

# Ofgem's draft Consumer Vulnerability Strategy 2025

Citizens Advice formal consultation  
response



# Introduction

Citizens Advice provides free, independent and impartial advice to anyone who needs it. We are the statutory advocate for energy and post consumers and run the national consumer helpline. Last year we helped 2.7 million people with 6.3 million problems.

We are pleased to respond to the consultation on Ofgem's updated draft Consumer Vulnerability Strategy 2025.

We have previously stated what we would like to see included in this strategy update in our letter response to Ofgem's open letter from last year. In this response<sup>1</sup> we've identified five key challenges that Ofgem, the government and the energy sector need to tackle in the coming years, in order to better support consumers in vulnerable situations:

1. Bringing help closer to consumers who need it
2. Radically improving the prepay experience
3. Providing universal protection and a seamless customer journey
4. Creating an inclusive market
5. Preventing vulnerability in future markets

These five themes are similar to those that Ofgem have identified in their draft strategy update.

In our letter we also outlined our previous work on vulnerability since the publication of the last vulnerability strategy in 2013. We have detailed our upcoming research reports which will be published over the summer and the rest of this year.

For this consultation response, we have used evidence from contacts to our general consumer service, cases from our local citizens advice and case studies from our specialist advice service, the Extra Help Unit. We have also used evidence from our policy research work.

This response is not confidential and may be published in full on your website.

For more information on this response please contact Lauren Snoxell, [lauren.snoxell@citizensadvice.org.uk](mailto:lauren.snoxell@citizensadvice.org.uk)

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<sup>1</sup> Citizens Advice, [Response to Ofgems open letter to updating the consumer vulnerability strategy](#) (2019)

# Response to 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)?**

We agree with the themes listed in the strategy and broadly with the outcomes. These reflect the key areas of concerns we previously set out in our open letter.<sup>2</sup> It would be beneficial if the outcomes and measures were reviewed once the proposed analytical framework is developed, to provide a better understanding of how different groups of consumers will be affected.

### **1. Improving identification of vulnerability and smart use of data**

We agree that this should be a priority theme. The previous strategy was successful in defining vulnerability and improving understanding in the industry around the transient nature of vulnerability.<sup>3</sup> However, challenges still exist for many suppliers in identifying these customers and they need to ensure they allow for opportunities to identify customers in vulnerable situations at all points of contact.

In recent years, too many companies have entered the market that were not adequately prepared to offer a safe or acceptable minimum level of customer service. Many of them have had inadequate processes to identify customers in vulnerable circumstances and support customers.

Smart data represents a huge opportunity to help consumers in vulnerable situations: from the creation of new services to help them save money, to the ability to better identify vulnerability and even to connect with remote healthcare systems. This data will specifically enable suppliers to monitor self disconnections and will highlight customers who are regularly in this situation. For this to be fully effective, the smart meter roll out needs to be completed.

Forthcoming Citizens Advice research has found that while consumers consider "identifying vulnerability" as one of the most acceptable uses of smart meter data they are more wary when asked specifically about their own data being used for this purpose. Such interventions are often regarded as "for other people" with views differing when it is targeted at them. Ofgem and energy companies must consider these competing views

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<sup>2</sup> Citizens Advice, [Response to Ofgems open letter to updating the consumer vulnerability strategy](#) (2019)

<sup>3</sup> Ofgem, [Consumer Vulnerability Strategy](#) (2013)

when developing new ways to share and use data, and ensure the design of these policies provide consumers with transparency and control.

We would like to see energy networks become better at identifying customers in vulnerable circumstances - particularly transient vulnerability. Distribution Network Operators (DNOs) can and should improve the way they identify customers who should be on the PSR, and Gas Distribution Networks (GDNs) the way they find people eligible for a free gas connection under the Fuel Poor Network Extension Scheme (FPNES). We would like to see companies engaging with consumers in vulnerable situations as part of their ongoing engagement, and learning from each other as well as academia and charities who have been operating in this space.

