

# **Vulnerable consumers and high energy prices**



**January 2018**

# Introduction

## A divided energy market

The Competition and Markets Authority were asked to investigate the energy market in 2014 and two years later reported that it was not working for consumers. They found that consumers' reluctance to switch was handing suppliers the power to set prices without fear of losing customers. Consumers were paying around £1.4bn per year more than they would do with an effectively functioning market and that figure was increasing.<sup>1</sup>

The CMA did find that the market was working for those willing and able to shop around, with a steady flow of new entrants into the market making competitive prices available on price comparison websites. However this finding only served to paint a picture of a two tier market - with a section of society getting good value from the market by pursuing the lowest prices, while the vast majority of consumers were left paying around £330 more for exactly the same product.

This sense of a divided market was further deepened by the results of the consumer survey which found that the routes to a good energy deal, via price comparison websites or direct negotiation with your supplier, meant that people in certain situations found it much harder to achieve. This meant those paying the highest prices were more likely to be on low incomes and vulnerable (elderly, disabled)<sup>2</sup>.

## The need for a strong response

In response the CMA brought forward a number of proposals to persuade people to switch supplier or tariffs but identified one particular section of the market - those on prepayment meters - as facing particular barriers to getting a good deal. For these consumers, the CMA recommended a cap on the unit price they could be charged.

As the scale of the detriment started to become clear in the course of the investigation, Citizens Advice begun calling for vulnerable consumers to be given protection from the highest prices<sup>3 4</sup>. While we welcomed the proposal to protect prepayment customers, we believed the problems went much wider

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<sup>1</sup> <https://tinyurl.com/j3ye89l>

<sup>2</sup> <https://tinyurl.com/yafrb39c>

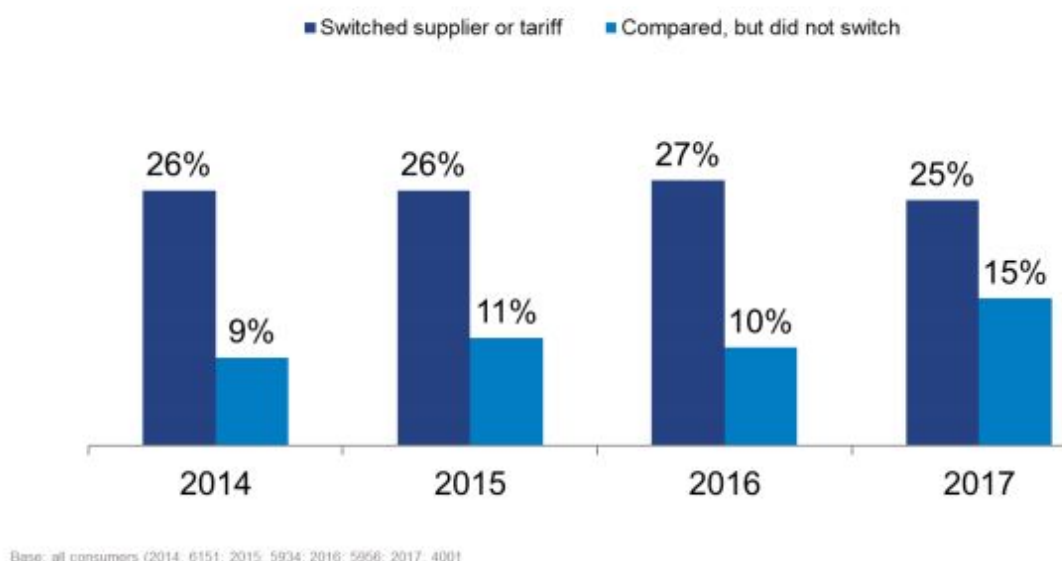
<sup>3</sup> <https://tinyurl.com/q39stwa>

<sup>4</sup> <https://tinyurl.com/yc9nutsk>

than that particular group and had doubts over how quickly and effectively the proposed engagement remedies would help consumers, particularly those facing barriers to engagement.

There have been positive signs for the market, with new entrants continuing to drive competition for consumers who are switching and the proportion of consumers on default tariffs (sometimes, but not always, known as Standard Variable Tariffs) ticking down slowly. Around 61% of customers were on an SVT with a Big 6 supplier<sup>5</sup> in 2015 while 59% are now on a default tariff with the largest ten suppliers<sup>6</sup>. However Ofgem’s consumer engagement report shows, the proportion of consumers getting themselves a better deal each year has remained consistent at around a quarter of GB households and even dropped a little last year.

**Figure 1. Engagement in the energy market in the last 12 months<sup>7</sup>**



We acknowledge the potential for fundamental changes to the energy market, heralded by smart meters, to make switching easier and more attractive. However we also note the evidence that many attempts to engage consumers over the twenty years since liberalisation have failed to have a significant impact. We believe this, together with the size of the detriment, justifies putting safeguards in place until the problems have been fixed. In March 2017 we called for immediate protection of low income vulnerable credit consumers, followed

<sup>5</sup> The Big 6 suppliers are British Gas, EDF, E.on, npower, Scottish Power and SSE. Collectively they serve around four out of five domestic customers.

<sup>6</sup> <https://www.ofgem.gov.uk/data-portal/retail-market-indicators>, <https://tinyurl.com/j3ye89l> % on svt multiplied by respective market shares

<sup>7</sup> <https://tinyurl.com/y74hu3yp>

by protection of all remaining disengaged consumers if there was not significant improvement<sup>8</sup>.

## **The initial safeguard tariff**

Ofgem brought forward a two-stage process for price protection of vulnerable consumers on credit meters with the Government also publishing a draft bill for protection of all disengaged consumers.

The first phase of this price protection has just been introduced, extending the prepayment cap to all those on a default tariff and receiving Warm Homes Discount in either this year or the previous one. This is estimated to help save just under a million low income vulnerable consumers around £100 per year<sup>9</sup>.

