



Claire Tyler
Consumer Policy and Insight
Ofgem
9 Millbank
London
SW1P 3GE

3 December 2012

Dear Claire

Proposals for a new Consumer Vulnerability Strategy

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, coal and gas-fired electricity generation, renewables, and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including residential and business users.

EDF Energy supports Ofgem's proposals for a Consumer Vulnerability Strategy and 2013/14 annual work plan. We support many of Ofgem's recommendations for the work plan and have set out additional areas which Ofgem should include.

We ensure that all our staff are trained to identify vulnerable consumers and encourage them to apply for our Priority Services Register (PSR). We have also gone further this autumn in launching our Personalised Support Service, to ensure that wherever we identify customers who are either vulnerable and/or at risk of fuel poverty, we offer them our range of offers through a specialist team.

EDF Energy welcomes Ofgem's exploration of issues relating to householders' vulnerability and how such issues are evaluated. However, we are concerned that Ofgem is contemplating the effective mandation of suppliers adopting BS18477 through the proposals to use it as a benchmark when evaluating a supplier's performance. Not only is the standard intended to be voluntary, further work needs to be done to understand the impact on energy suppliers, and how its concepts can be applied in an operational context in a cost effective manner in the light of existing obligations.

We also believe that there could be an important interaction with the Standard and Ofgem's proposed new supplier Standards of Conduct (which are being proposed by Ofgem as part of its Retail Market Review). The proposed Standards of Conduct would require suppliers to treat consumers *inter alia* fairly and appropriately; which we believe would require consideration of the consumer's circumstances, including those relevant to vulnerability. However, we do not believe that Ofgem intends to be prescriptive as to how suppliers implement the standards, including how it is implemented in respect of vulnerable consumers. Use of BS18477 by Ofgem as a standard would seem to run counter to this approach.

EDF Energy
40 Grosvenor Place, Victoria
London SW1X 7EN
Tel +44 (0) 20 7752 2187

edfenergy.com
EDF Energy plc.
Registered in England and Wales.
Registered No. 2366852.
Registered office: 40 Grosvenor Place,
Victoria, London SW1X 7EN

EDF Energy, through its Price Reassurance Scheme, ensures its most vulnerable elderly customers (the core group for the Warm Home Discount scheme) automatically receive a rebate as if they had been on our cheapest tariff. We are the only GB supplier to make this pledge. We are urging Government and Ofgem to encourage other suppliers to match this commitment.

We look forward to considering such issues in greater detail with Ofgem over the coming work plan period. Our detailed responses to the questions are set out in the attachment to this letter.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact John Mason on 07875 110702, or myself.

I confirm that this letter and its attachment may be published on Ofgem's website.

Yours sincerely,

A handwritten signature in blue ink that reads 'Paul Delamare'.

Paul Delamare
Head of Downstream Policy and Regulation

Attachment

EDF Energy's response to your questions

Proposals for a new Consumer Vulnerability Strategy

CHAPTER: Two

Q1. Do our proposed Strategy themes provide an accurate reflection of the work Ofgem should be doing to help protect consumers in vulnerable positions?

EDF Energy agrees that the proposed Strategy themes provide an accurate reflection of the work Ofgem should be doing to help protect consumers in vulnerable positions.

We believe that Ofgem should add the theme of *'increasing awareness of energy industry support for vulnerable householders, and initiatives to help rebuild trust.'*

Rebuilding trust is crucial for encouraging consumers, particularly those who are vulnerable, to have the confidence to engage in the competitive energy market. Suppliers cannot do this alone, and all stakeholders, including Ofgem, must work together to rebuild customer trust. In particular, negative messages about the energy industry discourage consumers from entering into dialogue with their supplier about the wide range of support available, such as securing the best tariff, accessing insulation measures or obtaining Warm Home Discount rebates.

We also believe that Ofgem should have a more visible role in signposting consumers and external stakeholders to the many programmes delivered by energy companies, which are designed to benefit consumers. Highlighting such beneficial activity will help to build trust in the industry and therefore encourage consumers to engage with energy providers more proactively.

