify customers in vulnerable circumstances, monitor their behaviours and take appropriate action should they suspect a customer is self-rationing. Confirmation on whether our understanding of Ofgem’s expectations on suppliers to identify self-rationing is correct would be useful.

Review of costs in Impact Assessment and need for Data Protection Impact Assessment

Energy UK welcomes the careful consideration by Ofgem of its final proposals through the delivery of an Impact Assessment (IA). Nonetheless, we feel it is important to highlight that the costs outlined in the IA associated with the final proposals may differ substantially depending on the structure of the

supplier. Therefore, we would appreciate further transparency on how Ofgem calculated the believed costs associated with the proposals. Additionally, we would encourage Ofgem to conduct a wider and more in-depth IA on the costs associated with the proposals in order to accurately reflect the inclusion of “all domestic customers” in their definition of self-rationing.

Finally, Energy UK would encourage Ofgem to complete a Data Protection Impact Assessment (DPIA) as its proposals require suppliers to monitor all customers, not solely vulnerable customers, which could be considered intrusive. Therefore, we believe Ofgem ought to establish whether such monitoring is consistent with the privacy rules to reduce harm, otherwise suppliers will lack a legal basis for monitoring all self-disconnecting customers.

If you would like to discuss the above or any other related matters, please contact me directly on 0207 024 7634 or at daniella.weduwer@energy-uk.org.uk.