

# Ofgem: Consumer Vulnerability Strategy

## Response by Community Energy England

August 2019

### INTRODUCTION

1. Community Energy England represents over 200 community energy groups and associated organisations across England involved in the delivery of community-based energy projects that range from the generation of renewable electricity and heat, to the energy efficiency retrofit of buildings to helping households combat fuel poverty.
2. Our vision is of strong, well informed and capable communities, able to take advantage of their renewable energy resources and address their energy issues in a way that builds a more localised, democratic and sustainable energy system.
3. Community energy refers to the delivery of community led renewable energy, energy demand reduction and energy supply projects, whether wholly owned and/or controlled by communities or through partnership with commercial or public sector partners.
4. Due to the withdrawal of virtually all government support for community energy generation this dynamic sector has stalled. In the recent State of the Sector report<sup>1</sup> 74 community energy groups (nearly half of all groups in England) have turned to energy efficiency as the obvious nexus of their energy work and their community benefit mission.
5. Community energy is a trusted intermediary (more so than the big energy suppliers) and as such key to engaging citizens to be active participants in the future 'decentralised, decarbonised, democratised' energy system. It is key to advocating and in some cases delivering the measures to meet Ofgem's ambition: "that, in the context of the changing energy system, consumers in vulnerable situations face fewer barriers to confidently engaging with the energy market, receive additional support where needed and are adequately protected." Local knowledge and access to sub-regional deprivation data can enable community energy groups to target potentially vulnerable consumers and proactively support them.

### CONSULTATION QUESTIONS

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)?**
  - a. **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**

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<sup>1</sup> <https://communityenergyengland.org/pages/state-of-the-sector-report-2019>

**maintain and proactively update the data they hold on their customers, including their Priority Services Register data.**

- i. Yes
  - b. 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.**
    - i. Yes.
  - c. 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.**
    - i. Yes. We would also encourage suppliers to contact community energy groups and explore sharing data on vulnerable customers with them to enable those groups to target any energy efficiency or fuel poverty work they are doing to those customers. Obviously data protection safeguards would be in place wherever data were shared. Electricity North West, who participated in your PSR data sharing pilots, is among the DNOs that has taken a lead on working with community energy and might be a good partner for a pilot study with a community energy group. Community Energy England could broker contacts with community energy groups that are particularly focussed on energy saving and fuel poverty work. The consultation identifies that training of suppliers' front-line staff is key. Personal contact, if well done, is probably the most effective way of collecting data in this area. Community energy volunteers are able to make connections with local people and are committed to bringing benefit to their community via energy interventions.
- 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.**
- a. Outcome 2A: We want consumers to have access to affordable energy.**
    - i. We support your role, 'As the market evolves to become more dynamic,...to make sure that the protections for those who may struggle to afford energy are adequate.' We urge you not to allow fear of these future inequalities to prevent developments in flexibility or renewable generation that might advance smarter management, decentralisation and decarbonisation.
    - ii. The Warm Homes discount is an important measure to help vulnerable consumers. However it is far from ideal. First of all, it treats the urgent symptom rather than the root cause. Second the 'broader group' of Warm Homes eligible people are ill served. The criteria for eligibility are still defined by each energy supplier with no standardisation or transparency so that it is difficult for customers to know if they are eligible or to chose a supplier with whom they would be eligible. Many do not apply or simply ask their supplier if they are eligible.
    - iii. In the experience of one of our members ECO still fails to provide a route out of fuel poverty. The amount of ECO funding available for each measure depends on resultant carbon emissions reductions: it therefore favours those living in large properties with a larger number of external walls. Those on lower incomes tend not to live in these kinds of properties. Where a measure is not fully funded a customer contribution is required: people living in fuel poverty tend not to be able to afford a customer contribution. There is very little overlap between those most in need of ECO funding and those living in

the kinds of properties that can benefit from fully funded measures or between those most in need of ECO funding and those able to afford a large customer contribution towards measures.