Outcome 1A: We agree with outcome 1A, for the Priority Services Register (PSR) and other tools to be beneficial they will need to be regularly updated and this will require suppliers to take proactive action and measures. Although the measure listed for this outcome could be tougher, for example Ofgem could enforce the requirement that suppliers update their data including PSR data a set number of times each year.

We do have concerns<sup>4</sup> that customers of independent network companies (IDNOs and IGTs) may not receive the same level of support as customers of the larger, regulated networks. We would encourage Ofgem to review the social obligations and reporting requirements on those companies.

Outcome 1B: We agree with both this outcome and measure.

Outcome 1C: We feel strongly that this is an important outcome of the strategy and should be achieved by 2025. The smart meter roll out will provide suppliers with more extensive data on their customers and this should be utilised to target appropriate support to those in vulnerable situations. Critically, this data will allow suppliers to identify consumers who are regularly self-disconnecting. Suppliers should use this information to assess on an ongoing basis whether prepayment is safe and practicable, based on a consumer's topping-up pattern, consumption history, use of emergency credit etc.

## **2. Supporting those struggling with their bills**

We agree with this priority theme and are pleased with the increased focus on financial vulnerability in this strategy. While we agree that addressing affordability is ultimately a responsibility that lies with government, it is crucial that Ofgem ensures its work does not exacerbate vulnerability in any way.

Outcome 2A: We agree with this outcome and think the use of Social Obligations Report (SOR) data on the number of consumers on affordable debt repayment plans is a positive way to measure this. Smaller suppliers should be a particular area of focus. Our research,

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<sup>4</sup> Citizens Advice, [Independent networks: what are they and what do we know about them?](#)

which uses SOR data, shows that average repayment plan amounts are nearly three times higher for smaller suppliers.<sup>5</sup>

Outcome 2B: Ofgem should be more ambitious and set a clear target to end self-disconnection by 2025. This is a practical goal as smart data offers an opportunity to monitor and respond to customers' topping up habits. Monitoring through the annual vulnerability report is important, but the measurement should be more specific and quantifiable with targets towards this goal for each year of the strategy. Please see page 15 and 16 for further information.

Outcome 2C: We agree with this outcome and measurement.

Outcome 2D: We think this is a very important outcome we would extend its measurement to include the impact on homes in fuel poverty. The Sia Partners study Ofgem commissioned this year showed that the scheme is cost effective, with a targeting rate of 50%. It is therefore, not just the number of connections that should be measured, but the percentage of homes that are actually in fuel poverty.

To improve the delivery of the FPNES, we think there is also a strong need to link it with other government schemes focussed on energy efficiency/fuel poverty. Currently, these schemes are not well aligned (even when determining eligibility), and no definable customer journey is followed by organisations delivering these schemes. We agree that further connections to the gas grid is a good measure for this outcome, but Ofgem should consider alternatives to the supplier-led model for delivering future energy efficiency benefits.

### **3. Driving significant improvements in customer service for vulnerable groups**

We agree with this priority theme and feel that 'customer service' should relate to both a customer's proactive and reactive interactions with a supplier. An energy company's services should be easy to access and navigate when a customer contacts them, but companies should also make efforts to identify and reach out to customers who need support.

Outcome 3A: A culture with a focused effort on identifying and supporting consumers in vulnerable situations is important. We agree that ongoing monitoring and dialogue, for example through tripartite meetings, should help monitor this outcome. Our upcoming "vulnerability indicator", which will rate suppliers on how they meet people's energy needs in respect to vulnerability, will be a helpful for measurement. Another measurement for this outcome should look at progress on proposals in the licensing review on corporate culture.

For energy network companies, the reputational incentive around vulnerability in RIIO-2 as well as the potentially continuing challenge groups could be used to monitor the extent to

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<sup>5</sup> Citizens Advice, [Supply and Final Demand](#) (2019)

which networks meet this outcome (as well as 3B and 3D below).

