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Mary Starks
Executive Director, Consumers & Markets
Ofgem

Dear Mary,

Citizens Advice welcomes Ofgem's plan to update your Consumer Vulnerability Strategy this year. We have been working closely with your team as they develop this work, and have shared the insight in this letter with them over previous months.

We have strongly supported Ofgem's delivery of the existing strategy. This has embedded a definition of vulnerability that takes account of the dynamic changes in people's lives and personal circumstances. It has led to a series of positive policy changes, such as reformed Priority Services Registers and changes that tackle the cost of prepayment meter installation.

But there is still much more to be done to ensure the market is as inclusive and accessible as possible, with appropriate protections for those who need more support. This strategy update will provide Ofgem with the opportunity to set out plans to address the continuing challenges people in vulnerable situations face on a day to day basis in the energy market.

It will also need to prepare for the new ways in which consumers may be vulnerable in the future market, and how to take full advantage of smart data and technology to help tackle vulnerability. We expect that energy network companies will play an increasing role in improving the support and service for consumers in vulnerable circumstances. Last year we published a collection of essays on how RIIO-2 could deliver this improved service.¹

We've identified five key challenges that Ofgem, government and the energy sector need to tackle in the coming years, in order to better support consumers in vulnerable situations (with more detail available on each of these below):

1. Bringing help closer to consumers who need it
2. Radically improving the prepay experience

¹ Citizens Advice, [A price control for everyone](#) (2018)

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Citizens Advice is an operating name of the National Association of Citizens Advice Bureaux

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3. Providing universal protection and a seamless customer journey
4. Creating an inclusive market
5. Preventing vulnerability in future markets

We were pleased to see many of the issues we are concerned about were also identified in the recent Commission for Customers in Vulnerable Circumstances report.²

The National Audit Office recently recommended that regulator's high level intended consumer outcomes are 'underpinned by detailed indicators or targets' that can be used to measure performance in protecting the interests of consumers.³ We agree, and argue that Ofgem should set ambitious targets as part of its new strategy. These should include ending the self-disconnection of households with prepayment meters, reducing the number of customers in arrears without an arrangement to repay, and reducing the level of debt repayments set by suppliers (particularly small and medium suppliers).

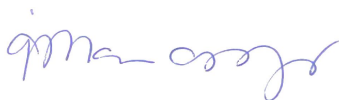
Some of the challenges we've identified cannot be tackled by Ofgem and energy market participants alone. We welcome Ofgem's recognition that a key part of the strategy will be to work across boundaries with other regulators and the government, which has a key role to play in ensuring people can afford their energy supply.

As the statutory consumer advocate, Citizens Advice also has an important role to play. The energy market is rapidly changing, and it is essential that consumers are at the heart of these changes. Citizens Advice is committed to working with Ofgem and the government to remove obstacles for customers in vulnerable situations, and ensure extra protections exist to support people who need it most. Energy remains an essential for life service: increased choice and opportunities to engage with the energy market (supply, products, data and services) must be underpinned by a secure and affordable energy supply.

We've worked closely with your team to share the detail of our insights over the past few months. They are set out in more detail below, along with our proposals for the strategy.

We look forward to continuing to engage with Ofgem as you develop what we hope will be a bold and ambitious vision for how to improve outcomes for consumers in vulnerable circumstances.

Yours sincerely,



Gillian Cooper
Head of Energy Policy

² Energy UK, [Commission for Customers in Vulnerable Circumstances](#) (2019)

³ NAO, [Regulating to protect consumers in utilities, communications and financial services markets](#) (2019)

Citizens Advice work on vulnerability

Working to help consumers in vulnerable situations has always been at the forefront of Citizens Advice's work, at both national and local level. We advocate for changes to ensure that consumers - including those in vulnerable situations - are treated fairly and get good value in energy, postal and other essential markets. Success in this area means that consumers in vulnerable situations are better able to access the products and services that are central to their daily lives.

Direct contact with consumers underpins our understanding of the issues that vulnerable consumers face and how to better solve their problems. Through our consumer service, Extra Help Unit (EHU) and local Citizens Advice, we have access to rich data about the consumer experience. These services will continue to support vulnerable energy consumers, investigating their issues, obtaining financial redress and helping suppliers to improve their services. Our own strategic framework - the Future of Advice - sets out how we will need to adapt to improve our services and meet the changing needs of our clients and consumers.⁴

In the energy market we carry out timely policy research to inform policy makers, and use the perspective gained from our research and insights from our local offices to feed into discussions, consultations and inquiries to get better outcomes for energy consumers. We also sit on various industry code panels and participate in other groups like industry taskforces, as the consumer watchdog, to ensure consumers are considered at all stages of policy making. Currently we're developing tools that make the market work better for consumers in vulnerable circumstances. In 2019-20 we will develop new measures to assess how energy suppliers treat their customers in vulnerable circumstances - with a particular focus on affordability and accessibility.⁵ This will encourage suppliers to make improvements to their services and could help consumers in vulnerable circumstances make more informed choices when they switch.