- iv. The consultation report observes at 4.3 that ‘groups of consumers that are more vulnerable are also less engaged in the market and therefore pay higher prices by being on standard tariffs.’ A large number of community energy projects targeting fuel poverty include a ‘switching service’. Evidence shows that community energy projects are at least 25% more effective than big energy suppliers at getting buy in from householders for energy audits and similar interventions. Suppliers should be encouraged to connect with and fund community energy groups to help fulfil any obligation they have to enable vulnerable consumers to get the most affordable tariff.
- v. The consultation report mentions ‘higher usage due to a vulnerable situation’ as a factor causing bills to be unaffordable. In many cases for people who are ill and/or housebound this may be due to needing very warm surroundings. These consumers are particularly in need of measures to improve energy performance of their buildings to reduce expensive heat loss. If properly targeted low cost measures can be put in place that can save their cost in well less than twelve months. Community energy is particularly well placed to deliver these ‘draught-busting’ measures. South East London Community Energy (SELCE) have figures which show a financial return to the householder on SELCE’s investment on energy efficiency of 6:1 over two years. Add in social cost savings and this could easily double. It also of course significantly reduces carbon emissions. Yet these projects are seldom eligible for ECO funding.
- vi. We note that 19.4% of households in fuel poverty are in the private rented sector. We welcome recent measures to encourage landlords to invest in energy efficiency of their properties and BEIS current proposals to assist some of them under ECO3. The experience of one of our members indicates that landlords are finding ways around this regulation, either by shopping around to get an EPC level E or re-letting through channels that are not captured by the regulation. Many tenants do not know to ask for EPCs when renting. These regulations need to be tightened up with enforcement covering landlords who let through small ads and cards in shop windows.
- vii. We would urge the continuation of the pre-payment meter price cap beyond 2020. It should be reassessed at the same time as the Default Tariff Price Cap.
- viii. The issue around the lack of transparency in billing for restricted meters which especially affects vulnerable consumers is a good reason to prioritise grappling with the issue of billing when smart meters enable half hourly settlement. Many vulnerable consumers will not be able to afford smart appliances or even those that enable scheduling consumption during cheaper periods such as washing machines with ‘delayed start’ features. This may mean that tailoring use to increase affordability is not an option fully available to the fuel poor. This is something that may require investment into appliances and fuel poor homes to support long term energy affordability among vulnerable consumers.

**b. 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.**

- i. Installing smart meters as a priority among pre-payment meter customers can also increase data collection including warning of high usage. It also has the potential to increase the consumer's awareness of energy use and spend, increasing the ability to tailor their choices about energy usage to reduce cost. As local flexibility and capacity markets open up it may even enable consumers' costs to be lowered as rewards for moving consumption to ease local constraints. These savings should be available to the fuel poor equally with the educated early-adopters. The caveats in 2.a.viii above that fuel poor households often cannot flex demand apply; as does the observation in the consultation report that people may still reduce usage to save money in ways that are detrimental to their health and well-being. This must be guarded against. Perhaps house temperature could also be monitored by a smart meter.
  - ii. Suppliers should be mandated to be proactive, contacting customers whose vulnerability becomes apparent through this enhanced data collection. If this data were also available to community energy groups it would enable better targeting of their energy efficiency and fuel poverty interventions.
  - iii. The problem of 'inconsistencies across suppliers with the support available' also applies to the Warm Homes discount as we pointed out in 2.a.ii. It is within the power of the regulator to mandate standardisation and transparency though it is unlikely to be popular with a government that worships market solutions and competition. The competition does not work effectively because there is no transparency. It is an opportunity for companies to evade their duties to vulnerable customers and for those customers to be ill-served and harmed as a result.
- c. 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.**
- d. Outcome 2D: We want new gas connections for fuel poor consumers who are not on the gas grid to be better targeted, to make sure those who need it most can benefit from the scheme and save on their heating bills.**
- i. Ofgem should be looking into strategies to avoid extending the gas grid thereby locking households into 20 years of dependency on fossil fuel heating. Cost savings from not having to do expensive infrastructure works should be invested into energy efficiency and insulation to permanently reduce energy demand (and carbon emissions) and to make electric heating more affordable now.
  - ii. Professor Goran Strbac of Imperial College has shown that the future energy system must be treated holistically across heat and power (and energy saving). The ability to move heat demand by introducing heat storage into the system can remove the need for large amounts of reinforcement to meet peak demands that would otherwise occur. The storage heaters that are being developed which allow very controlled release of stored heat will, if connected to smart controllers, enable electrically heated homes to take power at times of lower comparative demand, including night-time and the middle of the day (like the current Economy 10 tariff) to avoid winter heat demand between 5-8pm exacerbating the problems of that peak demand

period. These should be made available to fuel poor households to enable them to pay off-peak prices for heating and yet not suffer the cold evening syndrome associated with traditional storage heaters.