The specific actions we are recommending Ofgem takes, including the establishment of a not for profit switching service available via a wide range of non-internet communication channels, are set out in our 25 May 2012 letter.

Q2. Do you agree with our proposed perspective on vulnerability? Are there other risk factors or features of the energy markets that could present issues that we have not covered?

EDF Energy welcomes the distinction by Ofgem of the two possible approaches to evaluating vulnerability:

- Firstly, vulnerability evaluated by considering customer needs on an individual basis, many of which are not related to income. Customers can be vulnerable with regard to individual services while not being vulnerable in other areas. For

example, the absence of an internet connection could present a barrier to customers benefiting from certain commercial offerings. Alternatively, there could be factors of temporal vulnerability due to the current circumstances the customer faces i.e. illness or family bereavement.

- Secondly, the approach that Ofgem has traditionally taken is to classify customers who fall into certain demographic groups as vulnerable (for example those of pensionable age, who have a disability, are chronically sick, or live on low incomes or live in a rural location). Ofgem has traditionally adopted this approach because such householders have a higher propensity to suffer from issues of vulnerability than other demographic groups. However, it should be recognised that many customers who fall within such groupings do not consider themselves to be vulnerable or in need of extra support.

The definition of and approach to vulnerability and that of fuel poverty have often been confused by stakeholders and in policy and regulatory development. The fuel poverty definition attempts to identify and monitor householders who struggle to affordably heat their home. However, householders who are classified as vulnerable under either of the approaches outlined above (by individual classification or if they fall into specific demographic groups) should not be assumed to be financially vulnerable and it should not be assumed that all vulnerable customers are fuel poor.

EDF Energy has already taken a proactive stance in engaging with our customers in order that we can take relevant circumstances into account. There may be particular aspects of a customer's circumstances which can make them vulnerable, where a supplier can offer bespoke solutions to provide support. For example, providing large print bills or ensuring we carry out quarterly meter readings. This is why we encourage customers to proactively engage with us so that their requirements can be effectively identified and beneficial additional support can be determined.

We are therefore supportive of the principles Ofgem outline as good practice for considering the individual needs of customers being implemented in customer engagement.

An example of this approach is demonstrated by our Personalised Support Service (PSS). To reflect the fact that some of our customers require additional support from us because they are more vulnerable or struggling financially, we launched the PSS on the 12 September 2012. This ensures that all our customers who ask for help are checked against our complete package of support to ensure that they are benefitting from all the help available and most appropriate to them.

However, this is an area where continual work and review is required to improve and build on current practice. Therefore, we want to work with Ofgem on an ongoing basis to see if further learning can take place. We would have concerns if Ofgem were to impose such an approach through a top down regulatory design without the benefit of feedback from our experience from engaging with customers. To force energy companies to implement

system or customer service changes could be counter-productive to achieving further progress. Ofgem should carefully consider a number of sensitivities when exploring further improvements, such as:

- **Customer acceptance:** Many customers who contact their energy supplier do so because they want to carry out a specific service or function (e.g. make a payment, update records). If Ofgem were to impose ways of working on suppliers which add to the complexity and time investment in engaging with energy suppliers, this could act as a further deterrent to customers making contact. Our highly trained staff are aware of such issues and endeavour to engage with each customer in a way which attempts to meet their requirements and is appropriate and agreeable with them.
- **Over-dilution of vulnerability:** While we support ensuring that the individual needs of all customers are considered, this should be carried out in a proportionate manner. If not, then this could result in the dilution of the services available to those who are most in need of support, with counterproductive outcomes (for example, price increases). We have managed this balance to date through our regard for customer service and our approach to a Personalised Support Service.
- **Appropriate customer engagement:** It is essential that all staff engaged in activities which will impact on customers take account of issues related to vulnerability. This includes recognising signs of vulnerability and responding to these in a sensitive and appropriate manner. However, this should not be implemented in such a way that it results in staff being put in a compromising situation. Staff working for a supplier should not be seen to be proactively asking questions or investigating issues which are not appropriate for their role, especially where it has been indicated that these are not viewed as appropriate by a customer. Social services and other expert bodies are better placed to carry out such functions and this should be recognised by Ofgem and others when considering such issues. Linked to this is how such issues relate to the appropriate use of customer data in line with the Data Protection Act (DPA).

