Ofgem and vulnerable consumers

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Ofgem

- Independent regulator
- Issues and enforces licences
- Works within government policy
Ofgem objectives

• Protect the interests of existing and future consumers of electricity and gas conveyed by distribution or transmission systems
  – in a manner best calculated to achieve the principal objective wherever appropriate by promoting effective competition

• Must have regard to ensuring that all reasonable demands for electricity and gas are met, the needs of licence holders to finance their activities and the needs of sustainable development
Ofgem objectives

- When carry out functions have regard to interests of:
- People who are disabled or chronically sick
- People of pensionable age
- People on low incomes, and
- People living in rural areas
- Note also requirements in electricity and gas Directives
Context

• Competitive supply market
  – Six big energy companies

• Not working well for consumers, especially vulnerable
  – 2008 Energy supply probe
  – 2012 Retail Market Review
  – 2014 Referral to CMA

• Changing government priorities
  – Greater emphasis on environmental measures
  – New fuel poverty strategy
Consumer vulnerability strategy - 2013

• Aim:
  – to understand and identify the causes of vulnerable situations in the energy market and reduce the likelihood and impact of such situations

• Definition
  – when a consumer’s personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:
  – significantly less able than a typical consumer to protect or represent his or her interests in the energy market;
  – and/or significantly more likely than a typical consumer to suffer detriment, or that detriment is likely to be more substantial.
The Individual

Characteristics
Capacity
Circumstances
Awareness

The Market

Design and delivery of goods and services

Situation or Scenario

Risk factors that can cause or exacerbate vulnerability

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Debt, disconnection and pre-payment

- About 5% domestic customers in debt
- Disconnections for debt minimal
  - 233 in 2014
- PPMs installed instead of disconnection
  - About 16% of customers
- Issues
  - Payment differentials
  - Switching and tariffs
  - Self-disconnection
Income supplements

- Warm Home Discount
  - Core group
  - Broader group

- Winter Fuel payments
  - Cold weather payments

- Energy rebate

- Social tariffs
Priority service register

- Non-financial help for certain customers
  - Pensionable, disabled, chronically sick

- Creation of register

- Services
  - Priority response for supply interruptions
  - Special bills for visually impaired
  - Password scheme

- Issues
  - Awareness
  - Accuracy of registers
  - Usefulness of services
Inclusive markets - CMA

- Vulnerable consumers less engaged with market

Remedies
- Allow more tariffs
- Smart meters?
- Independent price comparison web-site
- Better information
- Transitional safeguard tariff
- Measures for PPMs
Energy efficiency - ECO

- Carbon Emissions Reduction Obligation (CERO)
  - Insulation in hard to heat properties
- Carbon Saving Community Obligation (CSCO)
- Home Heating Cost Reduction Obligation (HHCRO)
Conclusions

- Problem of multiple objectives
- Ofgem attempting coherent approach to vulnerability
  - Note new definition
- Uncertainty over government policy