This equates to around a 10% saving or around four to six weeks of energy bills. This will be very welcome for the many households who will benefit and it was important to get something in place quickly for those who can be easily identified. However as Ofgem recognises, this must be just a first step to more comprehensive protection.

## **The need to protect more vulnerable consumers**

The Warm Home Discount is a £140 discount on energy bills provided by suppliers with more than 250k customers to two customer groups - a core group made up of low income pensioners who receive the guarantee credit element of pension credit and a broader group of working age families in receipt of benefits and with young children or certain disability benefits.

The core group is identified by a data-matching process through which the DWP tells participating suppliers which of their customers receive the qualifying benefit. The discount is then applied automatically. This process means that 90% of eligible pensioners receive their discount - the other 10% will miss out due to a failure to match names on the DWP database or because they are served by with a smaller supplier which is not participating<sup>10</sup>.

However the broader group do not benefit from a data-matching process and must submit an application before their supplier's fund runs out. Around 800k applicants are successful through this route each year but we estimate that

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<sup>8</sup> <https://tinyurl.com/y7y6rdhg>

<sup>9</sup> <https://tinyurl.com/ycjyprvx>

<sup>10</sup> DWP statistics from the WHD report <https://tinyurl.com/yaylyk3v>

around 3 million households could be eligible, meaning that the vast majority are missing out.<sup>11</sup>

Linking price protection to this benefit has served the purpose of getting as many people under a cap as possible but it is some way from protecting all those who are vulnerable in the energy market. The barriers to getting the discount are similar to those that prevent people from getting a good energy deal.

Ofgem, recognising this, are now consulting on a more comprehensive protection for low income vulnerable consumers. This will seek to identify a wider group of consumers and establish a more cost-reflective cap than the current one which includes the extra cost to serve prepayment customers.

## **The long term need to target support**

This extension of the vulnerable cap is being brought forward in parallel with the government's legislation for a cap on all default tariffs. Such a cap would cover all vulnerable consumers on default tariffs, negating the need for targeted protection. Ofgem have said that the current uncertainty over when this wider cap will be in place leaves them with an imperative to proceed with extending the targeted protection until they have clarity on when any wider cap could be implemented.

We agree that any gamble on a wider cap that risks leaving vulnerable consumers exposed to the highest prices for another winter is not one worth taking. We also think continuing with this endeavour is important for two further reasons.

Firstly that the regulator and government have been clear that the need for price protection for some vulnerable consumers is likely to last beyond the period of wider cap. In his evidence to the BEIS select committee session on the draft bill, Dermot Nolan Ofgem CEO said, *"If such a price cap is ultimately withdrawn...there is likely to always be a need to protect customers who would not be fully able to engage"*<sup>12</sup>.

In her session, Energy Minister, Claire Perry said she agreed with Ofgem that there will be a need for price control protection for vulnerable customers when the cap is lifted<sup>13</sup>.

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<sup>11</sup> <https://tinyurl.com/y725u676>

<sup>12</sup> <https://tinyurl.com/yal5d6n9>

<sup>13</sup> <https://tinyurl.com/y7ehymxg>

The draft bill contains a final sunset clause of 2023 but there are provisions for it to be terminated as soon as 2020 if Ofgem decides the conditions for effective competition are in place. So even if the wider cap comes in, it may fall away again in two years time. At which point a targeted cap may need to be re-introduced.

Secondly, while we will explore the issues around identifying vulnerable consumers later, Ofgem have expressed a clear preference for using a process similar to that being used for the Warm Home Discount core group where government departments notify suppliers which of their customers meet certain criteria. A process for providing support to disengaged consumers that requires someone to make contact with their supplier is unlikely to be effective. Even if a wider cap is in place next winter, doing the work now to get a fully functioning data-matching process in place could help when the wider cap falls away but also for targeting other support at vulnerable energy consumers.

## 2. Vulnerability to high prices

Before exploring in more detail how to identify vulnerable consumers, it is necessary to establish which consumers are most vulnerable to high energy prices.

Ofgem defines vulnerability as when a consumer's personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:

- Significantly less able than a typical consumer to protect or represent his or her interests in the energy market; and/or
- Significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial<sup>14</sup>

On this basis there appear to be two ways in which a consumer could be vulnerable. Firstly by being less able to represent his or her interests and therefore more likely to be paying high energy prices. Secondly by being in a situation where paying a high energy price is more likely to lead to substantial detriment.

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<sup>14</sup> <https://tinyurl.com/y9zsfvms>

## Consumers most likely to be paying high prices

Consumers most likely to be on higher energy prices will be those on their supplier's default tariff. As Figure 2 below shows, those on the default SVT can expect to pay around £300 more than the cheapest deal on the market if they are with one of big 6, £200 if with one of the other suppliers.

**Figure 2 Retail price comparison by company and tariff type - Dec 2017<sup>15</sup>**

Average standard variable tariff (Six large suppliers)	£1,134.95
Average standard variable tariff (Other suppliers)	£1,047.03
Cheapest tariff (Six large suppliers)	£973.04
Cheapest tariff (All suppliers)	£826.73

A customer ends up on one of these default tariffs if they do not regularly switch supplier or negotiate a better deal. As is shown in Figure 1 above, around a quarter of households are switching supplier or tariff each year. This is clearly a relatively low level of engagement across the market and is the reason the government have brought forward proposals for a wider cap. However in order to establish which consumers are least likely to be engaging and therefore most likely to be paying the higher prices, we can look at the survey responses of individual groups.

The CMA found that being on a low income, over 65 years old or having a disability all made someone less likely to have switched supplier in the last three years<sup>16</sup>.

