



By email only

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

Name: Paul Tonkinson
Phone: 07989 493019
email: paul.tonkinson@npower.com

5 August 2019

Dear Meghna,

Draft Consumer Vulnerability Strategy 2025

Please find npower's response to the above in the annex to this letter.

The overarching objective of the Consumer Vulnerability Strategy (CVS) is to protect and empower customers in vulnerable situations and to ensure equality of access to the competitive energy market's benefits. The first Ofgem CVS in 2013 was promulgated on the basis that energy customers should not be disadvantaged taking account of their situation or personal circumstances, rather than just because they exhibit certain defined characteristics (old age, or disability, for example). These characteristics are still relevant when considering energy consumer vulnerability, but by taking a more rounded situational view of customers' circumstances, it means that support can be both better targeted and more tailored. To that end, we agree that the definition of vulnerability as set out in 2013 is still both relevant and 'fit for purpose'.

The CVS along with the Standards of Conduct with specific reference to vulnerable customers introduced in 2017 has required that suppliers, in developing products and services, take vulnerable customers' circumstances into account. In short, they become part of the mainstream.

We are happy for our response to be placed in the public domain.

Yours sincerely,

Paul Tonkinson
Regulation
Oak House
Worcester
WR4 9FP

Enc.

[npower](http://npower.com)

Npower Group limited
Trigonos
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.npower.com

Registered office:
Npower Group limited
Windmill Hill Business Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 8241182

Annex

Draft Consumer Vulnerability Strategy 2025

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

Yes, we broadly agree with the themes and outcomes set out in the draft Consumer Vulnerability Strategy (CVS).

Turning now to the outcomes set out in the draft strategy by reference to the 5 themes set out therein.

Theme 1 - Improving identification of vulnerability and smart use of data

Outcome 1A: We want energy companies to act swiftly to provide support to the people who need it. To ensure they can do this, we want them to regularly maintain and proactively update the data they hold on their customers, including their priority services register (PSR) data.

And

Outcome 1B: We want to see evidence that there has been an improvement to support consumers to self-identify, for example through best practice guides that are easy to access and understand.

Where suppliers are or become aware that a customer requires relevant assistance then that will of course be provided. However, focussing in on services through the PSR may not always be right and can inadvertently be too late. Developing a framework where more customer insight is available upfront should be encouraged; in that way suppliers have a picture of the challenges a customer may be facing so they can change their internal decisioning proactively.

One way that maintenance and accuracy of data on suppliers' PSRs could be addressed is for the adoption of a single pan-supplier Register. This would, amongst other things, help deal with the concerns raised in paragraph 3.5 of the consultation about suppliers not keeping their PSRs up to date. It would also facilitate a consistent level of service across the piece, while still allowing suppliers to develop their own innovative services additional to those required under a PSR.

There will be significant data protection and privacy issues to overcome, but these are not insurmountable.

Outcome 1C: We want to see better use of data across regulated sectors to enable more holistic and targeted support for consumers in vulnerable situations.

Although data sharing provisions exist in the Digital Economy Act 2017 (section 35), we believe that something is needed to make true customer value-creating data-sharing a reality. Given the complexities surrounding such an initiative, along with making sure all relevant cross-sector organisations are involved, we believe that a government or regulator task force is probably necessary to give it both focus and impetus. Perhaps this is something that could be coordinated through and overseen by the UKRN.

Theme 2 - Supporting those struggling with their bills

Outcome 2A: We want consumers to have access to affordable energy.

Ofgem says that matters relating to affordability alleviation are '*...primarily for Government...*' (pp5), but accepts that there is a debate to be had. It is the case that some

consumers simply do not have the financial wherewithal for basic household expenses; in these cases, regardless of the price of their utilities, they (including energy) may never be affordable. Ofgem has itself stated that its role ‘...is not to implement social tariffs, or drive further cross-subsidy between consumer groups.’ How is a line drawn to indicate what the state is responsible for, the regulator and what the responsibility is for suppliers (and other players)?

Outcome 2B: We want to see better support for consumers who are at risk of self-disconnecting and a decrease in the number of self-disconnections.

It is very difficult to prevent self-disconnection if consumers have insufficient or no money with which to buy credit. This is related to general poverty, not just fuel poverty, which is a matter primarily for government. Offering support will be dependent on suppliers knowing when customers have disconnected or may be about to do so. With traditional ppms, this is difficult; with smart meters there will be a feedback loop that will alert suppliers when customers self-disconnect. We await Ofgem’s next steps to its request for information on self-disconnection issued in January this year.

Outcome 2C: We want consumers in payment difficulty to be proactively supported, including by being put on an affordable payment plan. We want to see more consumers become debt-free for their energy debt as a consequence, and the levels of debt to come down overall.

We support. Ofgem needs to consider how best practice and/or common guidelines are developed so pan-industry customers get a comparable experience.

Theme 3 - Driving significant improvements in customer service for vulnerable groups

Outcome 3A: We want energy companies to have a corporate culture that focuses their efforts to identify and support consumers in vulnerable situations.