Outcome 3B: We agree with this outcome. We strongly feel there is a need for multiple communication channels, including a freephone number, and we were pleased to see this recommended in the recent Commission for Customers in Vulnerable Circumstances report.<sup>6</sup> Our data shows that telephone contact remains the preference for large numbers of consumers.<sup>7</sup> Ofgem should focus its scrutiny on a risk-basis, and as such prioritise those companies which do not have telephone services, or which heavily restrict access to them.

Outcome 3C: We strongly agree that new companies entering the market should be able to provide an adequate level of customer service to consumers in vulnerable situations. Tripartite meetings are an important way of monitoring this and we are pleased that Ofgem has recently taken steps to improve transparency over the compliance work that arises from these meetings. Entry testing is also important and we welcome proposals in the licensing review around ongoing requirements.

Outcome 3D: Suppliers should effectively identify consumers as eligible for priority services and provide consistent and high quality priority services in a timely way. Furthermore, we support the establishment of a single cross-sector PSR for energy and water, maintaining strong data privacy protections, to make it easier to get the right support across markets.<sup>8</sup> We're continuing to develop a solution to make the sign up process simpler and easier.

Outcome 3E: Consumers should have easy access to relevant information on how well energy suppliers support consumer needs, which they can take into account when switching. The Citizens Advice star rating provides data on elements of service that are relevant to all customers and includes some vulnerability aspects. Initially our new "vulnerability indicator" is likely to cover a smaller number of suppliers and will not be updated as frequently as the star rating. It will be more beneficial to stakeholders by highlighting supplier practice in this area, rather than as a tool to aid informed choices.

#### **4. Encouraging positive and inclusive innovation**

As the energy market transitions, innovative new services and products are to be expected and Ofgem needs to ensure these do not exclude certain consumers. The distributional impacts of the smart and low carbon energy transition need to be considered. Specifically in terms of people's ability to participate and access new products and services, and where the benefits and costs fall. The theme should be broadened to include a specific consideration of the level of choice vulnerable groups have in the market, in addition to a focus on innovation.

Outcome 4A: We are pleased to see Ofgem recognising the importance that all consumers need access to affordable energy and services, and agree that innovation is one way to

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<sup>6</sup> Energy UK, [Commission for Customers in Vulnerable Circumstances](#) (2019)

<sup>7</sup> Citizens Advice, [Why energy suppliers need to keep their customer phone services](#) (2018)

<sup>8</sup> Citizens Advice, [Review of the Priority Services Register: final proposals](#) (2018)

enable wider access to services. Our recent report 'Future for All' identified that innovative supply models need to work for everyone, and that measures will need to be taken to ensure no groups are excluded.<sup>9</sup>

However, we think there should be an additional measurement for this outcome for Ofgem to monitor the level of choice that customers with particular relevant characteristics have in the market. This could include by metering type, payment method, fuel and online or offline account management.

We are particularly concerned that people with prepayment meters or who wish to pay in cash have fewer tariff options, and that some energy suppliers are not offering these payment methods, even where they are required to do so under regulations. This limits competition in this segment and could lead to higher prices. This is particularly pertinent given the recent changes to the PPM price cap methodology, which have led to an increase in the amount consumers can be charged under the cap.

This is also pressing because our research shows that the risk of limited choice could increase for some consumers in a future market. For example, technology (EV, heat pumps etc) or geography may become more relevant characteristics to consider. Robust monitoring will enable Ofgem to assess these risks and identify where the regulator, government or consumer groups should intervene.

Ofgem should also include its trials as a means to support and measure consumer choice. Ofgem's consumer engagement surveys last year showed low levels of engagement for the most vulnerable groups of consumers, and identified a lack of confidence in comparing and choosing deals as a key barrier to engagement. The consumer engagement trials have demonstrated positive results among some vulnerable groups, by making the switching process easier and more accessible.<sup>10</sup> This work should continue and, if successful, be developed towards an enduring approach, with strong data privacy protections.

Outcome 4B: We agree with Ofgem that both suppliers and networks should demonstrate innovative measures to support consumers in vulnerable situations. We agree that Innovation Link's work is a practical way of measuring progress around this outcome.