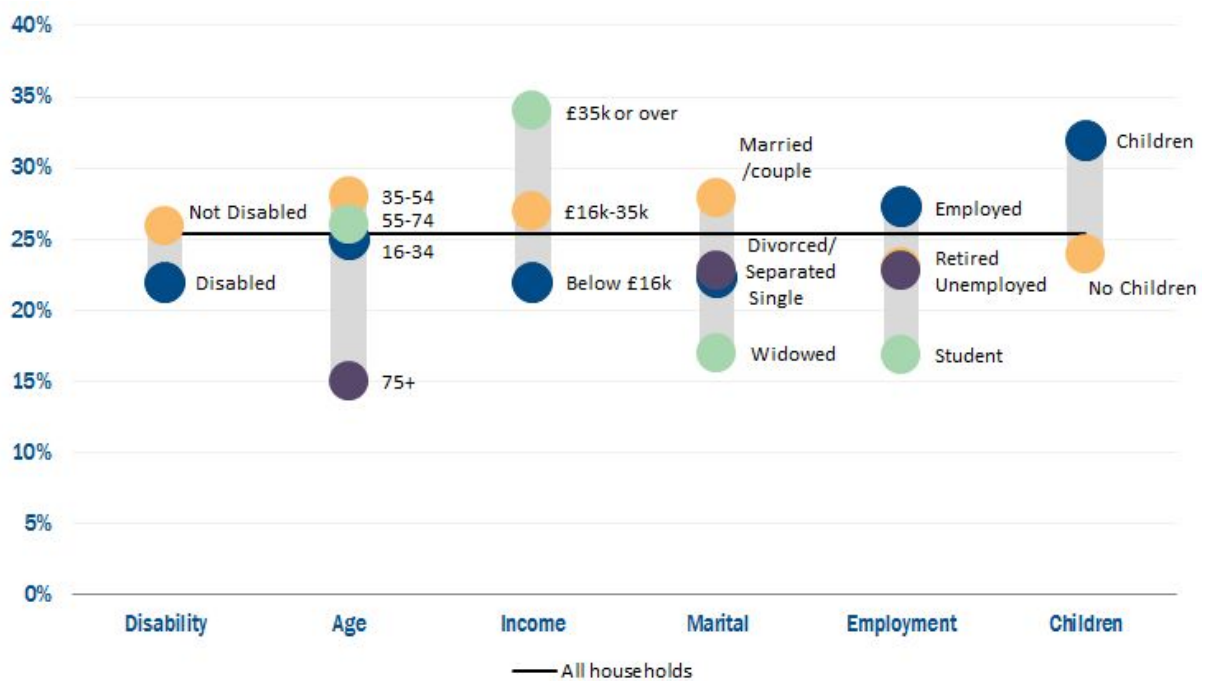
Our analysis of Ofgem's most recent engagement survey data<sup>17</sup> shows this trend continuing with the same groups less likely to engage. Figure 3 below shows poorer, older and disabled consumers more likely to be paying a higher price for energy. Students and widowed people also seem to fare particularly badly in the market. Households with children or those earning high incomes are the most likely to switch.

<sup>15</sup> <https://www.ofgem.gov.uk/data-portal/retail-market-indicators>

<sup>16</sup> <https://tinyurl.com/j3ye89j> See page 448

<sup>17</sup> <https://www.ofgem.gov.uk/publications-and-updates/consumer-engagement-survey-2017>

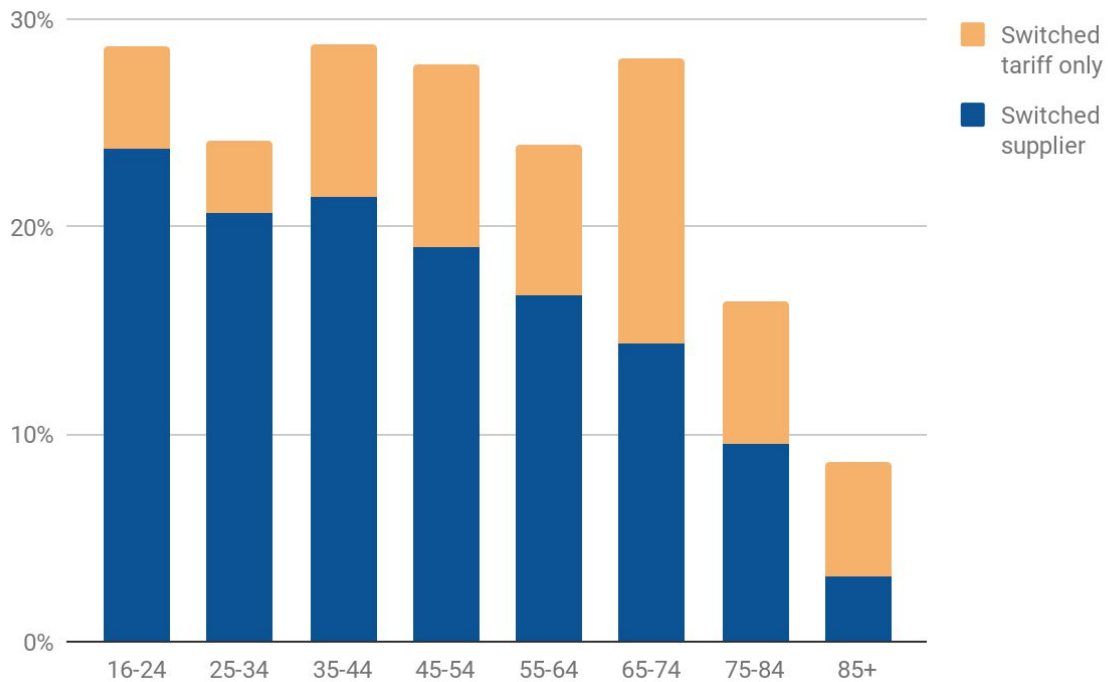
**Figure 3. Percentage switched supplier or tariff in last year by demographic**



The most striking result in this chart is how unlikely it is for those over the age of 75 to switch supplier. This is explained in Figure 4 below which shows that willingness to switch supplier falls markedly with age. Willingness to switch tariff while remaining with the same supplier remains more stable over age groups, though a willingness to only shop internally may mean access to fewer good deals.

