The Commission for Customers in Vulnerable Circumstances

CALL FOR EVIDENCE

Finding yourself in vulnerable circumstances is something that can happen to anyone at any time. Providing effective support for customers in vulnerable circumstances is a top priority for the energy industry, but also one which comes with challenges.

The Commission for Customers in Vulnerable Circumstances has been brought together by Energy UK\(^1\) in order to improve current understanding of vulnerability and energy to enable improved support for customers.

This call for evidence welcomes submissions from a wide range of organisations to tell us what is important for Commissioners to consider as well as highlighting good practice within energy and other sectors.

The Commission

In order for any future interventions from industry, government, the regulator or the third sector to have greatest effect, they must be designed on the basis of quality evidence. To gather this evidence in an efficient and transparent manner Energy UK has appointed Lord Whitty as independent Chair of the Commission, overseeing a panel of commissioners.

Commissioners will consider the different aspects of vulnerability and how these alone or together impact a customer’s ability to engage with the energy market. Commissioners will also consider how the actions of energy suppliers, government departments, the regulator and other stakeholders impact the overall level of care and support for energy customers in vulnerable circumstances.

Commissioners will receive evidence from subject experts during a range of hearings that will take place in the coming months.

Recommendations are to be agreed unanimously by Commissioners and where recommendations are made to industry whilst there may be differentiated means of delivery - in principal these should be industry wide. This is in order to encourage the creation of minimum standards of support for vulnerable consumers.

A final report will be launched towards the end of 2018.

Energy UK will provide the Commission with secretariat support. An expert advisory network to comment on draft papers and to provide feedback on and support for the work of the Commission will also be established.

What is vulnerability?

The energy regulator Ofgem’s statutory duties require them to take into account the needs of the following particular groups of consumers:

- of pensionable age
- that have a disability
- that are chronically sick
- on low incomes, or
- living in rural areas.

\(^1\)Energy UK is the trade association for the GB energy industry with a membership of over 100 suppliers, generators, and stakeholders with a business interest in the production and supply of electricity and gas for domestic and business consumers. Our retail membership reflects the true diversity of the market with larger, medium and smaller suppliers all represented.
This rather limited understanding of consumer vulnerability provided the backdrop to both the regulator’s and the sector’s approach to vulnerability throughout the early years of competition.

Driven by developments like the Third Energy Package and the Equality Act 2010, the sector’s understanding of vulnerability has developed over the last decade to reflect that vulnerability is not just about an individual; the market can cause or exacerbate vulnerability, and different consumers may be vulnerable in different situations.

This was recognised by Energy UK (then the Energy Retail Association) in the Safety Net for Vulnerable Customers. First published in 2004, the Safety Net is a voluntary commitment to never knowingly disconnect a vulnerable customer. The Safety Net noted that:

“A customer is vulnerable if for reasons of age, health, disability or severe financial insecurity, they are unable to safeguard their personal welfare or the personal welfare of other members of the household”

The types of vulnerability that commissioners will consider will include:

- Financial vulnerability
- Transient/life events
- Mental health
- Physical health/disability
- Wider vulnerable circumstances

We would welcome views on other areas that commissioners could consider.

**Vulnerability: The facts**

Vulnerability is a major challenge for any industry providing a service to the public. Vulnerability is a complex concept and there are a multitude of ways in which someone may be or become vulnerable. There are many dimensions to consider:

- One in seven adults have literacy skills that expected of a child aged 11 or below
- Approximately 1.5 million people have a learning disability
- The number of people living with dementia (800,000) is expected to double over the next forty years
- Approximately 8.8 million people are over-indebted
- Almost half of adults do not have enough savings to cover an unexpected bill of £300
- One in four adults experience at least one mental health related disorder
- Every two minutes someone is diagnosed with cancer

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More information can be found here: [https://www.ofgem.gov.uk/system/files/docs/2017/08/final_decision_-_standards_of_conduct_for_suppliers_in_the_retail_energy_market.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/08/final_decision_-_standards_of_conduct_for_suppliers_in_the_retail_energy_market.pdf)
In 2013 Ofgem published its Consumer Vulnerability Strategy. The CVS set out in detail Ofgem’s approach to understanding vulnerability. It also provided the sector with a new definition to help guide its approach to vulnerability:

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

In August 2017 Ofgem added a broad vulnerability principle to the domestic Standards of Conduct that clarifies to suppliers that in order to uphold their obligation to treat all domestic customers fairly, they need to make an extra effort to identify and respond to the needs of those in vulnerable situations. This new enforceable vulnerability principle is part of a move away from prescriptive licence conditions towards principles-based regulation.