We understand that the reporting requirements around the GD-2 'use it or lose it' allowance are yet to be decided upon. We would welcome Ofgem putting some structure around how network companies report on their innovative vulnerability work. So far the lack of a standardised reporting framework has made it difficult to carry out cross-comparisons when evaluating projects.

## **5. Working with partners to tackle issues that cut across multiple sectors**

The most common energy problem that consumers seek help from our local Citizens

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<sup>9</sup> Citizens Advice, [Future for All](#) (2019)

<sup>10</sup> Ofgem, [Disengaged Customer Base](#) (2018)

Advice offices, is dealing with debt. Consumers struggling with their energy bills are often struggling to pay bills across multiple utilities and services and can find it difficult to seek help for all their debt problems.<sup>11</sup> We agree that regulated markets face similar issues on areas such as affordability, customer service and identification of customers in vulnerable situations and therefore working with partners across markets would be beneficial.

Outcome 5A: We agree with this outcome and measurement. Ofgem will need to go further in this area than previously, more formal ways of initiating cross sector work should be implemented. Ofgem needs to facilitate cross sector working and continue to provide funding for this research where possible.

Our forthcoming research into mental health shows that regulators need to work collaboratively to ensure there is a consistent floor of support that people with mental health problems can count on. Our data also shows that clients with mental health problems are more likely to need help with their essential services than those without mental health problems. Ofgem need to ensure that common outcomes for consumers across essential services are positive, regulators may not necessarily need to follow the same rules to achieve the best outcomes for consumers.

Outcome 5B: Third sector engagement will continue to be crucial to ensure Ofgem receives clear visibility of the real-time impact on people's lives of energy regulation. The original strategy noted the importance of this engagement and we welcome seeing it reiterated here. What is less clear is the range of organisations which are engaged directly by the regulator and how their feedback results in action by the regulator. Many third sector organisations have significant resource constraints and being able to clearly see the impact of their engagement with Ofgem is vital to ensure continual engagement.

We note with interest the intention of the Energy UK commission to investigate a proactive engagement with grass root level organisations that support consumers with advice.<sup>12</sup> Any good practice, particularly around engagement and the use of web portals, may be of great interest to all, including Ofgem.

Outcome 5C: We are supportive of the work of E-Serve. However, third-party financing in schemes like Feed-in-Tariffs or the Renewable Heat Incentive has democratised household access to government subsidy programmes, but these schemes need to be carefully designed and policed to ensure they do not risk placing vulnerable consumers in financial difficulty, or open them to exploitation by companies. The new model contract for third-party financing under the RHI is a welcome step forward. However there are several legacy issues with earlier third-party financing which continue to put consumers at risk.

Outcome 5D: We agree with both the outcome and measurement.

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<sup>11</sup> NAO, [Regulating to protect consumers in utilities, communications and financial services markets](#) (2019)

<sup>12</sup> Energy UK, [Commission for Customers in Vulnerable Circumstances](#) (2019)



**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.**

Broadly, we agree that Ofgem's approach to affordability is in line with its powers and regulatory mandate. However, in future Ofgem should be less reticent in using the full extent of these powers to tackle affordability issues. We set out our views on a number of areas related to reducing costs for consumers in vulnerable circumstances below.

*Recent action by government and regulators*

Direct support through the energy system to help financially vulnerable consumers afford to pay their bills comes primarily through two measures - the price cap, which prevents suppliers charging excessively above an efficient cost, and the Warm Home Discount, which provides a rebate to certain financially vulnerable consumers. Both of these policies were put in place by government and are overseen by Ofgem.

Regulators have also taken other actions to directly help these consumers. The Competition Markets Authority (CMA) put in place a cap for prepayment customers, and following a recent review recommended that Ofgem keeps this protection for prepayment customers after the current cap expires in 2020. Prior to the market-wide price cap, Ofgem did put in place a price cap for consumers who received the Warm Home Discount, using its powers under the Gas and Electricity Acts.