Therefore, overall we support the fact that Ofgem recognises that customers should be considered on a case-by-case basis. However, we reiterate that this is best achieved by the gradual evolution and continual improvement of customer service processes, rather than through top down regulatory change. Regulatory interventions risk not providing the required flexibility, or ability to learn from experience, to take forward such issues in a sensible manner.

It is also unclear how a risk based approach to vulnerability will comply with Ofgem's own statutory requirements as regards customers who are of pensionable age, have a disability, are chronically sick, living on low incomes and living in a rural location. Therefore, we request that Ofgem provide clarity as to how these two separate approaches to

vulnerability will be reflected in Ofgem's activity to deliver its work plan and their expectations of energy suppliers.

Q3. What is your view on whether the BSI Standard on inclusive services could provide a practical approach to adopting our perspective on vulnerability?

EDF Energy takes our commitment to supporting our vulnerable customers very seriously and has evolved processes for engaging with our customers accordingly. We welcome further engagement with Ofgem and the BSI on the BSI Standard for Inclusive Service (BS 18477). This should recognise and explore current practice to determine in a transparent manner whether any further improvements could and should be achieved.

The energy supply industry already has a number of license conditions, voluntary codes and accepted working practices which replicate or go above the requirements of the BSI Standard for Inclusive Service (BS 18477). The BSI Standard for Inclusive Service (BS 18477) is a useful input to the discussion in relation to how we can best engage with customers generally and issues of vulnerability more specifically. However, the BSI Standard for Inclusive Service (BS 18477) was not created for the energy industry specifically and has had limited uptake by any organisations so far. This factor may constrain the practical learning that could be provided from its implementation.

Furthermore, in our discussions with the British Standard Institute, they have clarified that the intention of a BSI standard is to act as an encouragement to best practice and benchmarking to be voluntarily adopted by parties as an alternative to regulation. Standards are not intended or appropriate to be imposed as regulation.

EDF Energy recognises that constant improvement can and should take place across all working processes and procedures in terms of addressing support for vulnerability. However, improvement should be undertaken in a way that recognises current good practice and the evolution of processes through previous learning and experience of engaging with customers. This should not add additional cost to current practices unless there is confidence there will be beneficial outcomes for customers that justify the cost.

We believe that to try to regulate through such a standard would not be sensible or achieve desired outcomes. From a regulatory perspective it would also not be appropriate for Ofgem to try to audit processes and practice in this way. Therefore, Ofgem should not consider benchmarking suppliers against BSI Standard for Inclusive Service (BS 18477) until the potential impact is better understood.

We also note that Ofgem's proposed Standards of Conduct would require domestic consumers to be treated fairly and appropriately by their energy supplier in respect of all relevant activities and dealings. We believe that "fairly" and "appropriately" would need to be considered in respect of the circumstances of each consumer. However, it should be up to the supplier to address how this is done in practice, and in particular, whether adoption of BS 18477 is a useful vehicle for demonstrating compliance.

Q4. What are your views on other approaches suppliers and distributors could take to adopt our proposed perspective on vulnerability in practice?

EDF Energy does not believe that attempting to impose top down regulatory change to defining vulnerability and approaches to tackling it would be beneficial. What is required is to evaluate working practices based on experience and customer feedback to seek to constantly improve. Key to this is flexibility and the opportunity to implement changes in an effective and timely manner.

This will not be implemented effectively if there are top down regulatory changes to try and ensure specific outcomes. The risk that these changes will be counterproductive is high and could result in unexpected and unwelcome outcomes. Therefore, we suggest that Ofgem work closely with energy suppliers and engage with consumers to share learning and adopt good practice.

Q5. What are your views on our plans for developing a Consumer Vulnerability Network and are there additional organisations that we should engage?

