

Ofgem consultation on draft Consumer Vulnerability Strategy 2025

Consultation Response from The Heat Network August 2019

Introduction

The Heat Network (THN) welcomes the opportunity to respond to the Ofgem's Draft Consumer Vulnerability Strategy.

The Heat Network is a sector leading group of social housing providers that develops good practice and innovation in the management of heat networks. Its core membership collectively manages over 600,000 homes and around 10% of all homes on heat networks in the UK.

We submit this response cognisant of the fact that regulation for heat networks is likely to be introduced in the near future, with Ofgem favoured to become the Heat Regulator alongside their existing work in the electricity and gas markets. Heat network customers deserve to be protected just as much as customer who get their heating from other sources and we therefore anticipate that the principles embraced in this Ofgem consultation are likely to be mirrored for heat networks in due course too.

Question 1: Do you agree with the five priority themes and the outcomes we will aim for?

Theme 1. Improving identification of vulnerability and smart use of data.

We support the theme of improving the identification of vulnerability and the smart use of data. A key element of data is ensuring that it is open source, and for heat networks we advocate the use of open protocol meters. This enables heat network providers to access and use data that will identify and support vulnerable customers and enable customers to use this data too. Currently heat meters and data are not regulated to be open source and is controlled by meter providers and metering and billing companies.

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

We support the principle of seeking swift support from the energy companies to those who need it and the imperative to manage data effectively. Regular and proactive updates of data can be costly for energy companies to provide, with those costs ultimately passed to consumers, so we would encourage Ofgem to support methods of self-service by customers (eg, through secure online channels) with energy companies targeting their resources at those who may be digitally excluded.

Working with trusted partners such as housing providers and the third sector can help overcome some of the trust barriers and models which operate in this way and should be encouraged.

There are clear opportunities for data sharing (see 1C below), and there need to be clear pathways by which housing providers and energy advisors can support people in vulnerable situations to sign up to the PSR and to provide ongoing support to those people.

Many heat network operators do not operate PSR. We therefore call for this to be put in place / replicated by all heat network operators (or their billing agents). Thought will need to be given as to what this would mean for heat network customers, schemes and service provision.

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.

We support this outcome. We also suggest that it is a positive step to recognise those energy companies who are most successful in their approaches to this, so that best practice can be shared as far as possible.

We also note that some approaches to supporting consumers to self-identify will apply across mass markets and that others will be more focused on specific market segments. As a group of housing providers, we are happy to share thoughts with Ofgem and energy companies about approaches to supporting self-identification that could be most effective within the social housing sector.

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.

As Ofgem recognises, pressures on the cost of living apply across all aspects household budgets. Too many people find themselves robbing Peter to pay Paul - falling into debt in one area in order to pay a bill in another. Large bills can knock people into debt or rent arrears.

In order for these types of initiatives to come, there is a strong need for robust data sharing protocols that have been through the highest levels of legal scrutiny and can be deployed by energy companies, housing providers and other service providers. There is widespread and consistent concern about data sharing and GDPR which we need collaborative approaches to tackle in the interests of and with the support of householders. Ofgem is in the position to broker conversations with the Information Commissioners' Office and other key stakeholders to support this agenda.

Theme 2. Supporting those struggling with their bills.

The aim of supporting those struggling with their bills is sound but limited. Should we raise the level of ambition to anticipating who is likely to be struggling with their bills and getting into "prevention" mode rather than seeking to cure the problem after it has arisen? Could data be used/shared to target ECO measures at households who fall into this category?

Outcome 2A: We want consumers to have access to affordable energy.

For people on communal heating or heat networks, it will be important to encourage transparency of pricing so that affordability can be properly assessed. We recognise that that regulation of the sector will play an important role in providing value for all heat network customers, now and in the future.

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.

We believe that meter data offers energy suppliers and heat network operators the chance to identify patterns in data which resemble self-disconnection. However, it is unclear how this data might be used to generate interventions (including through the use of ECO funding) to support customers who may be self-disconnecting. We are keen to explore opportunities for collaborative working between housing associations and energy companies to look at data sharing and proactive support for households.

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.

We support this ambition, and the recognition that small and medium suppliers must work harder to support customers in payment difficulty. We would like the same principles to apply within the heat network sector.

Specifically for heat networks, the failure to prescribe through regulation open protocol meters means that there is limited or no choice of metering and billing providers. This results in higher costs and fewer choices on payment options. This results in customers paying higher costs and building up significant debts.

We also welcome collective approaches to supporting householders falling into debt, for example the use of Debt Management Plans, so that households can take a structured approach to managing multiple creditors.

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

We do not fully support this outcome. We would encourage Ofgem to support a more considered approach to identifying the best heating option for a specific home off the gas network. This may be a low carbon heat system, not necessarily extension of the gas network. We need to think about both provision of energy and decarbonisation at the same time.

Theme 3. Driving significant improvements in customer service for vulnerable groups.