We think these past actions generally demonstrate the right balance between the more targeted powers of the regulator and the broader and more redistributive action appropriate for government.

*Social tariffs and price caps*

Energy UK's vulnerability commission recently suggested that social tariffs would be a better approach to supporting financially vulnerable customers. It is our understanding that Ofgem considers that social tariffs would be sold below the efficient cost to supply energy, and would therefore have redistributive effects that it considers are a matter for government, rather than the regulator. In contrast, a price cap targeted at vulnerable consumers - even one set to a level as low as the efficient cost (i.e. with no headroom) - would not be considered a redistributive policy, and would be within Ofgem's existing vires.

Ofgem should set its thinking out more clearly in the final version of its strategy. Although some in the sector are likely disagree with the characterisation of the current price caps as non-redistributive, we agree there is an important distinction between the types of intervention. We agree that under existing vires it would be inappropriate for Ofgem to deliver social tariffs, where such a tariff is defined as below the efficient cost to supply.

*Future price protection*

Before the market-wide price cap is removed, Ofgem is required to assess whether certain groups - including vulnerable consumers - are still likely to face excessive prices and are in need of ongoing protection. The price cap legislation sets out that if Ofgem thinks this is the case, Ofgem must use its powers under the Gas and Electricity Acts as appropriate to address these problems.

We think that measures to tackle the loyalty penalty in the energy sector are likely to take time to have an effect - and even if they do so in general, there will still be some vulnerable groups that are at risk of overpaying for energy. They will need enduring protection.

The joint BEIS/Ofgem future energy retail market review is considering whether Ofgem's existing powers are appropriate, and what further action may be required to ensure all consumers - including those in vulnerable circumstances - receive a good deal. This review is the appropriate place to consider whether interventions like new social tariffs should be introduced. This must include evidence on whether social tariffs would result in benefits for eligible energy consumers that exceed that of a targeted price cap combined with the Warm Home Discount.

Following the conclusion of the future energy retail market review in early 2020, Ofgem should set out what forms of protection it would be able to put in place for vulnerable groups if the price cap is lifted. If the market-wide cap is removed at the earliest opportunity (January 2021) we would expect this to take the form of a targeted price cap, given that any alternative approach recommended by the review is likely to need a longer period of time to trial, develop and implement.

We will set out our view on future price protection measures in our response to the future energy retail market review consultation.

#### *Other action on affordability*

Aside from direct price interventions, lots of work currently underway in the sector - including the smart meter roll out, settlement reform, future charging and access review and RIIO-2 price controls - that should reduce overall costs. However the benefits may not be evenly felt and some consumers may not benefit, or could even see costs rise.

Ofgem needs to consider the distributional impact of its programmes across different groups of consumers. It should ensure the impacts of costs are considered across the board, as small extra costs matter in aggregate and can affect the ability of those in vulnerable situations to afford energy. Where it identifies 'losers' from these changes it should consider what could be done to ameliorate these effects, and work with or make recommendations to government to consider which entity is best placed to put these measures in place.

Ofgem also needs to help more consumers in vulnerable circumstances benefit from switching. Ofgem's consumer engagement survey last year showed low levels of engagement for the most vulnerable groups of consumers, and identified a lack of confidence in comparing and choosing deals as a key barrier to engagement. In the longer term it is vital that Ofgem takes steps to make the market more competitive and easier to engage with for vulnerable consumers on poor deals. Its consumer engagement trials demonstrated some positive results where they have made the switching process easier and more accessible. Ofgem's work on these trials should continue and, if successful, be developed into an approach that is used on an enduring basis with strong data privacy protections in place.

Ofgem also needs to use its compliance and enforcement powers to ensure that energy suppliers are not exacerbating affordability issues. Billing errors remain the biggest issue that people contact our consumer service about, and these can cause consumers in precarious financial situations to fall into debt. Suppliers also play a vital role in identifying and signposting energy customers to relevant support. These are both areas of supplier performance that Ofgem should scrutinise in light of the new customer communication principles. We also support Ofgem's focus on strengthening the position of the ability to pay principles in the first year of this strategy.