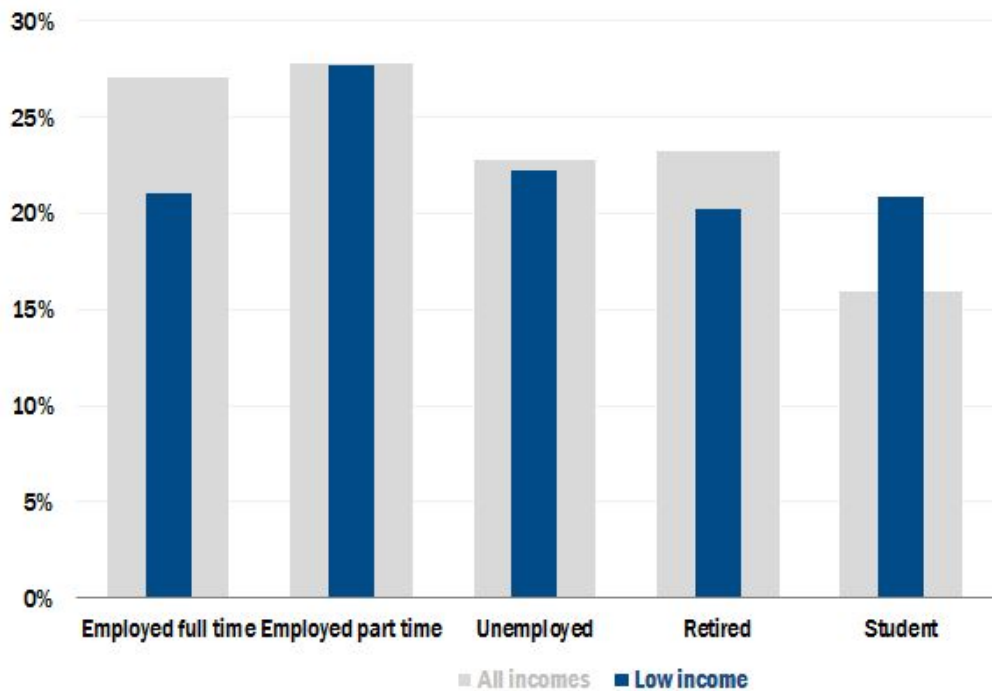


**Figure 4. Switched supplier or tariff in last year by age**



Also, Figure 5 below provides a closer look at switching by employment status. While Figure 3 showed that consumers in full time employment are more likely than average to switch supplier or tariff, this engagement reduces significantly for low income employed people. In fact for low income households, those in full time employment are actually switching just slightly less (21%) than unemployed households (22%).

**Figure 5. Percentage switching supplier or tariff in last year by employment status and income.<sup>18</sup>**



## Consumers most likely to suffer substantial detriment as a result of high prices

Having established which groups are more likely to be paying the higher prices, a full account of vulnerability in this respect requires an examination of those more likely to suffer substantial detriment as a result. These higher prices will have a greater impact on those households who are already struggling to afford their energy bills. The most substantial detriment will occur when they push a family's energy costs above what they can afford, forcing them to ration or stop using energy, with the associated health risks.

### Most likely to be struggling with energy bills

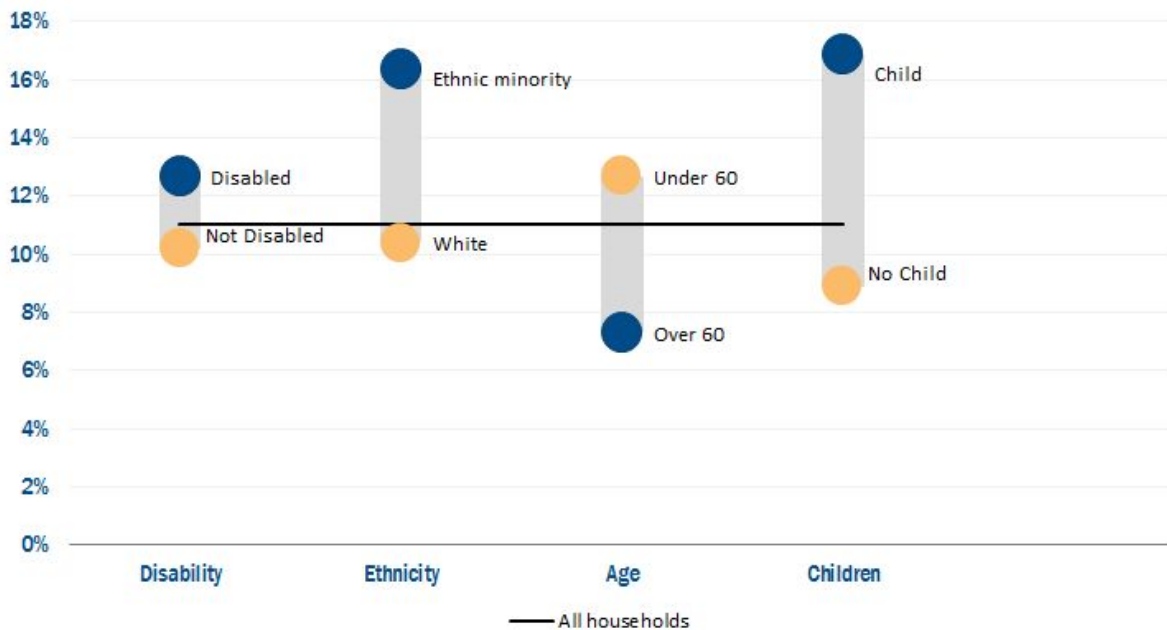
In order to establish which households are struggling to afford their energy, we have analysed the government's most recent fuel poverty statistics.