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

We recognise that energy companies have done a lot in this area, encouraged and supported by Ofgem. There is however more to learn. The financial services sector has led the way in considerations around identifying those in vulnerable situations and working with them (and with partners) to support people through challenging times. If the able-to-pay and digitally savvy can be increasingly moved to self-service, more energy supplier resources will be available to support those in vulnerable situations or who may otherwise get missed. We recommend all call centre staff and engineers to frontline fuel poverty training to recognise signs/triggers and to be able to refer to third party agencies for support.

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

We support this ambition. There now needs to be a more sophisticated understanding of people with different, complex or multiple needs, particularly mental health issues, cognitive impairment and memory loss, literacy and language issues and digital exclusion.

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.

We support this ambition and feel that this should be something that is specifically looked at in assessing how well new suppliers are fulfilling the terms of their licence, with minimum standards of customer service expected and monitored. Sharing best practice (as discussed earlier) will help new suppliers to understand ways in which this could be delivered.

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.

We support this ambition.

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.

We support this ambition, though we recognise that much will depend on the definition of “supporting customer needs” and in the frequency with which data about suppliers’ performance is updated. We would encourage Ofgem to link performance data into consumer facing sites (including switching sites) to make information as accessible as possible to consumers.

Theme 4. Encouraging positive and inclusive innovation.

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).

We feel that positive and inclusive innovation is essential to the healthy development of the energy market. We also recognise that product development is often based on creating products and

services for different market segments. When it comes to householders in vulnerable situations, lowest cost cannot be the only driver of a product offering.

We would like to see greater encouragement of sandbox-type activity, pilot projects and innovation projects to explore socially-inspired innovation. We are keen to support innovation which integrates with the landlord / tenant model, to benefit both the social and private rented sectors, and innovations within communal heating and heat networks as these have traditionally been more limited in terms of innovation but will play a growing part in our future energy system.

We also recognise that the speed of change in the energy market presents challenges for the regulator, particularly in an increasingly digitised world (see our response to Question 3 below).

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

We would encourage this across all tenures.

Theme 5. Working with partners to tackle issues that cut across multiple sectors.

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.

We believe that housing providers have valuable insight about improving the experiences of consumers in vulnerable situations and the interplay of pressures which many householders face. We are happy to meet with Ofgem to share our insights and explore ways in which joined-up activity between housing providers and energy companies could bring benefit to vulnerable consumers.

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

We would encourage the extension of this approach beyond the third sector to also include local authorities, housing associations and the health sector as many fuel poverty, energy advice and debt management services are provided through these channels.

Outcome 5C: Through E-Serve, we will continue to improve the operation and effectiveness of the government social programmes.

We support this ambition. We also call for a new strand of ECO to be introduced to improve inefficient legacy heat networks, reducing both fuel consumption and costs to customers

Outcome 5D: We will work with government on common consumer challenges to complement its social policy measures.

We support this ambition.

Question 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.

Energy suppliers should not be given a free pass on this. We encourage Ofgem to push suppliers to innovate and find ways to support vulnerable consumers. This may include more flexibility in pricing for those who are vulnerable (eg, a PSR price cap) or a different approach to the Warm Home Discount (eg, a tiered approach depending on level of need).

Customers in unregulated sectors are most at risk and least protected when it comes to affordability. There is a strong push for regulation within the heat networks sector. A duty to publish details on pricing in a transparent way will help customers to know that they are getting a fair deal. Open protocol meters would significantly improve the ability to offer affordable heat to

heat network customers: they remove long tie-ins to expensive and poor quality metering and billing providers, allowing heat network providers to offer customers value for money through competitively switching billing partners.

Question 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?

There are three main trends within our energy sector which require consideration:

- Decarbonisation - there will need to be new approaches to consumer protection in a decarbonised world where households are working with less familiar technologies and where our energy and mobility systems are becoming more integrated. The allocation of costs of network upgrades should also be considered fairly and progressively.
- Digitalisation - this issue has links with regulation of the wider digital sector and will require Ofgem to interface with DCMS and other regulators. There is strong concern about consumer protection in terms of data and privacy through connected homes, digital technologies and home hubs. This concern will only grow as energy and data systems become more closely connected. There is an opportunity to really learn from the smart meter rollout to identify more seamless transitions in terms of data driven energy services.
- Decentralisation - regulation will need to adapt to suit more local, bespoke generation (heat networks of different sizes and fuel sources, increasing community and individual renewable systems). We are also likely to see changing models of demand (driven, for example, by Time of Use tariffs). The changing nature of the grid means greater efforts to ensure protection of consumers from outages, ensuring network capacity and resilience. Greater local deployment of energy systems means the need to protect consumers from rogue installers and bad kit - this may not be Ofgem's role but the commitment to consumer protection needs to be clearly expressed and shared by all those who influence the regulatory landscape associated with energy.

Question 4: Do you agree with our proposals for the first year of the strategy?

We support these proposals.

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