#### *The impact of net zero*

Going forward, Ofgem's duties may need to be flexible to change to help them better deliver affordable energy in the transition period to a net zero energy system, which is likely to incur high additional costs in the short to medium term. Ofgem's current duty is framed to protect the interests of current and future consumers of electricity and gas. Decarbonisation to net zero will require more radical changes especially in the areas of heat and transport which may create risks of conflict for electricity and gas consumers. Interests as citizens to align with net zero emissions could differ from the more narrow interests of specific groups of electricity and gas consumers.

We welcome Ofgem's recent effort to set out how its current duties cover the needs of the consumers towards net zero under its role to protect future consumers. However we still think there could be problems for Ofgem over what they should prioritise and how they can alleviate impacts on consumers. In this context we think there could be merit in amending Ofgem's current duties to require them to have clearer regard to net zero, or for government to use a strategic policy statement to set out its expectations of Ofgem in regard to maintaining energy affordability during the transition to net zero.

Ofgem may also need to be more critical to government to ensure energy affordability in regards to distributional effects, and should have a role in identifying where there are injustices in the energy sector. If changes are needed and the levers to deliver them sit more naturally with government, Ofgem should take an active role in pointing them out.

### **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?**

The recent future energy retail market review consultation sets out a range of possible options for preventing the re-emergence of the loyalty penalty once the market-wide price cap is removed, including which measures may be particularly relevant for vulnerable groups. We will respond in more detail to these proposals. However, we do think there are some other key challenges for regulation in the longer term.

#### *The role of networks*

Regarding FPNES, as stated in our RIIO-2 sector specific response<sup>13</sup> we believe that providing more gas connections may not be appropriate in the future given the UK's previous and new (net zero) carbon targets. We are mindful of the CCC's recommendation not to provide new gas connections from 2025. Ofgem should consider exploring how the benefits of the FPNES (e.g. warmer homes, reduced bills and improved wellbeing) could be achieved.

Regarding future fuel poverty action by networks, as with any social obligation activities that network companies carry out, we believe it needs to be considered whether they have a comparative advantage in delivering them. There are many third sector organisations and local authorities that are better placed and have more experience than network companies. That said, network companies have some advantages they could leverage in the fight against fuel poverty. For example, they are area-based, unlike suppliers, they have daily contact with energy consumers, sometimes even entering their homes, and consumers do not tend to have the same suspicion against networks as they do against suppliers with whom they have a direct commercial relationship.

Ultimately, their activities should not duplicate, and ideally work to complement, any requirements on suppliers and other national schemes. This is why at this stage we refrain from making concrete suggestions for what activities networks should carry out in the future but would ask Ofgem and the government to come up with a holistic and coordinated fuel poverty strategy, which identifies a role for networks alongside other actors. That said, we believe the least energy networks can do is to make every contact with energy consumers count. They should

- use touch points to identify people that may be in fuel poverty,
- refer them to energy and income maximisation advice, and if appropriate
- refer them to energy efficiency schemes such as ECO.

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<sup>13</sup> Citizens Advice, [RIIO-2 Sector specific consultation](#) (2019)

It is possible that energy networks could play a role in a reformed ECO programme such as overseeing the delivery of measures, which could also take place outside the RIIO framework as part of network companies' commercial activities.

We are mindful, however, that any fuel poverty activities funded through the network price control is a regressive way of funding, as it appears as a proportion of the bill. Any network activity in this space, therefore, would have to be well justified.

#### *Understanding how new products and services interrelate with vulnerability*

As the retail market changes it is important that Ofgem takes action to ensure everyone can access a good range of services and products that meet their needs. In a more complex, specialised market there may be new ways in which consumers are likely to experience vulnerability. We've previously called for Ofgem to work with stakeholders to build an inventory of the emerging ways that future markets and systems might generate unfairness and leave consumers behind in the energy transition.<sup>14</sup>

Some changes in the retail market may have much more significant impacts on how vulnerable consumers need to be protected. This could include 'meter splitting', whereby multiple companies provide electricity to a single customer, or 'mobile metering' of electric vehicles. If the system did move away from being based around a fixed supply point matched with a single supplier, many of the current protections and processes for vulnerable consumers would need to be reviewed.

