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Care & Repair Cymru

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About Care & Repair Cymru

Care & Repair helps older people in Wales to repair, adapt and maintain their homes. We are a Wales-wide charitable movement, working to ensure that older people have homes that are appropriate to their needs. Our vision is a Wales where all older people can live independently in safe, warm, and accessible homes. We provide a holistic casework service that looks at all aspects of the person and how they live in their home. We also provide targeted support such as fuel poverty and energy efficiency advice.

In 2022-23 we delivered the following:

- 62,607 older people helped to stay independent at home.
- Completed 20,438 Rapid Response Adaptations to prevent accidents at home.
- Completed 65,127 jobs in the home to a value of £18.3 million.
- Helped clients claim £9.5 million in unclaimed benefits.

Consultation questions -

Evaluating the cap today

Q1. Do you have any reflections on our list of the cap's successes and challenges?

The cap has incentivised energy suppliers to provide an efficient service whilst simultaneously protecting consumers who are unable to engage in the energy market from price exploitation. When suppliers were able to set their own default tariffs, it was possible to recover inefficient costs through relatively high tariffs from customers who were not active in negotiating for cheaper tariffs. Introducing the cap proved successful as it results in two positive outcomes; suppliers were forced to become more efficient in their operations as they were no longer able to recover costs from customers who stayed on default tariffs. This in turn ensured households were protected from price discrimination, which has a positive impact on households with certain vulnerabilities, this is prevalent for the demographic of Care & Repair clients.

The price protection aspect of the cap has had elements of successful for our clients. Older people do face challenges when engaging with the energy market to find a cheaper tariff; the Financial Conduct Authority found that 69% of adults aged 75 or over displayed one or more characteristics of potential vulnerability.¹ Through our fuel poverty and energy advice service, we have seen this ourselves, with older people who are not online struggling to find and understand the necessary information on cheaper tariffs. The price cap was successful in protecting our clients that were digitally excluded and find it harder to engage; Competitions and Markets Authority Research found that just over 50% of the people who had been on an expensive default tariff for more than three years either did not have internet access or felt unconfident using price comparison tools.² The price cap was effective in removing this price

¹ Competitions & Markets Authority (2019) *Consumer vulnerability: challenges and potential solutions*.

https://assets.publishing.service.gov.uk/media/5c77f164ed915d29eb6a0045/CMA-Vulnerable_People_Accessible.pdf

² Ibid



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discrimination for more vulnerable households and changes to the cap in the future should retain a mechanism which ensures suppliers are unable to recover costs through a 'loyalty penalty'.

We also believe that the price cap was successful in providing a degree of transparency for consumers; it ensured that consumers knew exactly how much they were paying for their energy and how the costs were being distributed. Before the introduction of the price cap, energy suppliers were able to offer vague answers when asked about price increases, often citing 'policy costs'. The price cap offered a level of trust and transparency for consumers and the energy market; it allowed consumers to understand why prices were changing and how much they will be expected to pay throughout the year. Whilst we understand that the price cap had drawbacks as it led to additional costs for consumers; suppliers were unable to recoup costs from the increase in wholesale energy costs which resulted in supplier failure, thus adding on further costs for customers. We do not accept that this challenge outweighs the positives of the price cap; ultimately, even without the price cap, consumers would still have been subjected to further costs as suppliers would have risen prices in other areas to meet demand at higher prices. Additional costs placed on consumers were spurred on by the wholesale gas crisis combined with Ofgem's and energy supplier's inability to plan accordingly for such situations which led to over 30 suppliers exiting the market.

The positive work Ofgem has done over the past few years to reduce the likelihood of supplier failure since the wholesale gas crisis will help to prevent additional costs to consumers. We do not accept the removal of the price cap, thus the removal of transparency for consumers is a proportionate response to the evolving nature of the energy market.

Evaluating the current cap for the future

Q2. Do you believe that the growing diversity of electricity consumption patterns will make it challenging to retain a flat, universal and stringent price cap? How quickly do you think this will materialise and with what impacts? What evidence can you provide to support your view?

NA

Q3. What plans do suppliers have to launch ToU tariffs and to incentivise customers to shift their electricity consumption once MHHS is implemented?

