

# Consultation Response

Ref 0918

## Response to consultation on Ofgem's Draft Forward Work Programme 2018-19

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## **Age UK**

Age UK is a national charity that works with a network of partners, including Age Scotland, Age Cymru, Age NI and local Age UKs across England, to help everyone make the most of later life, whatever their circumstances.

In the UK, the Charity helps more than seven million older people each year by providing advice and support. It also researches and campaigns on the issues that matter most to older people. Its work focuses on ensuring that older people: have enough money; enjoy life and feel well; receive high quality health and care; are comfortable, safe and secure at home; and feel valued and able to participate.

## **About this consultation**

In November 2017, Ofgem, the UK's energy regulator, published its draft Forward Work Programme for 2018-19 for consultation.<sup>1</sup> Ofgem invited stakeholder views on the priority areas of work for the next financial year.

We welcome the opportunity to respond to this consultation. Most of our comments relate to the section on 'enabling a better functioning retail market'.

## **Key points and recommendations**

1. Many older people experience vulnerability in the energy market, although older age does not equate to vulnerability. Aspects of the market, including supplier behaviour, contribute to vulnerability.
2. We support Ofgem's current conceptualisation of vulnerability but support its aim to ensure suppliers provide a high level of conduct and service standards. This should go beyond solely 'spotting' vulnerable consumers to well-designed systems and practices.
3. We support Ofgem's plans to monitor the rollout of smart metering, including scrutiny of suppliers' behaviour towards vulnerable consumers.
4. We support the price protections introduced recently but are concerned that the financial protection may be too low to have a meaningful impact on vulnerable people's lives. Ofgem should monitor their impact on vulnerable consumers' bills and wellbeing.
5. Ofgem should assess the impact of the safeguard tariffs compared to the whole market cap. It should not scale back or remove price protections until the market becomes significantly fairer and more accessible to disengaged and vulnerable consumers.
6. We support Ofgem's work to increase consumer engagement in the market. It should publish the results of the communication trials and be open to the possibility that some consumers will remain long-term disengaged and require ongoing price protection.
7. We support Ofgem's aim to work with other regulators. It should take a person-centred view on the challenges some consumers face around switching and accessing extra support across multiple essential service markets.
8. We support Ofgem's aim to identify long-term risks for consumers, including consumer vulnerability in an ageing society and the risks associated with an increasingly complex market in which greater use of data opens up more complex pricing structures.

## **Consumer vulnerability**

We support Ofgem's ongoing work to understand vulnerability in the energy market and ensure a high level of conduct and service standards from suppliers. Older age does not automatically make consumers vulnerable; however, certain characteristics and situations that can make people vulnerable become more frequent with older age, including health conditions, cognitive impairment, digital exclusion and bereavement. Aspects of the market, including supplier behaviour, contribute to creating vulnerable situations. (There is more about Age UK's view on consumer vulnerability on our website.<sup>2</sup>)

We have reported elsewhere on the kinds of situations older people face that can make them vulnerable and the kind of support they need. Common difficulties include disputes over billing, heating systems not working, high costs due to health problems, and barriers to switching.<sup>3</sup>

We broadly support Ofgem's existing conceptualisation of vulnerability, as set out in its Consumer Vulnerability Strategy, and would be concerned about significant changes. In particular, we caution against any approach to regulation in which suppliers are solely expected to *identify* individual vulnerable customers. While this should be a key part of suppliers' duties, this 'spotting' approach will always result in some vulnerable consumers missing out on support because they were not 'spotted'. Therefore, suppliers also need to design systems and practices in such a way that they fully support customers going through a period of vulnerability, e.g. being bereaved, going into hospital, setting up a Power of Attorney.<sup>4</sup> However, we support Ofgem's aim to see 'further improvements in outcomes for consumers in vulnerable situations'.

In terms of the product and service innovations that are 'taking the hassle out of switching' we encourage Ofgem to act on the findings of the CMA's study on digital comparison tools,<sup>5</sup> including its recommendation that comparison tools are clear, accurate, responsible and easy to use, including for vulnerable consumers.

We also support Ofgem's aim to monitor the market to ensure 'service standards do not decline with the introduction of price regulation'. This should include monitoring how well suppliers promote their priority service register, and the number of customers on it.

With regards to Ofgem's aim to build wider links with charities and other relevant consumer bodies in its work monitoring supplier conduct and sharing intelligence, Age UK is happy to share our concerns and insight.

## **Smart meters**

We support innovation in the energy market and agree that smart meters can bring benefits to older consumers, particularly in terms of automatic meter reading. However, they are not on their own the solution to lack of competition in the marketplace and it is deeply worrying that true interchangeability is still not in place. We are particularly concerned to see from Citizens Advice research that older people (65+) are most likely to find smart meters unappealing and least likely to be satisfied if they have one.<sup>6</sup>

We support Ofgem's plans to 'monitor the rollout of smart metering', including scrutiny of suppliers' rollout plans, the impact of new pricing structures on particular groups of

consumers, including those in vulnerable circumstances, and the need for ongoing support.