Since the release of Ofgem's last Consumer Vulnerability Strategy in 2013 we've used our own extensive data, supplemented by commissioned research, to undertake a comprehensive range of research projects and other outputs to help understand and improve the experience of energy consumers in vulnerable circumstances and identify the challenges that lie ahead.

Research and policy reports we've published around vulnerability since 2013

2014	Topping-up or dropping out Self-disconnection among prepayment meter users
	Developing an Extra Help Scheme for vulnerable smart meter customers

⁴ Citizens Advice, [Future of advice: our strategic framework 2019-22](#) (2019)

⁵ Citizens Advice, [Draft Consumer Work Plan 2019/20](#) (2019)

Raising standards, cutting bills

Ending fuel poverty through higher standards and fairer funding

Taking control

Energy policy and the potential for consumers to take control of their bills

2015

Knowing who can help

The future for energy consumers advice and redress

Vulnerable consumers and the smart meter roll out

Analysis of information request

Data sharing to target fuel poverty

Improved data to improve the targeting and effectiveness of fuel poverty initiatives

Energy tariff options for consumers in vulnerable situations

Analysis of tariff options

2016

Citizens Advice Supplier Star Rating

Rating scope widened to include overall customer service

Responding to prepayment customers who self-disconnect

Supplier good practice guide

Networks' good intentions

A report on how energy networks' social obligations are delivered

Welfare reform and essential bills

Mitigating the impact on people's ability to pay

On supply, in control

Using data to identify and support energy consumers in financial difficulty

2017

How energy suppliers can signpost and refer vulnerable consumers to the right source of help

Good practice guide

Living without mains gas

Qualitative research with off-gas consumers

Frozen Out

Extra costs faced by vulnerable consumers in the energy market

Smart support

Support for vulnerable consumers in the smart meter roll-out

Holistic support for energy consumers who self-disconnect

Good practice guide for supporting prepayment customers

Staying connected

How energy suppliers can help and support customers who self-disconnect

Winter Resilience pilot

Piloting a single point of contact for housing and health referral services.

2018

Vulnerable consumers and high energy prices

Price protection for vulnerable consumers

Switched On

Improving support for prepayment consumers who've self disconnected

The energy market and people with mental health problems

The experience of people with mental health problems, and how they interact with energy providers

Beyond good practice guides

improving support with essential services for people with mental health

Cold Homes Toolkits

Toolkits to help Local Authorities and Health Trusts to tackle fuel poverty

A Price of One's Own: An investigation into personal pricing in essential markets

Price discrimination in essential markets

Smarter Protection

Potential risks for consumers in a smart energy future: Closing report

A price control for everyone

How RIIO-2 can deliver improved support for people in vulnerable circumstances

Micro and small business engagement in the energy market

Research jointly funded with Ofgem

Good practice guide- recovering debt from the smallest businesses

Debt recovery processes

2019

Supplier of Last Resort - a good practise guide

Helping suppliers understand Citizen Advice's role as a consumer advocate in the SOLR process

The mental health premium

The extra charges people with mental health problems pay for their essential services

Supply and Final Demand

Research into consumers in energy arrears

Upcoming research

For publication this year

- Closing the protection gap for micro-businesses
- Mental health minimum standards
- Research into accessibility and future energy supply business models

- Future energy models consumer perceptions report
- Heat network consumers on PPMs
- Energy Needs Ranking

Bringing together this insight, we've identified what we think are the key challenges for consumers in vulnerable situations that Ofgem, government and the energy sector need to tackle in the coming years. We have grouped these around the following five challenges, set out in more detail below.

Our five key challenges for the Consumer Vulnerability Strategy

1. Bringing help closer to consumers who need it

The most common energy problem that consumers seek help from our local Citizens Advice offices, is dealing with debt. Consumers struggling with their energy bills are often struggling to pay bills across multiple utilities and services and can find it difficult to seek help for all their debt problems.⁶

People need to feel it is worthwhile to engage with their supplier and that they will get the right support if they do so - but our recent research into self-disconnection and energy arrears has shown that this is often not the case. Our 2018 self-disconnection research report found that around 140,000 households couldn't afford to top up their prepayment meter at some point in the last 12 months, 88% of which contained a child or someone with a long term health issue.⁷ Yet only one in ten of these households contacted their supplier for help to get reconnected. The vulnerability strategy should set expectations of how the supplier's support offer can be improved and clearly communicated to consumers.

Our research with consumers in energy arrears showed that they didn't feel valued and respected by their supplier and that suppliers can be inconsistent across their communications with customers in arrears.⁸ Suppliers should improve their standard debt communications and ensure these customers are offered a clear package of support. We've been calling for improved communications to these customers for a number of years without success.⁹ Ofgem should compel suppliers to trial new approaches to debt letters if this cannot be achieved voluntarily.

This research also showed that people who are not engaging are likely to be in very difficult, complex situations. Independent advice could help them but they often have

⁶ NAO, [Regulating to protect consumers in utilities, communications and financial services markets](#) (2019)

⁷ Citizens Advice, [Switched On](#) (2018)

⁸ Citizens Advice, [Supply and Final Demand](#) (2019)

⁹ Citizens Advice, [Topping up or dropping out](#) (2014)

barriers to engagement. Suppliers need to overcome these by reframing independent debt advice and ensuring debt referral pathways work effectively. Suppliers should have a comprehensive package of support that enables consumers to see a way out of their situation and involves them in decisions.

