



HOUSE OF COMMONS

LONDON SW1A 0AA

Ms Jemma Baker
Future Retail Markets
Ofgem

By email: RetailStakeholderTeam@ofgem.gov.uk

Our reference: BS27222

25 May 2023

Dear Ms Baker,

Re: Consultation on a new framework for consumer standards and policy options to address priority customer service issues

I write as the MP for Runnymede and Weybridge in response to Ofgem's above-referenced consultation.

At a time of increased cost of living pressures, managing energy bills is a primary cause of concern for many of my constituents and people across the country. The Government has taken proactive measures to alleviate the burden of energy costs on households, including the ongoing Energy Price Guarantee and the Energy Bills Support Scheme, through which the majority of UK households received a discount of £400 on their bills over the winter period. Additional support was provided to pensioners and those on the lowest incomes.

However, regulation of the market and the conduct of energy companies also plays a vital role in ensuring consumers can manage their bills. Being able to make timely contact with energy providers, receiving proactive and quality customer service support and having access to information on support available when needed, is essential to ensure that customers can avoid falling into debt and keep their heating on in the coldest months.

The data referenced by Ofgem in this consultation highlights the worsening situation for many consumers, with 6.5% of domestic accounts in arrears for over 91 days in Q4 of 2022. Further, the behaviour displayed by some major energy companies over the winter by the forced installing of pre-payment meters (PPM) in unwarranted circumstances was very concerning. It demonstrated the risks to vulnerable households and the need for robust regulation and standards amongst our energy suppliers to protect consumers.

Against this background, I welcome Ofgem's consultation on augmenting the regulatory framework in several priority areas in advance of winter 2023/24. These areas are: (i) improving the ease of contacting suppliers, (ii) supplier identification of struggling/vulnerable customers and ensuring the timely provision of advice and support, and (iii) protecting customers from having involuntary PPMs fitted in unjustified circumstances by bringing the existing Code of Conduct in this area into providers' supply licences.

Involuntary PPMs

I strongly supported the intervention made by Ofgem in early February, directing energy companies to stop force-fitting PPMs. It was entirely right that the Secretary of State for Business, Energy and Industrial Strategy immediately called on energy firms to report on what action they would take in response to complaints from any customers who have had PPMs wrongfully installed. Since this time, the 'Code of Practice for Involuntary Pre-Payment Meters' came into effect in April, further to an agreement between Ofgem and energy

suppliers. The situation in relation to forced fitting of PPMs has therefore improved, but this remains an area which requires clear regulatory standards, backed by a strong enforcement regime.

Perception of the risk of their home being fitted with a PPM is a source of stress and concern for the constituents who have contacted me on this issue. The worry is particularly acute for those on low incomes and those living with disabilities who are more likely to be housebound. Much of this distress stems in part from the historical lack of consistency in approach between suppliers, as well as concern about the higher cost of energy associated with PPMs.

Households with PPMs are often those in receipt of the lowest incomes, however, a study by Which has found that the average cost difference between having a prepayment meter and paying by direct debit is around £45 per year.

I therefore support the Chancellor's announcement in the Spring Statement that, from 1 July until April 2024 (when the Energy Price Guarantee (EPG) ends), charges for comparable direct debit and PPM customers will be brought into line. Looking beyond the end of the EPG, the Government has stated that it will ensure the PPM premium is ended on a permanent basis. I am supportive of Ofgem's ongoing work to review PPM costs and I look forward to having sight of its report on additional regulatory options to manage this aspect of customer billing, which is due for completion this autumn.

I welcome the standards contained in the Code of Practice, introduced in April 2023, which included strengthened protections for the most vulnerable customers for whom PPMs may not be a safe option. In particular, the general requirement to make at least 10 attempts to engage with a customer using multiple communication channels in advance of proceeding to fit a PPM will help to ensure that customers can engage with their supplier to avoid this measure of last resort and agree a more sustainable solution.

I support Ofgem's intention to make the regime governing the use of PPMs mandatory, rather than voluntary, and its intention to transition the Code into the supply licence later this year. Given the uncertainty caused by previous inconsistent conduct by suppliers, the risk of not strengthening the regulatory regime in advance of the winter is that vulnerable people decide to disconnect or drastically reduce their energy consumption to levels which may endanger their health in the colder months.

Ofgem should consider expanding the proposed information that will be collected from suppliers to include monitoring of compliance with the Code of Conduct. In particular, supplier and consumer experiences of the measures taken/attempts made by energy companies to ensure contact is made with customers in advance of proceeding to fit PPMs.

It is particularly important to monitor how energy companies are adapting their practices to ensure equality of treatment and accessibility for those who may struggle with communication due to English not being a first language or disabilities/additional needs which do not already make them ineligible for PPM under the Code of Practice. These findings should be reflected in the regulatory regime on PPM to be put in place in advance of winter 2023/24.

Increased access to guidance and support for customers

I welcome proposals for improving ease of contact for customers, particularly the use of clear concepts of "what good looks like". This includes ensuring that customers are able easily to identify methods of contacting their supplier and that contact can be made in a timely manner. Both options set out in the consultation prescribe minimum operating hours for supplier contact centres, as well as the obligation to ensure free and alternative methods of contact. It is important that suppliers are able to identify and prioritise vulnerable customers for assistance.

Clearly, making supplier contact details straightforward to obtain and increasing call centre hours and contact methods is likely to mean that customers can get in touch with their suppliers more easily. However, Ofgem should consider providing some further clarity as to what being able to make "timely" contact means in the context of customer waiting times; this

is for both contact attempts by phone and made by other means such as by email, text message and live chat functions.