Ofgem should explore the existing stakeholder structures in place and fully engage with these where they present an appropriate forum before setting up any new structures. This will highlight if there are gaps and specific issues which could be better communicated through a Consumer Vulnerability Network.

However, if Ofgem does decide to set up a Consumer Vulnerability Network, it should ensure this is implemented cost effectively. The key objective of the Network should be to increase awareness of the range of services and offers available to vulnerable consumers from energy suppliers. Signposting stakeholders to the beneficial activity taking place will help to build trust in the industry and therefore encourage engagement in the energy market.

CHAPTER: Three

Q6. What are your views on our proposed annual work plan for 2013/14?

EDF Energy is keen to proactively engage and work with Ofgem during the delivery period for this work plan. We have the following comments on aspects of the work plan proposals which have not been fully addressed in separate questions above:

Priority Services Register (PSR)

We welcome that Ofgem propose to review the effectiveness and consumer awareness of suppliers' and distributors' PSRs. Such a review should be comprehensive to reflect the fact that the PSRs have been in place for some time. Therefore, any recommendations from the review should not be limited to sharing best practice but focussed on what improvements could be made to increase effectiveness. Once consideration of potential

changes has taken place, Ofgem should carry out a full consultation before these changes are implemented. This will ensure that there is full consideration of all potential impacts and that any solutions recommended are an effective use of limited resources.

We very much welcome the fact that Ofgem will be undertaking consumer research to understand customers' awareness of suppliers' and distributors' PSRs, their experiences of being on a PSR and their expectations. This research will help to inform any potential improvements.

A number of areas should be considered for improving the PSR such as:

- common branding to increase consumer awareness and acceptance;
- considering who is eligible to determine if this needs to be amended;
- data sharing with Government to identify those who should be included on the Register;
- removal of the requirement for consumers to be required to give consent before they can be placed in the PSR;
- Potential alignment with any other policies or regulations such as the proxies used for delivering programmes focussed on helping vulnerable householders such as ECO Affordable Warmth and the Warm Homes Discount.

Suppliers' Social Obligations

EDF Energy welcomes the fact that Ofgem will continue to monitor and report on suppliers' compliance with social obligations on debt and disconnection, prepayment meters, supplier PSRs and provision of energy efficiency advice. This should demonstrate the improvements being made in these areas.

In addition, EDF Energy supports the recent changes to the Debt Assignment Protocol for Prepayment Customers and along with other major suppliers voluntarily agreed to increase the debt limit to allow customers to transfer to £500. Activity in the 2013/14 work plan period should be limited to ensuring that this is effectively implemented and increasing awareness of the change across all relevant consumers and stakeholders. Ofgem should not consider additional changes at this time, as this could be counterproductive to achieving these two objectives.

Network Companies and off-gas grid consumers

EDF Energy agrees that Distribution Network Operators (DNOs) have an important role in helping to address certain social and vulnerability issues. Affordability is a key issue to address given the increasing cost pressures that consumers face. Transparency and predictability of use of system charges and solutions to manage volatility of charges are essential for keeping costs down for consumers.

CEPA produced a report¹ for EDF Energy on managing volatility of networks charges, and several DNOs and stakeholders with whom we have discussed it have been supportive of the arguments presented. Suppliers require greater visibility of DNO charges within price control periods, which can be solved by DNOs publishing detailed tariff rates much further in advance than they do currently. Without this, suppliers, and customers, face unpredictable and 'unhedgeable' movements in charges. DNOs are best placed to manage the impacts of such cost movements, as they typically have a lower cost of capital than our customers (particularly vulnerable customers who are often exposed to very high marginal borrowing costs). To tackle volatility within and between price control periods, DNOs should smooth movements of charges by using their balance sheets to publish a transparent and stable set of future charges to manage cost recovery. The CEPA report shows this can be achieved in an NPV neutral way, at an overall lower cost to the end consumer. Such a smoothing mechanism could be readily accommodated by Ofgem in a price control package that enables DNOs to maintain investment grade credit ratings.