Customers also need to be asked to repay debt in a fair and manageable way. We're concerned that Ofgem's Social Obligations Reporting shows large disparities in the amount of debt suppliers are collecting, with small suppliers collecting around three times as much as large suppliers. This suggests that suppliers may not be following the ability to pay principles (which were developed by Ofgem and our predecessor body, Consumer Futures) when setting repayment levels. Ofgem should consider moving the principles into the licence, to give them more prominence and weight. This would align with other areas of the licence which use principle-based rules, such as informed choices.



Infographic from our recent [research](#) that explores the experiences of consumers in vulnerable circumstances and in energy arrears.

In our forthcoming research into mental health, we find that falling into debt can exacerbate people's mental health problems and in turn make it more difficult to come to an arrangement with providers. This research suggests that providers should work proactively with consumers in order to prevent the problem spiralling. We previously found that people with mental health conditions often pay extra for their essential

services - the so-called 'mental health premium'.¹⁰ They can incur costs as high as £1,550 each year as a result of inaccessible services, poor regulatory protections and inadequate support.

We also found that people often find it difficult receiving or making calls with providers during periods of poor mental health. This may result in problems taking longer to resolve, key information being missed, and debt building up. Suppliers should consider different ways to be accessible to these customers - ideas trialled in our research include a direct specialist line for customers with poor mental health and a flag on the system which notifies the supplier that extra consideration is required. We were pleased to see that the need for multiple communication channels - including a freephone number - was recommended in the recent Commission for Customers in Vulnerable Circumstances report.¹¹

To enable customers in vulnerable circumstances to engage, we think Ofgem should ensure suppliers have a range of contact methods to meet the needs of their customers. Customers need to be able to contact their supplier easily, but particularly in times of emergency, for example during periods of self-disconnection. We think telephone services remain the safest and most reliable way to achieve this outcome, and our data shows that telephone contact remains the preference for large numbers of consumers.¹² Ofgem should ensure that all energy suppliers maintain this channel for their customers.

In forthcoming research with the Institute of Customer Service, we have found that households, where at least one member with a disability, want more proactive support from their supplier, including making it clear what support services the supplier can offer. The research also showed that these customers placed more importance on different communication channels. Many customers were not aware of the Priority Services Register or how their supplier defines vulnerability.

In recent years too many companies have entered the market that were not adequately prepared to offer a safe or acceptable minimum level of customer service. When this happens it has a particularly detrimental impact on consumers in vulnerable circumstances. In the worst cases Ofgem had to put in place provisional orders to prevent the companies taking on new customers, in part because they had inadequate processes to identify and support customers in vulnerable circumstances.¹³ We support the recent Ofgem reforms to entry processes, but Ofgem must do more to tackle poor performance among suppliers in the market, by having stronger ongoing monitoring in place as part of the second phase of its licensing review.¹⁴ This monitoring will only be effective if it's backed up by effective compliance and enforcement activity. Ofgem's vulnerability strategy should set out how it will more effectively safeguard consumers in vulnerable situations when problems are identified.

¹⁰Citizens Advice, [The Mental Health Premium](#) (2019)

¹¹ Energy UK, [Commission for Customers in Vulnerable Circumstances](#) (2019)

¹² Citizens Advice, [Why energy suppliers need to keep their customer phone services](#) (2018)

¹³ Ofgem, [IRESA](#) (2018), [Economy Energy](#) (2019)

¹⁴Citizens Advice, [Response to Ofgems Supplier Licensing Review](#) (2019)

Networks also have an important role in identifying and supporting customers in vulnerable circumstances. We think Ofgem should consider (a) the correct level to set minimum standards for networks (i.e. what they should be and where downside penalties might be suitable) and (b) how companies can be encouraged to both meaningfully collaborate, as well as be rewarded for going above and beyond expectations.

Through the Stakeholder Engagement and Consumer Vulnerability Incentive for DNOs, the Discretionary Reward Scheme for GDNs, and obligations around the PSR, distribution companies have been embedding engagement of customers in vulnerable circumstances and/or their representatives into their business practices.

We would like to see energy networks become better at identifying customers in vulnerable circumstances - particularly transient vulnerability. DNOs can and should improve the way they identify customers who should be on the PSR, and GDNs the way they find people eligible for a free gas connection under FPNES. Under the umbrella of “social obligations”, distribution network companies currently conduct a host of activities from delivering carbon monoxide awareness in schools, to providing locking cooker valves to gas users with dementia. While these activities are executed with good intentions, they are not always based on sound evidence or evaluated well. Reporting on such social activities often focuses on outputs rather than outcomes and lacks a transparent assessment of value for money. We would like to see companies engaging with consumers in vulnerable situations as part of their ongoing engagement, and learning from each other as well as academia and the thousands of charities who have been operating in this space for decades.¹⁵

The issue around evaluation also applies to network innovation projects. The lack of a standardised reporting framework means that it is difficult to cross-compare and evaluate projects. Such reporting would enable stakeholders to better understand the benefits and value for money derived from innovation projects, including for consumers in vulnerable situations. Although efforts such as the ENA Network Innovation Collaboration Portal have provided a basis from which to increase transparency, we believe there is still scope to improve and standardise the recording and evaluation of projects. As such, we are supportive of current efforts led by the Energy Innovation Centre for a common Innovation Framework.