- iii. They should be installed as part of the Fuel Poor Network Extension Scheme (FPNES) or the First Time Central Heating (FTCH) programme rather than investing in infrastructure which will lock the household into fossil fuel heating for at least 20 years.
- iv. Ofgem should revisit its decision to include FPNES as part of the next gas distribution price control, RIIO-GD2, starting in April 2021, in the light of the urgent need to decarbonise. The costs of connecting to the gas grid and installing gas central heating must be compared with the price of insulating and installing heat-pumps with perhaps smart storage heater back up and the fact that the kWh price of current off-peak electricity is still more than double that of gas. So the kWh heat demand must be more than halved by energy saving measures to maintain the cost savings of otherwise connecting to gas. The cost saving of not connecting to the gas grid, together with a carbon saving premium, should be invested in energy efficiency measures, including insulation, in the home to permanently reduce the energy demand. The insulation should where possible be external and/or cavity wall to keep the thermal mass of the walls available as a heat storage buffer. The smart meter must guarantee that the heating cannot be run at peak-rate times so incurring a 'shock bill'.

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

- i. We agree and support the new obligations you propose. Standardisation of practice and criteria and increased transparency would also help.

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

- i. We agree. A best practice guide from what worked well in the companies that received good customer service feedback would set minimum outcome expectations (eg call waiting times, effective questions to identify the problem). We agree that the company making proactive personal contact with the customer (often by phone) is often the best way to deal with vulnerable consumers (bearing in mind that, as you point out, this may not be the preferred method for those with mental health issues or hearing loss.)

**c. 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.**

- i. Companies should be very clear at the outset and in signing new customers what their business model is (eg. internet only, community-based). However they should have systems in place to cope with customers who due to new vulnerability can no longer fit into that model (e.g. can no longer access the internet).
- ii. The best practice guide would help new companies design their customer service systems so that interactions especially with vulnerable customers result in 'a win-win for supplier and customer'.

- iii. Even small companies cannot rely solely on automation and the internet. Adequate customer service provision and capacity to deal with and contact vulnerable customers in the appropriate way should be an explicit condition of a supply licence.
  - d. **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.**
    - i. The inconsistency in eligibility criteria for the Warm Homes discount from company to company and lack of clarity identified in 1.a.ii is symptomatic of a system that is not designed around dealing with the issues of vulnerable customers but companies avoiding the extra expense of so doing.
  - e. **Outcome 3E: We want consumers to have easy access to relevant information on how well energy suppliers support consumer needs. This will allow them to take this into account when switching.**
    - i. We agree with your identification of the problem and support your efforts to resolve it.
    - ii. As we pointed out in 1.a.ii the lack of transparency of the eligibility criteria each supply company uses to award Warm Homes discounts to vulnerable customers who fall outside the ‘core group’ prevents people from choosing a supplier who will award them the discount. It would be better if these criteria were standardised and well publicised. There shouldn’t be a competitive edge to be gained either by providing or not providing services to vulnerable customers. They should be transparent, easily accessible and available to all in need.
    - iii. You have already pointed out that lack of information is not the only thing preventing consumers taking action to get more affordable energy. There are many barriers, especially among vulnerable consumers. If the eligibility criteria for PRS services were harmonised across all the suppliers then it would simply be a matter of performance which would be easier to gather information on using a customer feed-back system. This would still be unrepresentative as it might not be used by disadvantaged customers with little access to the internet for instance.
    - iv. A penalty system with redress payments for falling below customer service standards might motivate companies to support vulnerable customers better.
    - v. Meanwhile a ‘vulnerability supplier indicator’ might be of interest but might also not be accessed by vulnerable customers who will be looking for the cheapest deal. If this could be shown as a key indicator score on switching website it might improve companies’ performance.
- 4. Do you agree with our proposals for the first year of the strategy?**
- a. **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).**
    - i. Sustainability First’s Project Inspire says: ‘Energy suppliers have a notorious reputation for being opaque, invisible and hard to reach with low levels of trust in companies and high numbers of customers not switching and on expensive standard variable tariffs.’ It identifies community outreach as a key strategy for identifying vulnerable customers and dealing with them in an

appropriate way, citing Bristol Energy's Energy Hub as a good example. Community energy projects are embedded in and trusted by the local community and so are an important intermediary and in some cases delivery partner for reaching and helping vulnerable consumers. Some DNOs are working closely and successfully with community energy groups (eg Electricity North West, Western Power Distribution, Northern Power Grid) as have some smaller suppliers such as Coop Energy. Suppliers should be mandated to explore working with community energy groups to delivery services to vulnerable customers.