As Figure 6 shows, children and disabled people are both more likely to be living in fuel poverty than other people. With regards age it is actually working age

<sup>18</sup> Low income defined as earning less than £16,000.

households which are more likely to be struggling with their energy bills than those with elderly people.

**Figure 6. Percentage in fuel poverty by demographic<sup>19</sup>**



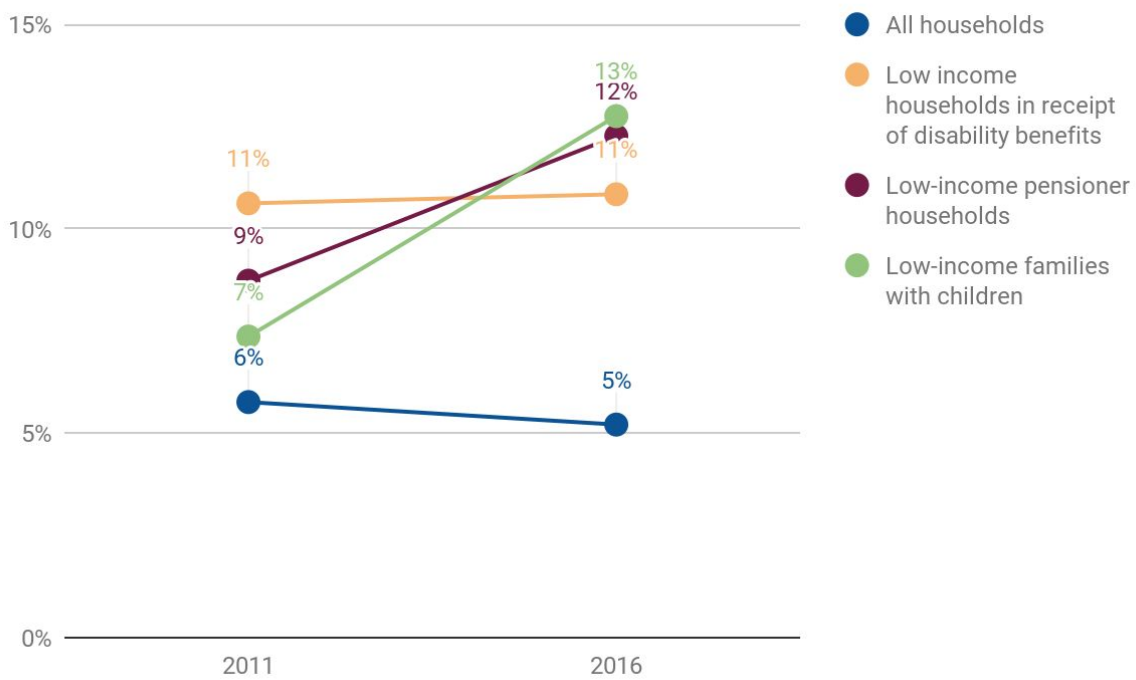
Unsurprisingly, characteristics such as low income (27% - first three deciles) or those closely related to low income (e.g. unemployed - 34%) show high proportions of fuel poverty. For low income households with children the proportion in fuel poverty reaches 36%<sup>20</sup> - over a third of low income households with children cannot pay their energy bills without falling into relative poverty. The level of child fuel poverty remains high into the middle incomes - with almost a quarter (23.4%) of households in the 5th and 6th income deciles facing that pressure on their bills. It is also striking that ethnic minorities are much more likely to be in fuel poverty (16%).

It should be noted that this analysis of fuel poverty is based on a survey that is only conducted in England. For analysis that is closer to the proportion of income definition of fuel poverty currently used by Scotland and Wales, we can use our own analysis of the Family Resource Survey. Figure 7 shows the pressure that energy bills place on the budgets of low income vulnerable households has increased significantly over five years.

<sup>19</sup> <https://www.gov.uk/government/collections/fuel-poverty-statistics>

<sup>20</sup> Uses 2016 data as was not possible to fully match the most recent dataset.

**Figure 7. Percentage of budget spent on energy in 2011 and 2016**



This chart goes some way to explaining the previous analysis, with proportional spend on energy more than doubling for low income households with children over the five year period. It also shows low income pensioner households and disabled people facing similar financial pressures.

### **Most likely to suffer consequences to health from cold homes**

Finally the most substantial detriment in this situation occurs when consumers, finding their energy unaffordable, put themselves at risk of serious health consequences by rationing their energy supply.

There have been many studies of the risks of cold homes and who is most exposed to them. Probably the most thorough in recent times and the one still used by government is one that was led by Professor Marmot in 2011<sup>21</sup>.