Relevant policy and research reports:

- Last year we commissioned research looking into [the energy market and people with mental health problems](#). We published a report [Beyond good practise guides: improving support with essential services for people with mental health problems](#), with recommendations for regulators.

¹⁵ Ofgem, [Decision on the Stakeholder Engagement and Consumer Vulnerability Incentive 2017-18: Electricity Distribution](#) (2018)

- In 2017, we published [Frozen Out: Extra costs faced by vulnerable consumers in the energy market](#) looking into the gap between costs faced by consumers and current investment in helping vulnerable households reduce their bills. We concluded with some recommendations for how this gap could be closed.
- We also published a good practice guide: [How energy suppliers can signpost and refer vulnerable consumers to the right source of help](#). Our analysis allowed us to make recommendations to suppliers to improve their support for consumers in vulnerable situations.
- We also made recommendations to suppliers to try to prevent customers self disconnecting or falling into energy debt and arrears in 2016. Our report is [here](#).

2. Radically improving the prepay experience

Since 2007, Ofgem and the energy industry have almost eradicated the problem of households being disconnected for debt. But this has in part been achieved through greater use of prepayment meters to recover debt (although the rate of installations has fallen in recent years).

Many consumers using prepayment find it a useful way to manage their energy. But as we set out in our response to Ofgem’s recent call for evidence on self-disconnection, we have serious concerns about the experiences of some of these consumers.¹⁶

Our research last year showed that 140,000 people using prepayment meters are ‘self-disconnecting’ each year because they could not afford to top up.¹⁷ The vast majority of these households that self-disconnected contained a child or a person with a long term health condition. Out of those that had self disconnected in our study, over half felt that being disconnected had negative impacts on them, both physical and emotional. Physical impacts included feeling cold, having a dark home and not being able to wash, whilst emotional impacts included financial stress, practicalities of topping up, stress and feeling ashamed and embarrassed. People responded to being disconnected by cutting back on food and heat, or by borrowing money from friends and family.

We think that the strategy should set a clear target to end self disconnection of customers on prepayment meters. We think this is a feasible goal for Ofgem to set once smart meters have been rolled out, and can be achieved through a combination measures including:

- monitoring of self disconnections enabled by smart meter data (including by Ofgem from 2020, through the Social Obligations Reporting)

¹⁶ Citizens Advice, [Response to Ofgem’s call for evidence on prepayment self-disconnection and self-rationing](#), (2019)

¹⁷ Citizens Advice, [Switched On](#) (2018)

- introduction of smarter notifications and prompts for consumers, to alert them before they disconnect, to tackle the 'organisational' causes of disconnection (which our evidence shows causes around 80% of self-disconnection)¹⁸
- tackling the barriers that prevent consumers who self-disconnect from contacting their supplier and receiving appropriate support and referral to help (see section 1)
- enabling extra support for consumers who are unable to pay, for example changing the rules to allow discretionary credit to be funded by the Warm Home Discount
- requiring suppliers to reassess on an ongoing basis whether prepayment is safe and practicable, based on a consumer's topping-up pattern, consumption history, use of emergency credit etc, and move people to another payment method if not
- whether debt repayment arrangements are appropriate (our research found 44% of those who self-disconnected because they could not afford to top up were repaying a debt)
- trialling of alternatives to disconnection when a consumer's top-up runs out, including load limiting

Our evidence suggests a small proportion of self-disconnections are caused by complex issues related to chaotic life circumstances and extreme ongoing affordability issues. For example, our research found 3% of people who self-disconnected did so two or three times a month. Ofgem should work with government on these issues, which may be more difficult to overcome. We were pleased to see working across boundaries as one of Ofgem's five main themes of the strategy.

Fuel Direct may be a better means of payment for some vulnerable consumers in arrears and help prevent self-disconnection. Ofgem should commit to working with the Department for Work and Pensions to review the guidance and application process for Fuel Direct. This can be a more appropriate and affordable way of collecting debt depending on an individual's circumstances.

We also want to see other improvements for prepay customers. Weaker competition in this segment of the market was the key reason that the Competition and Markets Authority introduced the current cap on prices for prepayment customers. We're concerned that some smaller suppliers are not offering prepayment tariffs from the point that they are obligated to do so, even after Ofgem set a clear expectation that

¹⁸ Citizens Advice, [Switched On](#) (2018)

suppliers should do so from the point they passed the threshold.¹⁹ While we are aware of issues with the smart meter rollout that have made this more difficult, this failure reduces the amount of choice that people with prepayment meters have. This excludes them from potentially lower prices and the benefits of suppliers with more innovative approaches to service. It also creates an unfair playing field for suppliers. Ofgem should ensure that all obligated suppliers are offering this payment method.