This new regulatory framework makes it very clear to all suppliers that they must put consumers, including those in vulnerable situations, at the heart of everything they do from the very beginning.

**Ofgem’s most recent vulnerability report stated that:**

- The number of prepayment meters newly installed for debt continued to fall, halving since the peak in 2009
- The number of customers using prepayment meters has fallen very slightly for the first time in 10 years
- The proportion of customers benefiting from free services that help them engage in the energy market rose to the highest level since monitoring began in 2006.

**Existing support for vulnerable customers**

There currently exists a wide range of regulatory and voluntary measures to support vulnerable customers, including:

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<tr>
<th>Measure</th>
<th>Type of measure</th>
<th>Description</th>
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<tbody>
<tr>
<td>Standards of Conduct</td>
<td>Licence condition</td>
<td>The principles-based domestic Standards of Conduct licence conditions are the foundation stones of the supply licences and require that suppliers treat customers fairly. The Standards of Conduct were updated in 2017 to include a duty to identify and support customers in vulnerable circumstances.</td>
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<td>Ability to Pay</td>
<td>Licence condition</td>
<td>Suppliers must take 'all reasonable steps' to ascertain a customer’s ability to pay and must take this into account when calculating debt repayment installations or agree debt repayment plans that are affordable for the customer.</td>
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<tr>
<td>Safe and Reasonably Practicable</td>
<td>Licence condition</td>
<td>Suppliers must take steps to ensure it is safe and practicable in all circumstances for a consumer to use a PPM, and not install one if it is not.</td>
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<tr>
<td>Winter Moratorium</td>
<td>Licence condition</td>
<td>Bans the disconnection of elderly customers between October and March every year.</td>
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<tr>
<td>Priority Services Register</td>
<td>Licence condition</td>
<td>Free service provided by suppliers and network operators to customers in need.</td>
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Warm Home Discount (WHD)  |  Regulatory  | Provides direct financial support to fuel poor customers via the Warm Home Discount (WHD). Approximately two million low income customers will an energy rebate worth £140.

Safeguard Tariff  |  Regulatory  | Limits how much a supplier can charge a prepayment meter customer per kWh. From 2nd Feb 2018 has been extended to households in receipt of WHD.

Energy Companies Obligation  |  Regulatory  | Government energy efficiency scheme in Great Britain to help reduce carbon emissions and tackle fuel poverty.

The Safety Net  |  Voluntary  | Pledge by the larger six suppliers to never knowingly disconnect a vulnerable customer. The Safety Net also sets out an example of an illustrative debt path and commits signatories to having specialist teams to assist vulnerable customers.

Prepayment Meter Principles  |  Voluntary  | Ten principles that provide improved safeguards for prepayment customers. These principles cover the overwhelming majority of energy consumers in the UK with small, medium and larger suppliers signed up.

Call for Evidence

We would welcome submissions from the widest possible range of organisations including but not limited to charities and businesses that have experience working directly with people in vulnerable circumstances. We welcome examples from the energy industry as well as from other sectors and industries where experience there can provide important learning for suppliers.

We are interested in answers to the following questions:

1. Are the areas of vulnerability identified in this call for evidence the correct areas for the Commission to focus on?
2. In your experience how can particular vulnerabilities impact a customer’s ability to interact with their energy supplier?
3. What in your experience are the key things that commissioners need to understand in relation to particular vulnerabilities and how these might impact a customer’s ability to engage in the energy market?
4. What key trends should commissioners be aware of?
5. Can you share any examples of best practice to support customers in vulnerable circumstances, either within energy or other relevant sectors?
6. What are the particular challenges that suppliers face in identifying and supporting customers in vulnerable circumstances via different channels e.g. telephone, online?

If there is any other information you would like the commissioners to be aware of as they consider the current state of vulnerability in the energy market, as well as how to best address this, please set this out in your submission.

The Commission would like to receive all evidence by 30 May 2018.

Please submit your evidence via e mail to vulnerability@energy-uk.org.uk.