

Consultation Response

Ofgem consultation: Financial protections for vulnerable consumers

November 2017

Ref: 2617

All rights reserved. T /MCID 12BDC q0.000008866 0 594.96 842.04 reW*nBT/F3 12 Tf1 0 0 1 56.64 4

About Age UK

Age UK is the country's largest charity dedicated to supporting older people in their later life. The Age UK network comprises 140+ local Age UKs reaching most of England. We provide information and advice to around 5.9 million people each year, through web-based and written materials and individual enquiries.

About this consultation

In October 2017, Ofgem, the UK's energy regulator, introduced a new set of protections for vulnerable customers who are unable to engage with the two-tier energy market and so pay much higher prices. Ofgem proposes a new set of protections for a group of eligible customers, and be in place until December 2019. 3.

Key points and recommendations

1. Despite progress in recent years, many older people live in, or on the edge of poverty. For example, 21 per cent of people aged 85+ are in poverty.
2. Many older people live with health conditions that mean they have higher required energy costs.
3. Many older people are unable to fully engage with the energy market, due to barriers such as digital exclusion, health conditions and physical impairments.
4. For these reasons, many older people are unable to adequately heat their home. There are a number of ways in which we can help older people to heat their homes more effectively.

Ofgem also describes older consumers as likely to be **Contented non-formers** specifically lack confidence in engaging with the energy market, are largely satisfied with their current supplier and lack an incentive to face the perceived challenge and hassle of comparing tariffs or changing deal.⁸

While many people in this segment may feel largely satisfied and trusting of their supplier . often due to familiarity they may not realise that they are paying a much higher price and so see no incentive to act. Further, the perceived challenge and hassle of comparing and switching is very real and practical for many people. Local Age UKs providing energy-related support to older people report challenges such as physical and mental health conditions . heart disease, arthritis, depression . as well as sensory impairments (e.g. visual, hearing), memory problems and loneliness, bereavement and isolation, all of which can combine to make it unrealistic or impossible for people to navigate the switching process.

We support Ofgem's proposal to safeguard Warm Home Discount (Core and Broader Group) recipients.

However, we also recognise this will not successfully target all the customers who in vulnerable circumstances, and that it is a pragmatic step to implement the protection as quickly as possible. Ofgem in future will need a way of identifying a broader group of customers, in a variety of ages and circumstances, who should be eligible for support in subsequent winters. Ofgem should consider giving suppliers some freedom to identify customers for protection, including those with energy debt or living with severe physical or mental health conditions.

We welcome the proposal that protection should apply automatically for eligible consumers, rather than requiring customer them to request it. We know some older people do not claim what they are entitled to due to perceptions of dependency; nearly two out of five (38%) pensioners entitled to Pension Credit have not claimed it.⁹

Intervention options

We agree with Ofgem that the **do nothing** option is the best of the options considered to avoid health detriment many older (and other) customers currently experience, as outlined above. We also agree that the safeguard tariff option is the best of the options considered.

Informational remedies have a key role to play in the longer-term; we support efforts to develop these and think they will improve engagement with the market among some older people, including those who use the internet. However, many older people face significant

barriers to engaging, as outlined above. We are therefore pleased that Ofgem recognises the limited impact they have had to date on the most disengaged consumers in intractable circumstances, and those with low internet use.

We agree with Ofgem that increasing complexity in the market, such as through smart meters and time-of-use tariffs, could make it even more difficult in future to get vulnerable consumers engaged.

Risks, monitoring

We encourage Ofgem in its stated aim to monitor how suppliers treat vulnerable consumers following implementation, given that a number of risks may emerge. We share concerns that consumers who are disengaged but ineligible for protection may pay more. We appreciate there is no simple solution but look forward to hearing how Ofgem can mitigate this risk through safeguard tariff design and monitoring of the marketplace.

Timeframe

We support Ofgem's sense of urgency, taking action to protect customers now. We understand that the safeguard tariff is intended as a temporary measure to be discontinued no later than December 2019, by which time the Government should have implemented its plans for a broader price cap intervention. We do not object to this, but recommend Ofgem keep open the possibility of continuing the safeguard tariff depending on if and how the broader cap comes to fruition.