Other issues for prepayment customers should also be addressed. Consumers on traditional prepayment meters are accustomed to a world where credit remains on their meter when they switch suppliers - something which does not happen with smart prepay. It is crucial that Ofgem ensures that consumers are aware of this when they switch so that they can manage their finances, and that they receive their final bill and credit refund as promptly as possible.

Relevant policy and research reports:

- Last year we commissioned research into the experience of consumers self disconnecting on pre-payment meters. Our report [Switched On](#), made recommendations to suppliers, Energy UK and DWP.
- In 2017 we published a [good practice guide for holistic support](#) for PPM customers after undertaking research across the UK. The report set out 5 key support areas for suppliers as practical guide.
- We also published [Staying Connected](#) to understand the extent to which suppliers helped and supported customers who self-disconnected the previous winter.
- In 2016, we published our first [good practice guide for energy suppliers on how to respond to PPM customers](#) who self-disconnect, this used experiences from our Extra Help Unit and Consumer Service.
- Back in 2014 we undertook research with Citizens Advice Scotland into the experiences of PPM customers and made recommendations in our report: [Topping up or Dropping out](#), for Ofgem, Government and industry.

3. Providing universal vulnerability protections and a seamless customer journey

Providing universal protection for consumers including those in vulnerable circumstance will be key for the duration of the updated strategy. Consumers should be protected regardless of who their supplier is, and should not have to repeatedly engage with companies to let them know if they need additional services. The customer journey in the energy market is complex and Ofgem needs to ensure that when customers are

¹⁹ Ofgem, [Decision of the Gas and Electricity Markets Authority to close its compliance engagement with Bulb on the requirements of Standard Licence Condition 27 of its gas and electricity supply licences](#) (2018)

seeking advice and redress the customer journey is as simple and easy to understand as possible.

A vital financial form of support for some consumers in vulnerable circumstances is the Warm Home Discount. We've called for the removal of obligation thresholds for this scheme, so that eligible consumers don't lose out when they switch, or are excluded from the best deals in the market. We also support the use of data matching for all recipients, to remove the need for consumers in the broader group to apply each year.²⁰ As the administrator of the scheme, Ofgem should work closely with BEIS to advise on these changes and support their introduction.

In other areas of support, consumers are also expected to sign up through complex processes, or repeatedly across sectors. One example of this is the PSR. We support the establishment of a single cross-sector PSR for energy and water, maintaining strong data privacy protections, to make it easier to get the right support across markets.²¹ We're also continuing to develop a solution to make the sign up process simpler and easier.

Poor customer service at some smaller suppliers in the market has had a particularly detrimental impact on consumers in vulnerable circumstances. Some of these same companies have exited the market in recent months, with their customers being transferred to new suppliers through the Supplier of Last Resort process. This has exposed some protection gaps for particularly vulnerable consumers. The most detrimental of these is that customers who owe money to the failed supplier have their debt passed to the administrator, which does not follow rules on back billing, honour any existing repayment agreement or take account of ability to pay when asking for repayments.²² This can lead to customers being asked for large sums of money at short notice. Ofgem must consider this issue in the second phase of its licensing review, and ask the government to make legislative changes if necessary.

We know that advice and support can make a massive difference to people when they are experiencing problems with their energy. Our consumer service offers specialist telephone advice, while the Extra Help Unit provides dedicated support for consumers in vulnerable circumstances, and intercedes on their behalf with their company to solve their problems. But we also know that too many customers struggle to get to the right place for support, at the right time, because of the customer journey for advice and redress.²³ We have recently improved our recommended signposting to our consumer service to make it easier for people to find support. And Ofgem's new customer communications principles should also mean that suppliers make more effort to signpost and refer consumers for help, at the right time. We'd also support trials of new approaches to the complaint journey set out in the Complaints Handling Standards, which are likely to need to change in the longer term in order to remain fit for the future market.

²⁰ Citizens Advice, [Warm Home Discount Scheme 2018/19](#) (2018)

²¹ Citizens Advice, [Review of the Priority Services Register: final proposals](#) (2018)

²² Citizens Advice, [Supplier of Last Resort - good practice guide](#) (2019)

²³ Citizens Advice, [Good practise guide](#) (2017)

The consumer journey for energy efficiency support through the Energy Company Obligation (ECO) is currently opaque. This means the most vulnerable consumers can miss out on this support. We recently carried out a workshop with suppliers to better understand the consumer journey for ECO. More work needs to be done to make accessing the scheme easier and more transparent. These lessons need to feed into the design of its successor scheme from 2022. There also needs to be effective redress for households who have had problems with measures installed under the scheme. Ofgem and other stakeholders need to ensure where things have gone wrong, consumers can quickly and easily get appropriate redress.