Consideration should be given to introducing maximum waiting times to speak to a representative and timelines for a substantive response to contacts made in writing, with data reporting obligations for suppliers to aid monitoring and enforcement. The possibility of automated call back functions should also be considered.

Cost implications of regulation

I agree with Ofgem's concern that placing additional contact requirements on energy companies may lead to a financial burden which could pose a barrier to market entry and ongoing financial viability for smaller energy companies. It may also lead to higher energy prices for consumers. The existence of a vibrant market for energy suppliers of all sizes is of course important for price and service quality competition.

Ofgem's data suggests that smaller suppliers experienced the lowest decrease in customer satisfaction. Overall satisfaction rates stand at above 70%, with significant improvements in recent months. This demonstrates how a competitive private market for utilities, where suppliers of all sizes are represented, can work for the benefit of consumers.

I welcome Ofgem's proposal to introduce reputational incentives and consequences as part of its enforcement toolkit. Measures such as making consumer satisfaction survey results readily available on supplier websites will promote increased transparency and informed decision-making on choice of supplier by consumers. However, reputational consequences are likely to be most effective in a market where consumers have the genuine option to switch supplier when they become dissatisfied. This relies on representation in the market of numerous suppliers of different sizes.

Where Ofgem is considering whether to make elements of the regulatory regime prescriptive and rules based versus principles-based, the cost to consumers must be a significant factor. I would welcome Ofgem's consideration of applying a prescriptive approach where there is evidence of poor service or regulatory failings, rather than a blanket approach to the sector.

This would mean that administrative costs are not unduly passed on to customers and high performing suppliers retain flexibility in decision making. Ofgem already gathers quarterly data on customer satisfaction in partnership with Citizens Advice. This monitoring could be formalised and made more robust in order to assist in more flexible and responsive forms of regulation, as suggested above.

However, should Ofgem decide that industry-wide, rules-based standards should apply, Option 1 is preferred. The availability of Freephone access and a range of methods of contact will be essential for making contact easier for those on lower incomes or with accessibility needs. Extended, but not 24-hour, contact centre coverage will mean that the additional cost burden is minimised for smaller providers.

Identifying customers as being in a priority category or vulnerable

I welcome Ofgem's intention to ensure that consumers in vulnerable situations have a dedicated and free to use method of contact with their energy supplier that meets their need. I also welcome proposed improvements to data gathering to obtain information on rates of satisfaction among vulnerable customers.

Constituents have contacted me to report difficulty in registering with their supplier when their household situation changes and an individual becomes part of a vulnerable category of customers. There may also be a lack of awareness on the part of customers as to which factors make them eligible for "vulnerable" or "priority" status.

A review of the websites of major suppliers suggests that companies are taking different approaches in relation to the information they provide on this issue in several key areas and in how this information is displayed. I would welcome clear guidance from Ofgem on their expectations as to where and how suppliers publish: (i) their criteria for customer eligibility for priority/vulnerable status, and (ii) the list of enhanced services provided to this class of

customer.

Ofgem should also consider how channels for customers to inform their suppliers when they have become eligible for vulnerable status can be improved.

Standing charges

Several constituents have contacted me to register their concerns about the standing charge component of their energy bills. Concerns include lack of clarity over the charge and changes to the charge at short notice and without explanation.

For customers already struggling to meet energy bills, this causes uncertainty and reduces their ability to plan their finances. Where standing charges change, suppliers should be subject to a requirement of providing maximum notice to customers along with an explanation of why the charge has changed. In this way, customers will have more time to contact their supplier to discuss the need for a payment plan to accommodate increased energy bills, or to amend any existing payment plan.

Park home residents

Issues relating to energy support and provision have been of particular concern to many park home residents. Many of my constituents live in park homes, which are reliant on park owners, cylinder gas or heating oil for their energy supplies. With no direct or mainstream energy supply these properties are sometimes not fully considered in broader discussions on the energy market.

A crucial issue for consideration is that “secondary” suppliers of energy, such as park owners, appear to fall outside the energy sector regulatory regime completely. This means that many residents do not benefit from the oversight of standards and options for recourse when things go wrong that other energy consumers enjoy.

Park home residents have reported issues with difficulty in contacting their suppliers and receiving advice in common with those on mains power supplies. They have also faced specific problems with reliability of supply which has led to uncertainty and distress. A number of park home residents contacted me over the winter to relay their difficulties in arranging deliveries and were left in fear of being cut off from their energy supply in the coldest months. One resident reported a neighbour having completely run out of gas just in advance of Christmas, and it taking a full day to contact his supplier by phone.

I have been in touch with suppliers to resolve individual cases, but a stronger regulatory approach is needed to ensure quality service across the board. This might include expanding the enforcement regime to incorporate all types of energy suppliers to park homes (including those operating a secondary supply model) and to impose penalties for those suppliers who fail to ensure consistent availability of energy to their customers.

Residents in park homes have also reported difficulties with registering members of their household as vulnerable. Park homes are generally less well insulated than permanent structures and residents are, on average, more likely to be elderly, in receipt of lower incomes or otherwise vulnerable. Consequently, it is especially important that any changes to the customer service regime takes into account the relative precarity of the situation for most park home residents.

For this reason, I would welcome Ofgem’s customer service team conducting a more detailed review of the issues confronting park home residents that I have highlighted briefly here. In particular, consideration should be given to having a dedicated contact at Ofgem with whom park home residents can raise concerns about supplier conduct.

Please do not hesitate to contact me if it would be useful to discuss any of the issues I have raised in further detail.

Yours sincerely,

Ben Spencer

Dr Ben Spencer MP
Runnymede and Weybridge