#### *Digital disengagement*

Our research on future supply business models has shown that digital exclusion is likely to be one of the most significant barriers in preventing consumers from engaging in the market.<sup>15</sup> While there is scheduled to be a Universal Service Obligation for broadband by 2020, in practice there are likely to be a significant minority without internet access, with sporadic access (via a pay as you go mobile data), and many more with poor digital skills. Our research has also shown it is not just a lack of digital skills that prevents unconfident consumers from using digital comparison tools, they also have a general distrust in the market and believe things will go wrong when using these tools.<sup>16</sup>

A route to market and support for consumers who are digitally disengaged will be needed for the foreseeable future. Ofgem's trials with disengaged customers have demonstrated the success of offline channels with particular vulnerable groups and we support this work being taken forward.

#### *Financial support to accessing products that may be of benefit to vulnerable consumers*

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<sup>14</sup> Citizens Advice, [A price control for everyone](#) (2018)

<sup>15</sup> Citizens Advice, [Future for All](#) (2019)

<sup>16</sup> Citizens Advice, [The future of digital comparison tools](#) (2017)

Half hourly settlement (HHS) and the emergence of new time of use of tariffs could also increase costs for some consumers in vulnerable situations. To overcome barriers to benefiting from these changes, financial support is likely to be needed for technologies which can help vulnerable consumers be more flexible in their energy consumption. This could include smart technologies and domestic energy storage batteries. Ofgem should evaluate and monitor the impact of these changes on consumers.

### *Third Party Intermediaries*

We think consumers should be equally protected no matter where they buy their energy. Non-licensed TPIs are likely to become more important in future considerations of vulnerability, especially where they take on more of the primary customer relationship.<sup>17</sup> For example, some auto-switching services are already taking on a role as the portal through which key communications are relayed. In this context it may be appropriate for TPIs to take steps to identify vulnerability, take steps to help meet the needs of these customers and, subject to data privacy rules, share information on vulnerability with the relevant licensed supplier and network. Otherwise, the current protection framework in which these responsibilities lie only with suppliers and, to a lesser extent, networks, is likely to be undermined.

Longer term, we think there is merit to the CMA's recommendation that TPIs should be subject to an activity-based form of regulation.<sup>18</sup> This is reflected in the suggestion of modular regulation in the recent Flexible and responsive energy retail markets consultation, which would ensure a consistent approach and more equitable consumer outcomes.

### *Transition to low carbon heat*

The CMA has recommended that Ofgem become the designated regulator for district heating.<sup>19</sup> The regulatory design for this market will need to include a consideration of vulnerability, the extent to which gas and electricity market protections are applicable, and any specific risks consumers using this technology face which may need additional rules. In our recent report around the future of heat, we have stated the need for a statutory consumer advocate to be established for heat networks, this will help provide dispute resolution and targeted assistance for consumers in vulnerable situations experiencing problems.<sup>20</sup>

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

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<sup>17</sup> Citizens Advice, [Future for All](#) (2019)

<sup>18</sup> CMA, [Digital comparison tools market study](#) (2017)

<sup>19</sup> CMA, [Heat networks market study](#) (2018)

<sup>20</sup> Citizens Advice, [Keeping warm: the future of heat](#) (2019)

We agree with Ofgem’s proposals for the first year of the strategy. We would like to see a similar breakdown of proposals for each subsequent year as the strategy progresses, for example as part of Ofgem’s forward work plan or annual vulnerability report.

### **Create an analytical framework to consistently assess the impact of our policies on particular groups of consumers in vulnerable situations**

We think this is an important step to help identify those in vulnerable situations that will need more targeted support. It is vital that Ofgem has a framework in place to see the impacts and to help ensure policies are achieving the best outcomes for consumers.