As BEIS consult on their Fuel Poverty Strategy in the upcoming months, we will look at ways to ensure people experiencing fuel poverty are given the right level of support that will make the most difference. We support calls for a new fund from 2020 to provide support to households in the deepest fuel poverty²⁴. In the longer-term we want to see the provision of guaranteed energy efficiency improvements for those most in need. This means people on a low income, living in the coldest homes and who are most vulnerable to the effects of the cold.

Ofgem's E-serve function should be mindful of the vulnerability of consumers before undertaking enforcement measures and also consider the implications on these consumers from third-party financing in schemes like Feed-in-Tariffs or the Renewable Heat Incentive. Enforcement measures, which can include fines, or suspension/termination of payments should be a last resort, after making several attempts to communicate with the consumer and bring them back into compliance.

Moreover, enforcement might not always be appropriate: for example when third-party financing companies have failed to inform the consumer of their responsibilities as a programme participant or inappropriately tried to intermediate those responsibilities. In such cases, the suspension or termination of payment risks placing consumers in legal and financial difficulties with the financing company, unduly punishing the consumer for the actions of the company.

While third-party financing arrangements have democratised household access to government subsidy programmes like the FiTs or the RHI, these schemes need to be carefully designed and policed to ensure they do not risk placing vulnerable consumers in financial difficulty, or open them to exploitation by companies. The new model contract for third-party financing under the RHI is a welcome step forward in this regard. However there are several legacy issues with earlier third-party financing which continue to place consumers/participants at risk. Ofgem needs to make sure it does not exacerbate these risks through its enforcement activity.

Regarding RIIO-2, there is a strong need to link the FPNES with other government schemes around energy efficiency/fuel poverty. Currently, these schemes are not well

²⁴ Citizens Advice, [The government needs to do more to keep homes warm](#) (2018)

aligned (even when determining eligibility), and no definable customer journey is followed by those delivering these schemes. This needs to be thought about for England, Scotland and Wales (as the schemes available differ) and - particularly in relation to RIIO-2 - more clarity is needed on the role of networks after ECO3 finishes. We would urge Ofgem to consider alternatives to the supplier-led model for delivering future energy efficiency (and fuel poverty alleviation) benefits.

Distribution networks are in touch with their customers every day, particularly gas networks through their mains replacement programme and emergency responses. These companies should do more to make every contact with a customer in vulnerable circumstances count, by providing support or having clear referrals in place to someone who can. Some companies already have these referral programmes, with some more strategic and extensive than others.

We believe all networks should consider the needs of their vulnerable consumers and have appropriate referral arrangements in place to address them. They should refer to (and receive referrals from) a greater variety of organisations to tackle a wider array of problems that people have, including referrals for energy efficiency measures as well as the more common energy saving and tariff advice. The updated PSR Needs Codes should enable networks to make more tailored referrals. Networks should share learnings on what works in relation to referrals, to share best practice.

Relevant policy and research reports:

- Last year we published a series of articles, [A price cap for everyone](#), looking at how RIIO-2 can deliver better outcomes for consumers living in vulnerable circumstances.
- Over the last year we have also worked with Ofgem and government to ensure the [price cap](#) is set at the most appropriate level whilst working on the loyalty penalty, encouraging consumers to switch suppliers and use our [supplier star rating](#) and [price comparison tool](#).
- In 2017, we published our report, [Living without gas](#), here we outlined the challenges consumers face in the unmetered fuel market and made recommendations to suppliers, trade associations and governments, to ensure that these consumers are better served.
- In our report, [Knowing who can help: the future for energy consumers advice and redress](#), we made key recommendations based on our research to improve the ways energy consumers can access support, advice and redress, improving the customer journey.

4. Creating inclusive markets

Consumers in vulnerable circumstances need to be able to engage and participate in the energy market to get the best deal available, and Ofgem must play a role in making this as easy as possible.

To be able to engage, customers need to be given the right information and support to feel confident to engage in the market. Consumers in vulnerable situations have been more likely to struggle to engage with the market and access the most appropriate or cheapest deal. The price cap currently protects these disengaged consumers but this is only a temporary measure, so it is vital that Ofgem takes steps to make the market more competitive and easier to engage with.

However, we think that for some vulnerable groups there are likely to be significant challenges, even if competition in the market improves. Ofgem should commit to enduring protection for vulnerable consumers following the removal of the wider tariff price cap.²⁵ We would expect that the development of a future protection scheme to take a significant period of time due its importance and complexity. Because of this, and given that it may be needed in place as early as January 2021, Ofgem should develop and consult on this replacement scheme over the next year.²⁶

Ofgem's consumer engagement surveys last year showed low levels of engagement for the most vulnerable groups of consumers, and identified a lack of confidence in comparing and choosing deals as a key barrier to engagement.²⁷ The consumer engagement trials have demonstrated some positive results where they have made the switching process easier and more accessible.²⁸ This work should continue and, if successful, be developed into an approach that is used on an enduring basis, and with strong data privacy protections in place.

The wider learnings from these trials, particularly in relation to the success of offline channels, should be applied across the market. Ofgem should consider how consumers with poor digital literacy and without internet access may be adversely affected in a future market where many products and services are wholly reliant on secure digital access and skills.