NA

Q4. How quickly and at what scale do you expect customers, especially those with large flexible loads such as EV and solar / battery users, to take up ToU tariffs once MHHS is implemented?

NA

Q5. In addition to the factors set out in this chapter, are there any other important changes that might affect the ability of the current default tariff cap to achieve its objectives?

NA

Options for evolving price protection for the future

Q6. Do you agree that we need to retain some form of price protection in the retail market?

Yes. There are two key areas where price protections are particularly crucial;

- To protect households who are unable to engage in the energy market.
- To protect households who are unable to flex their energy use, for example, those who depend on energy usage for medical equipment.

Care & Repair represents older people in Wales, meaning that we support households living with additional vulnerabilities, such as cognitive impairments like Alzheimer's disease, or sensory loss such as sight and hearing loss. In 2019, there were an estimated 46,800 older people (65 and above) living with dementia in Wales.³ From our experience, we know that Care & Repair clients with cognitive impairment conditions can struggle to understand and make unfamiliar decisions, such as finding a better energy tariff. It can be easier for these households to 'stick with what they know' for fear of the unknown or difficulty understanding new concepts and information.⁴

Ofgem must ensure price protections are still in place for older people. We are already seeing unmanageable levels of fuel poverty: Recent research from Care & Repair Cymru found that 96% of households that engaged with our energy advice service were living in fuel poverty⁵ and struggling to keep their heating on. This is harmful to the health and wellbeing of our clients, with cold homes exacerbating conditions such as dementia and reducing a person's mobility, making them more susceptible to falls. If energy bills were to rise to even higher levels of unaffordability for people unable to engage in the market, we would see even more unmanageable levels of income poverty. We cannot allow older people to be subject to price discrimination if they are unable to involve themselves in the energy market.

Robust price protections are also necessary to shield those who are unable to flex their energy usage and make use of cheaper prices that flexible Time of Use tariffs could offer. Households that rely on

³ Senedd Research Service (2023) *Planning ahead: dementia services in Wales*. Available at: [Planning ahead: dementia services in Wales \(senedd.wales\)](https://www.senedd.wales/planning-ahead-dementia-services-in-wales)

⁴ Competitions & Markets Authority (2019) *Consumer vulnerability: challenges and potential solutions*. https://assets.publishing.service.gov.uk/media/5c77f164ed915d29eb6a0045/CMA-Vulnerable_People_Accessible.pdf

⁵ Care & Repair Cymru (2023). *Poverty at Winter*. Available at: <https://careandrepair.org.uk/winter-report/>

home medical devices, such as oxygen supply equipment or dialysis machines, already face higher costs than other households. The introduction and expansion of Time of Use tariffs will mean that energy suppliers can offer lower rates to consumers if they are able to shift their use when electricity is available cheaply. Whilst we acknowledge and welcome the benefits this may bring to certain consumers and promote a more sustainable electricity system, Ofgem must ensure that this does not penalise high usage consumers that are unable to shift their consumption patterns.

Overall, Care & Repair Cymru welcomes the energy sector making the most of our renewable energy sources and reduce peak demand on the system so we are less likely to rely on energy produced from gas, but this cannot be done at the expense of vulnerable, high usage customers. We recommend that money saved by energy suppliers on offering Time of Use tariffs should be used to partly offset the higher costs of serving customers unable to flex their usage to ensure that, they too, can benefit from a more flexible and sustainable energy system.

Q7. Do you have views on which of the three key parameters – the cap being flat, universal and stringent - should be relaxed when considering future price protection options?

As advocates for older people in Wales, Care & Repair Cymru are concerned on how the cap can evolve to fit into future market changes whilst still offering protection for households with vulnerabilities unable to flex their usage or engage further with the energy market. Future price protection should maintain a level of each parameter of the current price cap, but this should be done in a more targeted and measured approach. As energy suppliers move to a more flexible system, Ofgem need to take responsibility in providing robust protections for targeted vulnerable households. We argue for the 'flat' nature of the current price cap could be relaxed so consumers can shift usage to cheaper times, which will promote a more sustainable energy system. However, Ofgem should mandate energy suppliers to continue to offer another single 'flat' rate, alongside a flexible rate, to consumers unable to change their usage. This rate should maintain a stringent nature, based on a notional efficient supplier as opposed to suppliers setting their own rates. In the discussion paper, Ofgem notes that the consumer bases are becoming increasingly differentiated and the current price cap causes challenges in allowing suppliers to make use of flexible tariffs. This is why we argue price protections also need to become differentiated and targeted to reflect the changing market. Each key parameter of the price cap is important to protecting consumers against price increases and volatility. Therefore, if they are to be relaxed, suppliers should be mandated that their default 'flat' tariff retains a level of stringency to prevent price discrimination for consumers who cannot engage in the market.