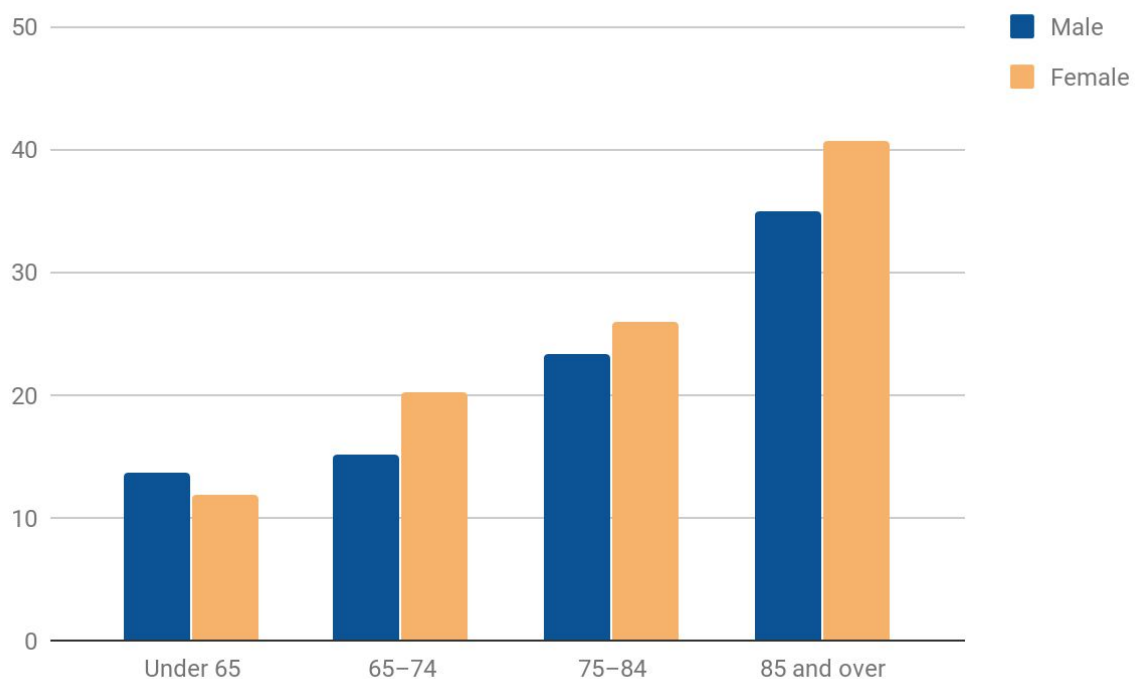
This study concluded that there were significant negative effects of cold homes on infants development, the mental health of adolescents, the physical health of

<sup>21</sup> <https://tinyurl.com/ybcsbbth>

adults with pre-existing conditions and the health, and ultimate mortality of elderly people.

UKACE reports that the World Health Organisation attributes 30% of excess winter deaths to cold homes. Figure 8 below shows the propensity of each age group to deaths during winter - the index compares number of deaths in winter to those in other months.

**Figure 8. Excess winter death index by age group - 2014/15<sup>22</sup>**



The chart confirms that those over 65 years old are more vulnerable to winter deaths. Within that group however we see that 75-84 year olds are more than twice as vulnerable in the colder months than other people and those over 85, four times more likely.

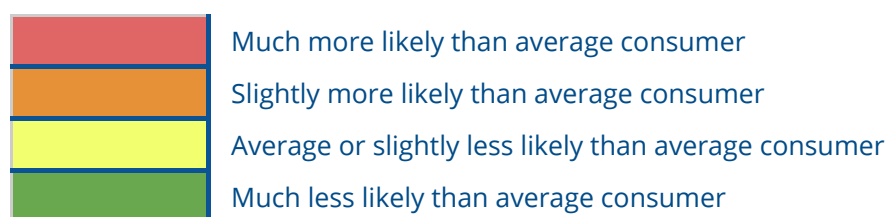
## Conclusion

Figure 9 below summarises the findings of this section for the consumer groups that have come through consistently in each area. The coloured squares indicate a differential in likelihood that the group will suffer detriment from high prices in each of the three component ways.

<sup>22</sup> <https://tinyurl.com/y7c2ab2b>

**Figure 9. Summary of vulnerability to high energy prices**

	Elderly (over 75)	Disabled/long term sick	Unemployed	Low income	
				Employed	Child
Paying higher prices	Red	Orange	Orange	Orange	Green
In fuel poverty	Green	Orange	Orange	Orange	Red
Serious health risks	Red	Red	Yellow	Yellow	Orange



While it undoubtedly masks a host of complexities and differentials within each group it briefly illustrates the different ways in which the groups can be vulnerable to higher prices on the basis of likelihood of detriment.

It is clear that those with disabilities and long term health conditions are consistently vulnerable in all three ways. They are moderately more likely to be paying higher prices and in fuel poverty and the serious health risks of those with pre-existing conditions, particularly respiratory and circulatory illnesses, have been well-established.

Similarly for elderly households, the health risks from a cold home are clear and rise exponentially after 75. While over 65s are less likely to switch supplier, the number who are renegotiating their tariff means engagement levels remain average until 75. Although if over 65s are switching tariff within a big 6 supplier's tariff portfolio, they may still be paying around £150 more compared to the cheapest deals on the market. For over 75s on low incomes, those switching supplier or tariff drops to 9.5%. A 9.5% switching rate suggests that the vast majority very elderly people on low incomes are paying the highest prices through a default tariff. While fuel poverty may be relatively low in this group, it is clear that differentials of around £200-£300 are likely to impact a significant portion of this large group.

Households with children are switching more than average, those on low incomes slightly less so but still above average on 28%. This means that around 60% of low income households with children are paying the higher prices. The

potential impact of these prices is clear when we consider the high rates of fuel poverty for this group. Assuming no effect of fuel poverty on engagement rates, around a fifth of all low income households with children are in fuel poverty and paying around £200-£300 more than they need to.

Unemployed people are much less likely than employed people, as a whole, to be switching and also more likely to be fuel poor. However looking just at households with someone in employment but on a low income, the results are very similar to those of unemployed households. In fact, switching rates drop slightly below unemployed and fuel poverty rates get much closer (29% unemployed, 25% employed).

## Identifying vulnerable consumers

Identifying vulnerable energy consumers has been the biggest challenge in recent times for all those with an interest in providing further support. The traditional way of doing so is through the Priority Services Register which all suppliers must hold as a licence condition. While some suppliers have vastly improved their process for identifying people who might need to be registered, it still requires a level of engagement from the customer to notify their supplier of their personal circumstances.

As mentioned above, for the Warm Home Discount, DWP notifies suppliers which of their customers receive the guarantee element of pension credit by a process of data-matching. This allows suppliers to apply the discount automatically to these accounts without any need for action on the part of the consumer. This compares very favourably to the application process that those who qualify for the discount, but are not data-matched, have to go through.