Forthcoming research on future supply business models has shown that digital exclusion is likely to be one of the most significant barriers in preventing consumers from engaging in the market. While there is scheduled to be a Universal Service Obligation for broadband by 2020, in practice there are likely to be a significant minority without internet access, with sporadic access (via a pay as you go mobile data) or with poor digital skills for some time to come. Our previous research on digital comparison tools has also shown it is not just a lack of digital skills that prevents unconfident

²⁵ Citizens Advice, [Letter to Ofgem responding to its statutory consultation on the energy price cap](#) (2018)

²⁶ Citizens Advice, [Response to Ofgem consultation: Forward Work Programme 2019-21](#) (2019)

²⁷ Ofgem, [Consumer Engagement Survey](#) (2018)

²⁸ Ofgem, [Disengaged Customer Base](#) (2018)

consumers from using digital comparison tools, they also have a general distrust in the market and believe things will go wrong when using these tools.²⁹

Some consumers can struggle to understand the possible savings from switching because of their circumstances or metering arrangements. We think that the price comparison experience for vulnerable consumers should be improved through better data. The MiData project could deliver this, but to do so must include information that is particularly relevant for vulnerable consumers, such as Warm Home Discount status, and consumption breakdowns for restricted meter customers.

We think that the provision of data about customer service can help give customers the confidence to switch. We deliver this through our energy supplier star rating, the most comprehensive measure of its kind in the energy market. While this includes information relevant to most consumers on service, and includes a small allowance in the scoring for schemes relevant to vulnerability, we think there is a need for the provision of better data on customer service specific to vulnerability. This year, we are developing our energy needs ranking project, which aims to publish information that assesses energy suppliers on their treatment of consumers in vulnerable situations, with a particular focus on affordability and accessibility. This tool should act as a form of reputational regulation, and could help some consumers in vulnerable circumstances make more informed choices about their supply. We are keen to have the full support of Ofgem as we proceed with this work.

During this strategy, Ofgem will also need to understand the challenges created by more complex products, such as smart time of use tariffs or bundled product and service offerings. Our recent report highlights the risks consumers may face when purchasing bundled products or energy services.³⁰ Smart energy products and services may offer consumers new experiences and be priced in new ways. Consumers therefore need to understand what they are buying and what they are being charged for. While these are likely to be beneficial to many consumers, companies will need to treat their customers fairly if their circumstances change. A tariff based around evening use may not be appropriate if a consumer's behaviour changes, for example if they become pregnant and take maternity leave. Similarly, long term contracts for bundled products and services will need to be flexible to take account of changes in financial situations, for example if a consumer becomes unemployed for a short period.

Energy networks have a diverse customer base, ranging from households and large industrial customers to wind farms and biogas plants. The needs of customers in vulnerable circumstances should be given due consideration in that mix. As highlighted through research conducted by Sustainability First,³¹ although network companies have started to improve how they address the needs of customers in vulnerable circumstances, there is still more that they could be doing to improve products and services for those customers, including how inclusive their service provision is.

²⁹ Citizens Advice, [The future of digital comparison tools](#) (2017)

³⁰ Citizens Advice, [Designing smarter consumer protection in a smarter energy world](#) (2019)

³¹ Sustainability First, [Energy for All](#) (2017)

The contacts we receive through the consumer service also highlight the need for networks to improve their general customer service. From November 2017 to November 2018 we received 776 electricity and gas network-related calls to our service.³² Last year consumers called our consumer service about issues such as network companies being late in reinstating supply to their property after works, delays in receiving quotes, receiving incorrect information, and being off supply for weeks. Finally, steps should be taken to remove the disparities that exist between different networks in the quality of service for customers in vulnerable circumstances.

Relevant policy and research reports:

- Last year we shared evidence with Ofgem that some consumers have been put at risk by online-only services. We asked them to set out what kind of telephone services they think a supplier needs to have to protect their customers and to consider the exclusion of offline consumers from online-only service. This is detailed in our blog [here](#).
- In 2016 we undertook research examining what social obligations networks were undertaking, what they should consider in the future and how they should be funded and assessed, we published this in the report, [Networks' good intentions](#).
- Our previous report, [Energy tariff options for consumers in vulnerable situations](#), provided researchers, policy makers and energy market stakeholders with a better understanding of the possible options to ensure that disengaged vulnerable consumers are not penalised by higher tariffs.

5. Preventing vulnerability in future markets

We think that there will be an ongoing need for all retail market participants to have a duty to take account of the needs of their vulnerable customers. As the retail market design review looks at changes to the duty to supply, it should also consider what barriers some consumers in vulnerable circumstances will face participating in the market, and how these can be tackled.