We are keen to know more about how Ofgem will identify different groups of consumers in this framework compared to those used previously. We agree that it is important that the previous consumer archetypes used are updated to represent today’s society. It would also be useful to have clarity on how the framework will be used once established.

### **We aim to strengthen protections to protect consumers in vulnerable situations from self-disconnecting their pre-payment meters**

We are pleased to see Ofgem addressing our longstanding concerns on the number of people regularly self disconnecting. Although many consumers using prepayment find it a useful way to manage their energy, we have serious concerns about the experiences of some of these consumers (as set out in our response to Ofgem’s recent call for evidence on self-disconnection<sup>21</sup>).

Our research last year showed that 140,000 people using prepayment meters are ‘self-disconnecting’ each year because they could not afford to top up.<sup>22</sup> The vast majority of these households that self-disconnected contained a child or a person with a long term health condition. Out of those that had self disconnected in our study, over half felt that being disconnected had negative impacts on them, both physical and emotional.

Smart meters provide a significant opportunity to improve outcomes for prepay consumers for example they will allow for the introduction of smarter notifications and prompts for consumers to alert them before they disconnect. They will also allow for better monitoring of self disconnections by suppliers.

In order to end self-disconnections in the duration of the strategy it is vital that protections are strengthened to support those self-disconnecting in vulnerable situations as soon as possible.

We think that there are a range of steps that should be considered as part of a package to help eliminate self-disconnection. Ofgem need to ensure suppliers tackle the barriers that

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<sup>21</sup> Citizens Advice, [Response to Ofgem’s call for evidence on prepayment self-disconnection and self-rationing](#), (2019)

<sup>22</sup> Citizens Advice, [Switched On](#) (2018)

prevent consumers who self-disconnect from contacting their supplier and receiving appropriate support and referral to help. Ofgem should require suppliers to reassess on an ongoing basis whether prepayment is safe and practicable, and move people to another payment method if not. Suppliers also need to look at whether debt repayment arrangements are appropriate for their customers; our research found 44% of those who self-disconnected because they could not afford to top up were repaying a debt.

### **Consult on our proposals for the future energy retail market**

We were pleased to see the publication of Ofgem's consultation on flexible and responsive energy retail markets and look forward to submitting our response.

### **Consider formalising the Ability To Pay principles in our rulebook to provide targeted support to consumers facing payment difficulty**

As we outlined in our open letter<sup>23</sup>, customers need to be asked to repay debt in a fair and manageable way. We're concerned that Ofgem's Social Obligations Reporting shows large disparities in the amount of debt suppliers are collecting, with small suppliers collecting around three times as much as large suppliers. This suggests that suppliers may not be consistently following the Ability to Pay principles when setting repayment levels.

We are pleased that Ofgem is taking forward work on the Ability to Pay principles following our call for these to be strengthened earlier this year. Our initial view is that it would be a simple and straightforward step to move them into the licence conditions, subject to legal review to ensure the language is appropriate for this context. This would make these rules more prominent for suppliers and carry more force.

### **Propose a requirement on gas network companies to adhere to a vulnerability principle, similar to the obligation that we have placed on gas and electricity suppliers**

We are glad to see that Ofgem has followed our recommendation to introduce a vulnerability principle for GDNs, which we put forward in the GD-2 Customer and Social working group earlier this year. It is important that energy network companies support consumers in vulnerable situations as part of business as usual. We agree that a principles-based Licence Obligation will make network companies more accountable for the minimum service they provide for consumers in vulnerable situations.

Distribution networks are in touch with their customers every day, particularly gas networks through their mains replacement programme and emergency responses. These companies should do more to make every contact with a customer in vulnerable circumstances count, by providing support or having clear referrals in place to someone

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<sup>23</sup> Citizens Advice, [Response to Ofgem's open letter to updating the consumer vulnerability strategy](#) (2019)



who can. We believe all networks should consider the needs of their vulnerable consumers and have appropriate referral arrangements in place to address them.

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