In their consultation, Ofgem state that they hope to have data-matching in place to target the price cap at those who would benefit most by Winter 2018/19. However given the legal and procedural requirements that must be met before this is possible, they have proposed a some backstop options that do not involve data-matching. Each of these proposals are examined below.

# Through data-matching

## Ofgem proposals

Assuming data-matching can be put in place for the majority of suppliers, Ofgem have proposed using the benefits administered by DWP, listed below:

**Figure 11. Benefits proposed by Ofgem to target price protection<sup>23</sup>**

Attendance Allowance	Jobseeker's Allowance
Bereavement Benefit	Pension Credit
Carer's Allowance	Personal Independence Payment
Disability Living Allowance	Severe Disablement Allowance
Employment and Support Allowance	Universal Credit
Housing Benefit	Widow's Benefit
Incapacity Benefit	Income Support

These benefits will cover unemployed people, low income pensioners and any disabled person who is claiming a benefit. The inclusion of both Disability Living Allowance and Personal Independence Payment means that those with disabilities or long term health conditions who are in work and on higher incomes will also be covered. The inclusion of widow's benefit is appropriate given the low levels of switching supplier or tariff (17%) found in the Ofgem survey.

The situation with housing benefit and Universal Credit is more complicated, as DWP would only be able to match those people who live in areas that the benefit has been rolled out to.

Overall Ofgem estimated that 10.8 million people receive these benefits in Great Britain. Through a series of assumptions based on multiple claimants per household, proportions on an SVT or already covered by previous protections, it is estimated this group would extend protection to a further 2 million households.

However comparing with the groups that have been established as vulnerable to high prices in the previous section it seems low income households in work and with children may not be covered by this list. Also, given the estimated proportions on default tariffs, it is likely many vulnerable elderly people will not be covered by Pension Credit or Attendance Allowance. Some options for covering these groups are set out below.

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<sup>23</sup> <https://tinyurl.com/ycxqpmr7>



## Tax credits

Under the Ofgem proposal, low income families that are in work or have a child and are receiving Universal Credit will benefit from a price cap. However those who live in areas where Universal Credit has not yet been rolled out, or who have not yet been transferred to the new system (so receiving the equivalent child or working tax credits as under the legacy benefit system) would be excluded. As the previous section shows, low and middle income families with children are much more likely to be struggling with their bills - 23% in fuel poverty in the middle quintile (up to around £30,000<sup>24</sup>).

Also, for those on very low incomes (less than £16,000), households in work are just as vulnerable as those not in work. We suggest therefore that child and working tax credits are included in the list. This would also ensure a consistent approach for those in UC areas and those who are not.

To estimate the number this would extend protection to, there are around 4.3 million households claiming one of these credits<sup>25</sup> and not covered by UC. Our analysis of the Family Resources Survey found that around 30% of tax credit claimants were also claiming an out-of-work or disability benefit, leaving around 3 million households not already covered. Using a similar method of deductions as Ofgem<sup>26</sup>, we estimate this would equate to around 1.3 million extra households. The fuel poverty rates for this group suggest that around a third of these families (400,000) are in fuel poverty.

## Winter Fuel Payment - over 80 component

Over 75s were shown to be by far the least likely to be switching supplier tariff, with over three quarters paying higher prices. Pension Credit will cover those on the lowest incomes but for those living alone, their annual income would need to be below £8,300<sup>27</sup>. While Attendance Allowance will also covers some on slightly higher incomes, it is clear that many vulnerable elderly people will be left unprotected.

Adding all recipients of winter fuel payment - effectively everyone over 65 - would obviously increase those eligible beyond what would be considered by most as 'targeted'. However DWP give a premium on this payment where there is someone over the age of 80 in the property. The latest statistics show 2.4 million households with someone over 80 receive the premium payment<sup>28</sup>. Our

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<sup>24</sup> <https://tinyurl.com/yb7sxycs>

<sup>25</sup> <https://www.gov.uk/government/collections/personal-tax-credits-statistics>

<sup>26</sup> Deducting only for matching failure (0.82), SVT (0.64) and not PPM (0.86)

<sup>27</sup> <https://www.gov.uk/pension-credit>

<sup>28</sup> <https://tinyurl.com/mr2y5ya>

estimate from DWP statistics for Pension Credit and Attendance Allowance is that 1.4 million of these would already be receiving one of those benefits. Applying the same discounting as before to the remaining 1 million, means that including the over the 80 premium for Winter Fuel Payment in the list would add a further 450,000 consumers to the target group.

## **Alternative methods**

As has been mentioned above, if a data-matching process is not established in time then it will be necessary to rely on an alternative approach. These will inevitably be less effective as it will put the burden of identification onto the consumer. Given the safeguard tariff is designed to mitigate the effects of consumers who are not engaging the market this is obviously problematic. As soon as a consumer or their representative is engaging with the supplier then they should be seeking to switch to a cheaper deal, ones that are likely to be lower than the level of the cap.

However if by next winter the choice is between such a process or no protection at all then clearly these options will be preferable. In order to make it as easy as possible for the consumer, Ofgem have proposed using two pieces of information about the consumer that suppliers have readily available - the priority services register and those in debt.

### **Priority services register**

This is a register that each supplier holds containing mostly elderly customers or those with a disability or long term health condition. This is now broadening to other types of vulnerability at the supplier's discretion.

Although it focuses on two key groups identified in the previous section, this method will suffer from the engagement problem mentioned above. It is likely to be those who are more prepared to proactively contact their supplier who are more likely to be registered. When Ofgem conducted a review of the PSR, it found that just 24% of people had ever heard of this service<sup>29</sup>.