We support. However, Ofgem must recognise that this has become significantly harder in a price-capped, nil-margin supply world. As well, not all suppliers may have the wherewithal to comply. It is important therefore that Ofgem monitors suppliers’ performance (particularly smaller suppliers’ and that of new entrants) against the relevant obligations.

Outcome 3B: We want industry have systems to better target and to tailor their customer service to consumers with specific needs.

We support. We believe this is particularly relevant in a digital world with the benefits of assistive technology that are on offer. Nonetheless, with 80+ suppliers, and over 100 companies in the supply chain, thought needs to be given to create cross-sectoral ways to innovate to deliver these types of service and avoid duplication. For example, a number of suppliers have each produced a sign video service for their deaf customers. A single project (like the Accessible In-Home Display project in Smart) would have been quicker and probably less expensive. As is the case with networks, through RIIO, we would urge regulatory incentives for companies that take a lead with this kind of thinking.

Outcome 3C: We want new companies entering the market to be able to provide an adequate level of customer service to consumers in vulnerable situations.

We agree. We do, however, question the word ‘adequate’. What does it mean in this context? Regardless of size or age, new suppliers should aspire and be pushed to provide the best customer service in class.

There also needs to be a proper debate about: (a) how high the vulnerable bar should be – and Ofgem needs to be very clear here; and (b) how costs are normalised to ensure all companies deliver universal service, and if that if the proportion of vulnerable customers they supply is more or less than a defined level, that this is recognised (perhaps in the similar way to the Warm Home Discount (WHD) levelisation process).

Outcome 3D: We want consumers to be effectively identified as eligible for priority services; and for them to receive consistent and high quality priority services in a timely way.

Our comments re Outcomes 1A and 1B, above, are applicable here. Third party intermediaries (TPIs) and auto switchers play an important part; as such customer confidence in using TPIs would be strengthened by a robust and enforceable regulatory framework, so that customers know, for example: the service they should be getting; that it is consistent across the piece; how it has been delivered; and what they are paying for it.

Ofgem, a few years ago, previously proposed some form of regulatory oversight; indeed, it developed a draft code of practice to cover TPIs' activity. However, it appears to have resiled from taking things forward in this area. We would suggest that Ofgem looks at this matter again.

Outcome 3E: We want consumers to have easy access to relevant information on how well energy suppliers support consumer needs, which they can take into account when switching.

We support, but it must be more than the Citizens Advice (CA) indicator model, given how broad vulnerability can be. Our research suggests that customers expect the regulator to ensure that all parties in the energy supply chain deliver the basics well; we therefore need to make sure that thought is given to recognise and reward those companies who deliver more than the basics. We believe then that this assessment needs to be wider than the current CA tool.

Theme 4 - Encouraging positive and inclusive innovation

Outcome 4A: We want all consumers (particularly those in vulnerable situations) to have access to affordable energy and suitable services. We want products and services to be designed to meet the needs of a wide range of consumers (including the most vulnerable).

And

Outcome 4B: We expect suppliers and networks to demonstrate innovative measures to support consumers in vulnerable situations.

We believe that it is essential that all customers benefit from the energy transition, but it must also be recognised that some of the most vulnerable consumers are also more likely to have a limited or fixed income. For this outcome to be delivered, other ways need to be identified for the state to ensure that customers are able to financially access new products and services. This cannot simply be the responsibility of suppliers to address. See our comment in relation to Outcome 3B, above, about incentivising and rewarding innovation.

Theme 5 - Working with others to solve issue that cut across multiple sectors

Outcome 5A: We want to achieve greater understanding and consistency across essential services markets for more joined up action to improve the experience of consumers in vulnerable situations. And

Outcome 5D: We will work with government on common consumer challenges to complement its social policy measures.

We strongly support consistency between sectors and markets. Customers in similar situations should have a right to expect similar (but not necessarily identical) support both from all companies within a sector and between the sectors too. It can be upsetting for a customer to be considered vulnerable by one utility and not by another in a different sector (where any circumstances or characteristics are common between both).

Outcome 5B: We want to further improve our information sharing approach with the third sector, which will help target our policy, compliance and enforcement actions and support organisations that provide advice to energy consumers.

Partnerships with third party organisations can work well. As an adjunct, suppliers need to consider how the third sector can rapidly access the current support that does exist. Smaller charities do struggle with a market of 80+ suppliers and knowing whom to contact. This was considered by Energy UK's Commission for Customers in Vulnerable Circumstances (CCVC) and it appears as one of the CCVC Final Report's strategic recommendations¹

Outcome 5C: Through E-Serve, we will continue to improve the operation and effectiveness of the government social programmes.

We believe that there is an opportunity for Ofgem E-Serve to drive collaboration; for example, where various suppliers have similar WHD II programmes. We believe that E-Serve has the ability to identify areas that would benefit from some cross-fertilisation.

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.

As we have said in our response to Outcome 2A, above, there is a debate to be had about the lines of responsibility for affordable energy. Regarding customers' income, we agree that where this is insufficient, it has to be a matter for government to address.