Ofgem must ensure that it constantly identifies new ways consumers could experience vulnerability as markets change, including the emergence of new technologies and products, and the impacts of market reforms such as half hourly settlement (HHS) and Future Charging and Access programme. We think there is an important balance to be struck between rewarding engagement and activities that lead to positive outcomes

³² Citizens Advice data obtained from Consumer Helpline service relating to energy network issues (period 2017-18)

across the energy system, while ensuring that people who are unable to take such actions are not adversely affected.³³

Ofgem will also need to think about how its regulatory remit may change during the period of the strategy. We think consumers should be equally protected no matter where they buy their energy. Non-licensed entities such as third party intermediaries may subsequently become more important in future considerations for vulnerability. Ofgem should take appropriate action in the near term, while the scope of regulation is considered by the future retail market design review. The CMA has recommended that Ofgem become the designated regulator for district heating. The regulatory design for this market will need to include a consideration of vulnerability, the extent to which gas and electricity market protections are applicable, and any specific risks consumers using this technology face which may need additional rules.

Our forthcoming research around energy supply models included in-depth interviews with consumers in vulnerable circumstances, with the conclusions showing people are keenly aware of the benefits new energy models offer, but also the risks. Ofgem need to recognise the risk to consumers in vulnerable situations in different future models and think of ways to mitigate and overcome these. The analysis revealed that there are likely to be significant barriers to accessing some of these models. Consumers in vulnerable circumstances face particular barriers, driven by factors such as financial situation and digital exclusion. There is a clear role for industry, policy-makers and consumer groups in providing the protections, regulations and information needed to help overcome barriers to engaging with new supply models where appropriate.

Ofgem should also consider how use of energy data and energy data sharing (or not) can put consumers in vulnerable situations. Smart data represents a huge opportunity to help vulnerable consumers: from the creation of new services to help them save money to the ability to better identify vulnerability and even to connect with remote healthcare systems. However smart meters also represent a step-change in the amount of personal data about how consumers live their lives that will be available. Smart meters can record usage up to half-hourly intervals and the Home Area Network (HAN) which they create and upon which the In Home Display (IHD) relies also makes near-real time and appliance level usage data available. There is a risk that as consumers become more accurately profiled markets will increasingly 'cherry-pick' the most 'desirable' consumer with the addition of financial and other data sets consumer behaviours, levels of flexibility etc. could become akin to credit scores. The distributional impact of this will need to be examined closely to ensure that vulnerable consumers do not find themselves worse off than the average consumer.

There is also a risk that smart meter data - and services derived from it - become beneficial primarily for those who are able to pay, for example people who can afford new smart white goods that can connect to the HAN. This could leave those with older or cheaper appliances unable to access the services, tariffs of preferential rates that

³³ Citizens Advice, [Response to Ofgem's call for evidence on consumer impacts of market wide settlement reform](#) (2019)

may be available. Ofgem should ensure vulnerable consumers are not excluded from these opportunities. Forthcoming research has also shown that whilst consumers consider "identifying vulnerability" as one of the most acceptable uses of smart meter data they are more wary when asked specifically about their own data being used for this purpose. Such interventions are often regarded as "for other people" with views differing when it is targeted at them.

We recognise that the scope of the vulnerability strategy is restricted to domestic customers, but we are also considering how micro-business customers may be vulnerable in relation to their energy supply. We expect to feed this into the micro-business strategic review call for evidence later this year. However in relation to the strategy we think it is important for Ofgem to consider the risks faced by domestic consumers on non-domestic contracts.

Research we commissioned earlier this year has found that there has been much less scrutiny on the impact of vulnerability on people running small businesses. There is evidence to suggest that some recipients of energy supplied to non-domestic premises would be deemed as vulnerable were they supplied at domestic premises. Additionally, we see worrying trends from those who contact our services with respect to this. Regarding debt, we are concerned to hear reports of energy suppliers failing to communicate in a timely and clear manner. Furthermore, as soon as a consumers sign a business contract they are no longer covered by the licence conditions introduced to deliver against the Equalities Act, or consider any vulnerable circumstances. This presents a significant consumer protection gap in this sector that we believe needs to be addressed.

Networks should give due attention to the fact that customers in vulnerable circumstances may also be affected by outages on non-domestic connections. A non-dom connection might be providing energy to a heat network, care home or business premise in which people also reside. Ofgem and network companies should consider how this can be better reflected in networks' outage responses and reporting.

The current definition of vulnerability will come under pressure in the face of current changes in the energy system. We need to consider the distributional impacts of the smart and low carbon energy transition in terms of people's ability to participate and access new products and services, and where the benefits and costs fall. This is relevant in electricity for example in relation to the HHS reform, smart products and network charging review, and in gas if the gas network starts to play a declining role and fewer users pick up an increasing bill over time.

Ofgem should work with the energy networks and other stakeholders to build a full inventory of the emerging ways that future markets and systems might generate unfairness and leave consumers behind in the energy transition.

Relevant policy and research reports:

- Last year we published our report on [Micro and small business engagement in the energy market](#), highlighting the challenges these consumers face in the energy market.
- In 2017 we published our report on [Smart support Support for vulnerable consumers in the smart meter roll-out](#) which identified the need for suppliers to do more to fully support consumers with specific needs in the smart meter roll out.
- In 2014, Citizens Advice set out a number of [measures that suppliers](#) could take to help vulnerable consumers use the information from their smart meter, we followed this up in 2015 and 2016 with requests for information asking suppliers how they were providing the extra help to certain consumers needs.