In addition, EDF Energy agrees that the introduction of a policy such as the Renewable Heat Incentive (RHI) has the potential to make options such as heat pumps more cost effective than extending the gas network. Therefore, Ofgem should consider how it can help vulnerable householders take advantage of such solutions.

EDF Energy participated in the Forum with DNOs that Ofgem organised on 19 October. This proved to be a useful session and further collaboration between suppliers and network companies to share lessons learned and the potential for working in partnership should be explored.

EDF Energy welcomes consideration of what more electricity distributors can do to help consumers in vulnerable positions as part of RII0-ED1 and would welcome contributing to this debate. However, to take this issue forward, DNOs should provide greater clarity as to the expected outcomes and potential options available.

In addition to this, Ofgem should investigate the protections offered to those who use non-net-bound fuels, such oil and coal, to heat their homes. Differences in the level of protection available to vulnerable customers using such fuels to heat their homes as opposed to those who use electricity and gas should be considered. This will then allow potential solutions to be developed to mitigate the disparity between these fuels.

Consumer engagement

EDF Energy warmly welcomes initiatives which help engage customers who otherwise may not engage with the retail energy market. These customers often include the most vulnerable members of our society who can have, in relative terms, the most to benefit from participation. We also welcome initiatives that reach out to those who do not have internet access.

¹http://www.ofgem.gov.uk/Networks/PriceControls/WebForum/Documents1/CEPA%20EDF%20volatility%20report_final%20260912.pdf

EDF Energy has engaged closely with Ofgem and other stakeholders on the Retail Market Review and will continue to do so. We welcome Ofgem's initiatives in this area and have separately provided our views.

In addition we welcome Ofgem's focus on collective switching, which could help to engage customers who otherwise may not take part in the retail energy market, including the most vulnerable members of society. EDF Energy participated in both 'The Big Switch' run by Which?, and the 'Huge Switch' run by energyhelpline.com. In both of these auctions we gained a significant number of new customers by offering market leading products and prices. We believe that all our customers should be able to access our best offers and have maintained this philosophy in our participation in collective switching.

Advice and support

Ofgem could provide an invaluable role in working with third parties to ensure they provide consistent and accurate messages to customers. This will ensure that advice and support is effective to mitigate the risk that consumers will not engage with the industry due to confusing and disparate messaging.

While we do not think it is a role for Ofgem to provide such support directly, we welcome the focus for this annual work plan on improving the quality of advice and support.

Q7. Do you believe that there are other areas that we should be specifically addressing in the work plan for 2013/14?

In March, EDF Energy launched our Customer Commitments based around three principles of Fair Value, Better Service and Simplicity of our tariffs and bills. EDF Energy, through its Price Reassurance Scheme, ensures its most vulnerable elderly customers (the core group for the Warm Home Discount) automatically receive a rebate as if they had been on our cheapest tariff. We are the only GB supplier to make this pledge. We would urge Government and Ofgem to encourage other suppliers to match our commitment.

Another area which should be further explored in Ofgem's work on vulnerability is affordability and the impact of social and environmental policies on consumer energy bills. There has been a significant increase in the cost of such obligations on suppliers and their customers. The financial impact on suppliers and their customers of any such support should be balanced with the need for and type of supplier intervention concerned. Central to such balance is ensuring that the vulnerability, financial or otherwise, of customers is assessed and solutions developed in relation to a particular issue. One aspect of this should be the division of such costs between electricity and gas consumers. Electricity consumers currently bear a greater proportion of such costs and therefore Ofgem should explore how this could be more evenly distributed between the fuel types.

An additional area of focus where Ofgem could provide support is how to further integrate activity, including that undertaken by DECC, so that there is more cohesive

planning of the timing and impact of changes on our customers. Of benefit would be how new policies, obligations and regulatory change can be timed in a more cohesive manner with forward planning. This will ensure that the timing of implementation is managed in an effective manner to maximise beneficial impacts and allowing effective implementation planning.

EDF Energy
December 2012