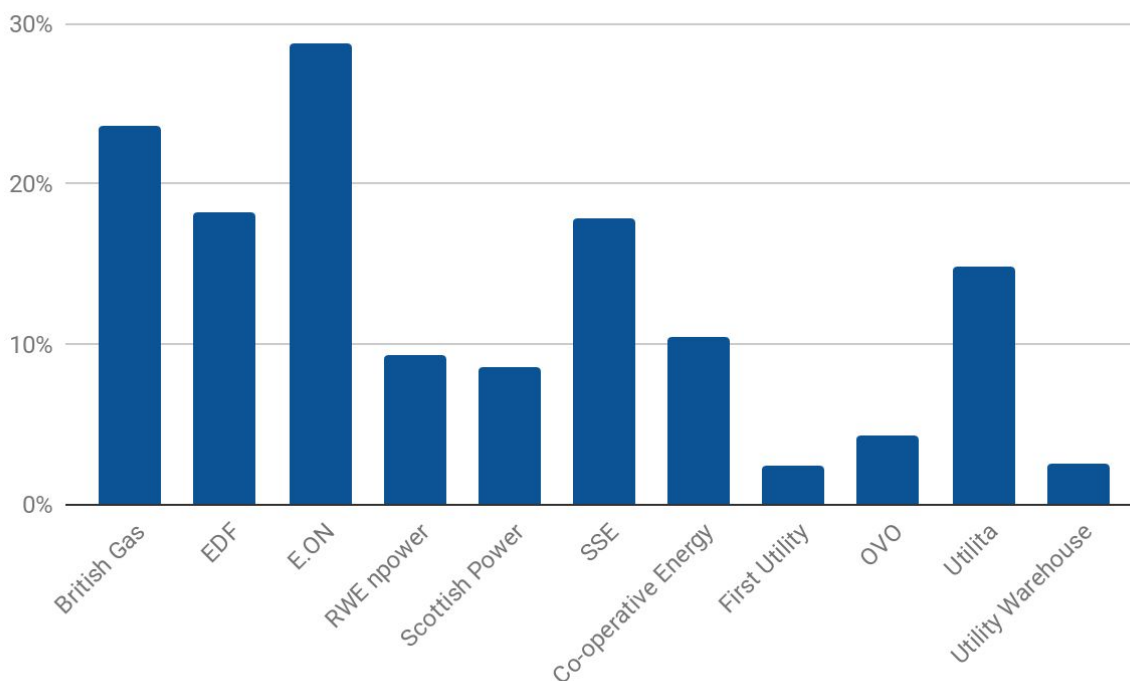
There is also the risk of perverse outcomes with regard developing the register. There has been a recent drive to improve identification of vulnerability across the industry. As is the norm in this sector, different suppliers have taken different approaches and allotted different levels of resource to this effort.

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<sup>29</sup> <https://tinyurl.com/y9ejkgub>

Figure 10 below shows the varying proportion of electricity customers on the PSR for each of the largest 11 suppliers.

**Figure 10. Proportion of electricity customers on Priority Services Register by supplier<sup>30</sup>**



To the extent that this variation represents an actual difference in customer base (vulnerable consumers as we have defined them are more likely to be with Big 6) this is not problematic. However to the extent that it represents varying levels of effort in identifying vulnerable consumers, this method risks punishing those who have directed resource into understanding their customers by capping a higher proportion of their accounts. It seems unlikely that the ~3:1 ratio between the Big 6 suppliers with the highest proportion of consumers on the PSR and those with the least can genuinely represent demographic differences in their customer base given that all are ex regional (or national) monopolies who are likely to serve a broad cross section of society through their inherited portfolio.

<sup>30</sup> <https://tinyurl.com/y9bu6mva>  
<https://www.ofgem.gov.uk/data-portal/retail-market-indicators>

One way to mitigate this could be to assign minimum quotas to those with low levels of registrations. It would then be the supplier's responsibility to identify a certain number of vulnerable consumers for the purposes of the cap.

### **In debt or arrears**

Those accounts that a supplier knows are in debt is a relatively good way to target people who are struggling to pay their bills. It may well include a significant number of people who would not normally be considered vulnerable in the way we have defined it but reducing prices for people who are already behind on their payment is likely to have a positive effect both on the household finances and more generally in getting them back to being a paying customer.

There is the possibility of perverse incentives to get into debt in order to qualify for the protection but we consider this to be remote. If someone is savvy enough to manipulate the system in this way they would be well-placed to negotiate moving to a cheaper tariff which is likely to be under the level of the cap.

Also, in order to establish a formal and enforceable process there will need to be clear guidelines as to who is eligible under this criteria.

### **Local referrals data**

One additional route that has been suggested is using information from local authorities, health organisations or charities to identify vulnerable consumers. This could be in the form of data-sharing or referrals of individuals. Again such a method could be appropriate for an interim voluntary scheme where the aim is just to identify as many people as possible.

However on a more formal footing, if it involved any kind of data-sharing, this would require a multitude of legal agreements and procedures that would likely require resources that many of these small organisations would not be able to provide. If debt charities and local organisations were making direct referrals then again, this should be to one of the supplier's cheapest deals, which are likely to be under the level of the cap.

## **Conclusion**

The case for strong action on energy prices has been broadly accepted. It is right that the policies and procedures are being put in place for a targeted cap despite the promise of a market wide cap. Firstly because of the uncertainty over if and

when this wider cap will be in place but also because the need for targeted protection is likely to last longer than that of the wider market.

Looking at the three ways in which someone can be vulnerable to higher prices, we believe that low income households - both in work and out of work - with children, elderly people and those with disabilities or long term health conditions should be considered for protection.

Data-matching will be needed in order to target these groups effectively. Ofgem should consider including tax credits and the over 80 component of Winter Fuel Payment in the list of benefits to be matched.

In the absence of a data-matching process, stop-gap options such as PSR and account in debt or arrears would provide some protection as an interim measure. However, to the extent that the targeted approach will be required beyond winter 18/19 then Ofgem should continue to engage with government departments to ensure the data-matching process is in place as soon as possible.

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and challenge discrimination.

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**[citizensadvice.org.uk](https://citizensadvice.org.uk)**

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