- ii. Community energy groups' focus on community benefit is an important balance to the commercial focus of the suppliers.

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

- i. Community energy projects are already exploring innovative ways of delivering benefit to vulnerable people including energy efficiency and fuel poverty work and delivering cheaper energy to customers living near community energy generation stations by developing relationships and systems with suppliers (for example Brixton Energy/Repowering London working with EDF and Verv). This best practice collaboration should be mandated for all suppliers. Innovation projects initiated with community energy are unlikely to lose sight of the importance of community benefit including to vulnerable consumers.
- ii. Some of the £30m fund for the gas distribution companies and the similar proposed fund for DNOs to 'deliver ambitious and innovative bespoke initiatives that go beyond business as usual in supporting customers in vulnerable situations' should be used to pioneer replicable projects with community energy projects.
- iii. We encourage Ofgem to build upon the Sustainability First innovation report to gather examples of best practice of suppliers and Network Operators working with communities and community energy groups (an innovation of itself) to inspire others to do similar. It should also capture specific innovation projects and canvass community energy projects on what innovation projects they would like to develop with the industry.

**5. Working with others to solve issue that cut across multiple sectors**

**a. 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.**

- i. We support your ambition to encourage collaboration among essential services provider to identify, protect and develop best practice for vulnerable consumers.

**b. 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 who provide advice to energy consumers.**

- i. Connecting and sharing information with local community groups especially community energy groups can enable targeted local action and projects. The Sustainability First report said, 'Community organisations, who are often the first to respond in emergencies and have local knowledge, will also be aware the household needs support.'

- ii. Community energy organisations are also leading innovation in energy efficiency retrofit and fuel poverty work. They are often working in areas which no commercial organisation will touch. They should be canvassed, alongside the consumer organisations, to discover what works and what the barriers to delivery are (see comments on Warm Homes discount and ECO above.)
- c. **Outcome 5C: Through E-Serve, we will continue to improve the operation and effectiveness of the government social programmes.**
  - i. Community energy groups would welcome a ‘framework on how to balance the interests of different groups of consumers.’ We support the proposal in the Green Paper that ‘protecting vulnerable consumers’ should be the first priority of the government-regulator Consumer Forum.
  - ii. We note that the “E” in Ofgem E-Serve stands for Environment, Energy and Efficiency. We also note that Ofgem’s stated role is to ‘ensure all customers including those in vulnerable situations receive a service that meets their needs and that prices reflect the efficient cost of supplying energy and no more.’ We urge that more consideration be given to the Environment and Efficiency. The exclusive focus on ‘consumers’ tends to ignore that. Externalities must be included in the price of energy. Energy Efficiency is at the top of the energy hierarchy and should be the first focus of anyone intent on decarbonising and delivering the benefits of energy especially to vulnerable consumers. ‘Fuel poverty’ implies the problem is simply people not having enough money to purchase fuel to heat or power inefficient homes. Holistic energy thinking tends to focus on the provision of ‘energy services’ eg adequate warmth, which should be done by insulating first to avoid the need to waste energy ongoingly. The energy saved can pay for the upfront investment in efficiency (and vital carbon saving) over time.
- d. **Outcome 5D: We will work with government on common consumer challenges to complement its social policy measures.**
  - i. We welcome cross-departmental activity to effectively tackle consumer challenges whilst also addressing social and environmental policy.

## CONTACTS

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## FURTHER INFORMATION

**Community Energy England (CEE)** was established in 2014 to provide a voice for the community energy sector, primarily in England. Membership totals over 200 organisations. The majority of the member organisations are community energy groups, but membership extends across a wide range of organisations that work with and support the community energy sector.

[www.communityenergyengland.org](http://www.communityenergyengland.org)