Q8. What are your views on options discussed? Do you have any preferred options or combination of options?

We believe that a strong price protection should remain, but we accept that alterations are required to allow for certain households to benefit from a more flexible energy system.

Ofgem plays a role in promoting a move to low carbon energy, however, must ensure this does not negatively affect households living in fuel poverty. The preferred option to protect our client base would be a move away from a universal price cap and toward targeted price protections based on vulnerability. This way, other consumers can benefit through flexible tariffs and the introduction of the Market-wide Half-Hourly Settlement whilst a targeted price protection ‘cap’ safeguards households with vulnerabilities, including health conditions, disability, age and low income. The targeted cap option for identified vulnerable households should maintain a level of stringency, calculated on an efficient energy supplier. This will ensure transparency for consumers on the ‘targeted cap’ and will mean suppliers cannot recover costs on higher charges for default tariff consumers. Ofgem should consider more suitable options for identifying vulnerable individuals as opposed to solely using WHD eligibility and the Priority Services Register data. Whilst this is an important component of assessing vulnerability, we advocate for strengthened partnership working between local authorities and third sector working in communities to target households who would benefit from a ‘targeted cap’. This may include identifying houses that have unusually high energy usage or homes with low EPCs.

Q9. In particular, which options or combination of options do you think would best protect vulnerable customers?

Throughout our response to this Call for Input, we have put forward our preferred options and recommendations based on how best we believe it would protect vulnerable customers.

Robust price protections must remain in place but accept that relaxing the universal aspect of the current price cap will allow customers to make the most of incoming flexible tariffs. A targeted price cap aimed toward a subset of consumers based on vulnerability criteria is our preferred option. This option allows a middle ground between ensuring the energy market can develop through the introduction of greener energy whilst protecting those who do not have the luxury of market engagement.

We believe that vulnerability criteria must consider a range of factors including age, household income, health conditions and the energy efficiency of a property. Consideration must also be given to households that rely on a constant energy supply for medical equipment: such households do not have the option to flex their usage and must not be penalised for this. We recommend that Ofgem works in partnership with healthcare professionals, local authorities and advice organisations working in this sector, to develop comprehensive guidelines for vulnerabilities that can benefit from a targeted price cap. We also recommend that energy suppliers are mandated to offer a targeted price cap when they begin to offer flexible, ToU tariffs. Ofgem has a role to work with suppliers to include this licensing agreements as we move away from the current price cap.

Care & Repair Cymru also recommends that a targeted price cap for vulnerable households must be automatically applied to default tariffs. We do not accept that these households should be required to get in contact with energy suppliers to benefit from targeted price promotions. Our local Care & Repair agencies offer specific energy efficiency and fuel poverty advice; our dedicated Home Energy Officers spend a lot of time calling up energy suppliers on behalf of clients who, for a plethora of reasons, are unable to do so. One Home Energy Officer in North Wales was able to organise an affordable repayment

plan with a client and their energy supplier after they had built up energy debt totalling over £1,300 and accessed support payments such as Wales Winter Fuel payments. This client presented with memory loss and had a serious heart condition, they were unaware they had not been making their energy payments. This is a key example of a household that would need to be automatically placed on a targeted cap tariff; Ofgem and energy suppliers have a responsibility to identify vulnerable households and automatically enrol them on to cheaper tariffs.

Ofgem should work closely with all utility providers, PRS data and local authorities to capture information about households and apply a targeted cap if appropriate.

Q10. How should consumers with large flexible loads, mainly EV and solar / battery users, be treated with regards to future price protection?

NA

Q11. Are there any additional options that we haven't, but should be considering?

N/A