### **Price protections**

We agree with Ofgem's analysis that 'the 60% of domestic customers who are on default tariffs are not benefiting from this competition'. We have supported the introduction of temporary price protections through safeguard tariffs.<sup>7</sup> However, we are concerned that the price protection provided by these tariffs may be too low to have a meaningful impact on vulnerable people's lives. Ofgem should monitor the impact of the various price caps, assessing their impact on vulnerable consumers' bills and wellbeing.

Further, we are concerned that the introduction of a market-wide default tariff price cap could lead to the removal of safeguard tariffs and inadequate protection for vulnerable consumers. Ofgem should assess the impact of a whole market cap (when in a position to do so) compared to the safeguard tariffs, and consider running both in parallel. If the safeguard tariff continues then Ofgem's work to find innovative ways to use data to identify vulnerable consumers becomes even more critical.

Price protections should only be 'scaled back or removed altogether' on condition that the wider market is significantly and demonstrably fairer and more accessible to disengaged and vulnerable consumers.

### **Engagement in the market, switching**

We support Ofgem's work to increase consumer engagement in the market. Faster, more reliable switching may help this, although will not address the other barriers to switching some older people face, including digital exclusion, complexity when comparing, trust and familiarity with an existing supplier, and inertia. Ofgem should consider how to tackle these and other barriers.

We also support Ofgem's work to increase consumer engagement, including the pilot of cheaper market offers communications, the rollout of the customer database and opt-in collective switching trial. Ofgem should design these so they meet the needs of vulnerable and disengaged older consumers, including those not online. Citizens Advice recently published a report on the 'loyalty penalty',<sup>8</sup> recommending various ways in which consumer prompts could be more effective, e.g. multiple notifications, choice of communication channel, sent at appropriate times.

Ofgem should publish the results of the trials and be open to the possibility that some consumers will remain long-term disengaged and require ongoing price protection.

### **Other comments**

We also support Ofgem's aim to work with other regulators, including through the UK Regulators Network. It is important to see the challenges associated with essential services from the perspective of an individual consumer – e.g. an older person living with various vulnerabilities or challenges – to avoid unrealistic and incoherent expectations of how that consumer should behave. This is important in terms of supporting vulnerable consumers, but also in terms of switching behaviour, e.g. enabling consumers to compare and switch multiple utilities in an easy, accessible way.

The document describes the energy market as changing at a fast pace with innovative new technologies and Ofgem having a role in ‘identifying opportunities and managing long-term risk on behalf of consumers’. We support this aim and encourage Ofgem to consider long-term challenges, which include consumer vulnerability in an ageing society – for example, by 2025 there will be more than 1.1 million people living with dementia.<sup>9</sup>

Despite change in recent years, older people are less likely to use the internet and a smartphone or mobile phone. Those who are online are less likely to manage their finances or pay for things online (e.g. banking, making transactions), and less confident in knowing how to manage access to their personal data online.<sup>10</sup> Ofgem should therefore assess the risks associated with a more complex market containing a large number of varied suppliers and intermediaries, in which new technologies and greater use of data enable complex pricing strategies that may disadvantage some consumers.

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<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2017/12/ofg\\_forward\\_work\\_programme\\_2018\\_brochure\\_web.pdf](https://www.ofgem.gov.uk/system/files/docs/2017/12/ofg_forward_work_programme_2018_brochure_web.pdf)

<sup>2</sup> [https://www.ageuk.org.uk/globalassets/age-uk/documents/policy-positions/money-matters/ppp\\_consumer\\_vulnerability\\_uk.pdf](https://www.ageuk.org.uk/globalassets/age-uk/documents/policy-positions/money-matters/ppp_consumer_vulnerability_uk.pdf)

<sup>3</sup> [https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/crs\\_march17\\_ofgem\\_consultation\\_on\\_supplier\\_standards\\_of\\_conduct.pdf](https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/crs_march17_ofgem_consultation_on_supplier_standards_of_conduct.pdf)

<sup>4</sup> See more on ‘identifying vulnerability’ in our response to the Standards of Conduct consultation:

[https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/crs\\_march17\\_ofgem\\_consultation\\_on\\_supplier\\_standards\\_of\\_conduct.pdf](https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/crs_march17_ofgem_consultation_on_supplier_standards_of_conduct.pdf)

<sup>5</sup> <https://www.gov.uk/government/publications/digital-comparison-tools-summary-of-final-report/digital-comparison-tools-summary-of-final-report>

<sup>6</sup> <https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-policy-research/monitoring-the-smart-meter-roll-out-gfk-survey-results/>

<sup>7</sup> [https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/CRS\\_jan18\\_ofgem\\_financial\\_protection\\_to\\_vulnerable\\_consumers.pdf](https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/consultation-responses-and-submissions/safe-at-home/CRS_jan18_ofgem_financial_protection_to_vulnerable_consumers.pdf)

<sup>8</sup> <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Consumer%20publications/Cross-sector%20loyalty%20penalty%20report%20-%20VERY%20FINAL%20VERSION.pdf>

<sup>9</sup> The Alzheimer’s Society Dementia 2014 <http://www.alzheimers.org.uk/infographic>

<sup>10</sup> [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0020/102755/adults-media-use-attitudes-2017.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0020/102755/adults-media-use-attitudes-2017.pdf)