In terms of the price of gas and electricity that customers have to pay, we do not believe that price regulation per se is the way, long term, to address energy affordability in a competitive market. Promoting and embedding effective competition and having engaged consumers is far more preferable. Notwithstanding, if a social tariff was thought the right way forward, then that should be something for government to introduce, not Ofgem. However, it should only be introduced following a full impact assessment and a robust cost benefit analysis, taking account the incredibly challenging environment suppliers are currently operating in (cf the price caps).

How should suppliers deal with customers who simply cannot afford to pay for their energy? At the moment, some suppliers offer payment holidays (either foregoing payment completely for a short period to allow customers time to stabilise the financial situation, or putting a debt on hold and allowing customers to pay only for ongoing consumption). The government's proposed Breathing Space scheme (due to be introduced next year) will seek to introduce a statutory arrangement along similar lines. How this will apply to energy is still not clear.

Ofgem should also look at how suppliers can deal with those customers who do not engage with them and who actively avoid paying for their energy. Energy UK is presently coordinating work in this area with members. This is growing problem for which there appears no solution (a prepayment meter may not be safe and reasonably practicable to install, and disconnection is, effectively, proscribed). While some of these consumers may be vulnerable, it seems palpably unfair for those vulnerable customers who engage with their supplier and endeavour to pay their bills (or make some arrangement to do so) end up

¹ [CCVC Final Report - pp6](#)

subsidising the former, with, ultimately, the prices they pay ending up being higher than they otherwise would be.

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?

A greater use of data sharing would, we believe, allow for more assistance to be provided to customers in vulnerable situations. As we have said, in our comment on Outcome 1C, above, we believe that this (greater data sharing) should be taken forward strategically by some kind of government- or regulator-led task force to effect better coordination and extract synergies that might not be realisable under a piecemeal approach.

Government is also consulting on Smart Data², which it sees as being able to help vulnerable consumers by, amongst other things, exploring ways regulators can utilise consumer data, subject to the right protections, to provide new (or making it easier to access existing) services.

With the development of its disengaged customer database (DCD) to facilitate increased switching for certain customer groups, this is requiring the provision of customer data to Ofgem for uses that are not yet fully defined, with the vires of the DCD still being opaque, and the responsibility for data protection appearing to fall to both Ofgem and the Information Commissioner's Office (ICO); it not being clear which body has primacy.

Any expansion of data sharing must be subject to the necessary data protection and have the explicit agreement and imprimatur of the ICO.

We would also draw Ofgem's attention to the recommendations of the CCVC's Final Report with reference, in particular, to regulatory oversight of TPIs and price comparison websites, both of which, if well regulated (in our view, preferably by Ofgem) can play an important role in assisting customers in vulnerable situations to better engage with the competitive market.

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

Broadly we agree with the proposals set out in the consultation. We highlight below the particular items about which it would be helpful to have more information.

We aim to strengthen protections for consumers in vulnerable situations who self-disconnect from their prepayment meters.

In its current consultation on the England Fuel Poverty Strategy³, Government recognises that the groups of consumers likely to be affected by self-disconnection are proving difficult to quantify and assess. As stated above (under Outcome 2B), monitoring self-disconnection will be less problematic with the installation of smart metering. This will better inform how suppliers can respond, which is likely to include the capability for customers to purchase credit more easily.

However, this still does not address the underlying problem of some consumers having insufficient money to pay for their energy. Government believes that energy efficiency upgrades are the most effective way to support those facing fuel poverty in a lasting way⁴, but that this cannot be done overnight. We agree.

² [BEIS Smart Data Review - June 2019](#)

³ [Consultation on the Fuel Poverty Strategy for England - BEIS, July 2019](#)

⁴ *ibid* (pp 32)

An outright ban on self-disconnection would: (a) be impracticable to implement; (b) penalise those suppliers more that have a high prepayment meter customer base; and (c) mean that the costs of so doing would be borne by suppliers' other customers (some of who would themselves be vulnerable).

As regards self-rationing, this is extremely hard to measure objectively. We note that Ofgem will use the Customer Engagement Survey to monitor both self-disconnection and self-rationing. It will be important that the terms of reference for measuring both are clearly defined.

With both self-disconnection and self-rationing, it remains to be seen where the delineation of responsibility should lie between Government, regulator and industry for mitigating their impact.

We await the outcome of Ofgem's deliberations in this area.

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

We were under the impression that the principles referred to above were already part of Ofgem's formal regulatory canon, as it states in its covering letter to the principles: *'The Principles reflect the key considerations which the Authority will look for, and take into account, along with any other relevant factors, when assessing compliance with the supply licence condition.'* [SLC27]⁵ To that end, what more does Ofgem believe is necessary to allow it to better enforce suppliers' compliance with the principles? We assume that Ofgem may be considering incorporating them into the supply licence.

⁵ Debt Review report: key Principles for taking ability to pay into account - Ofgem letter, 3 June 2010