

Ofgem Discussion Paper – Future of Domestic Price Protection

Citizens Advice Scotland response

Key points

- The unaffordability of energy prices remains an acute problem causing significant harm to many people despite the price cap preventing bills from being higher than they might have been otherwise. Citizens Advice Scotland reiterates its strong support for urgent introduction of a social tariff as a tool for resolving the long-term problem of energy affordability.
- The paradigm of 'engaged' and 'disengaged' consumers does not reflect the complexity of issues that people face in their daily lives. Ofgem should consider the impact of fuel poverty, low incomes and other markers of vulnerability have on people's ability to navigate the retail energy market.
- Ofgem must maintain some form of price protection, especially for vulnerable consumers.
- Shifting to dynamic or static Time of Use tariffs will not protect people whose circumstances prevent them from altering their energy consumption patterns.
- Relaxing the stringency of the price cap risks incentivising suppliers gaming the system, which will undermine price protection for consumers.
- Adopting price protection aimed at vulnerable consumers, rather than universal price protection, would require detailed work around what it means for a person to be vulnerable. CAS is open to the possibility of aiming targeted support at people in vulnerable situations. We look forward to Ofgem producing more definitive proposals about the design and implementation of targeted price protection.

Despite the price cap, energy remains too expensive for too many people

- Citizens Advice Scotland (CAS) notes that the price cap ensured that default tariffs remained lower than they might have been otherwise. We acknowledge that the price cap is not designed to deal with energy affordability per se. However, assessment of the price cap's successes must be tempered by persistently high levels of fuel poverty, growing levels of energy debt, and the highly damaging effects these problems have on society and individual wellbeing.
- Energy bills remain too high for too many people. 31% of all households in Scotland (791,000 households) are in fuel poverty.¹ Citizens Advice network in Scotland data suggests that, despite the price cap, people remain unable to pay their energy bills. The advice our network provided in relation to discretionary credit for PPM customers increased by 44% from Q4 22/23 (January 2023 to March 2023) and Q4 23/24 (January 2024 to March 2024), while advice on

¹ <https://www.gov.scot/publications/scottish-house-condition-survey-2022-key-findings/pages/3-fuel-poverty/>.

energy trust fund applications and/or fuel vouchers increased by 21% across this period. Advice on both issues was 23% higher during 2023/24 than it was during 2022/23.

- High energy prices disproportionately impact people with health conditions or disabilities that limit activity a lot compared to households that do not have a person with a health condition. Recent Consumer Scotland research indicates that households with someone who has a disability or a health condition that limits activity a lot face an additional annual expenditure of £124 on their energy bills compared to households where no one has a health condition.²
- This research echoes data from the Citizens Advice network in Scotland. In 2023/24, 68% of people who received energy-related advice and provided information about their health status indicated they had a health condition and/or disability. Similarly, of the people who received advice and gave information about their economic status, 33% were unable to work due to ill health. This data suggests that health conditions and disabilities are drivers of people seeking energy advice.
- Unaffordable bills are contributing to the increasing levels of energy debt in the GB energy market, currently totalling £3.1 billion. The average debt that clients bring to the Citizens Advice network in Scotland is around £2300. For millions of households across Great Britain, the financial burden of repaying this debt has negated the potential saving from the recent fall in the price cap. Indeed, National Energy Action estimates that 2.3 million households are paying higher energy bills now than at the onset of the energy crisis due to debt repayments.³
- There is a link between debt and wellbeing, including the mental health impacts that money worries exact on people. Analysis of recent YouGov polling for CAS suggests that over 660,000 people in Scotland cite debt as impacting their mental health. Evidence that advisers in our network have gathered also shows the physical toll that energy debt can take on people in vulnerable situations.

Citizens Alert: A West of Scotland CAB reported of a terminally ill client who struggled to manage their energy bills and therefore accrued arrears. The client stated that due to their terminal illness, they need to keep the heating on for longer periods of time to stay warm. However, with the rising costs of energy, they simply cannot afford the costs, adding further detriment to their deteriorating health. The client stated that due to issues with their mental health, they had difficulty reading their meter and submitting regular readings, resulting in a debt of over £2,600. Despite being on the priority services register, the client found supplier assistance limited: a one-time meter reading with only one attempt and a potential month-long wait, or quarterly readings with potentially inaccurate estimates. Furthermore, after consistent bill payments, the supplier claimed the amount stated on the pre-printed bill was not the actual amount owed. The client found the billing information complex and misleading, and especially difficult as they struggled with reading comprehension.

Ofgem should examine why some consumers are not switching supplier

² [Consumer Scotland, *Disabled Consumers and Energy Costs – Interim findings \(2024\)*, p.4.](#)

³ [Over £3 billion energy debt wipes out price cap drop for millions of customers - National Energy Action \(NEA\).](#)

- The discussion paper frames consumers as either 'engaged' or 'disengaged' with the energy market. It is important that Ofgem considers the factors that inhibit consumers, particularly those living on low incomes or in vulnerable situations, from being able to interact fully with the energy market. The stress and anxiety associated with financial vulnerability, energy debt digital exclusion and lack of trust in suppliers are all possible contributors to consumers remaining on default tariffs.
- Citizens Advice network in Scotland data shows that people who struggle to afford their energy bills experience a range of intersectional issues that have a cumulative negative impact. Between October and December 2023, 37% of people who engaged the Citizens Advice network in Scotland about utilities advice also received advice on other topics. For all clients receiving utilities advice, 20% also received advice on social security issues while 8% received advice on Scottish Welfare Fund Crisis Grants. People struggling with other aspects – to the extent they need crisis support – may have limited time or wherewithal to interact with the energy market.

Ofgem must retain some form of price protection, especially for vulnerable customers

- CAS notes Ofgem's forecast that the implementation of half-hourly settlements and proliferation of Time of Use (ToU) tariffs pose challenges to the price cap in its current form, namely that it is flat, universal and stringent. Despite this changing landscape, we believe that retaining some of price protection is essential.
- There is a correlation between people living in poverty or experiencing some form of vulnerability and demand for energy-related advice. Among people who sought regulated fuel advice from the Citizens Advice network in Scotland in 2023/24, 40 per cent lived in SIMD Quintile 1 (the 20% most deprived areas in Scotland). During this period, 20% of people who received energy-related advice and disclosed their economic status were unemployed. CAS believes strongly that Ofgem must retain price protections for people in these sorts of circumstances.
- However, it is essential to recognise that a price cap is not an affordability tool. CAS reiterates its strong support for the urgent introduction of a social tariff. While acknowledging that Ofgem does not have the power to implement a social tariff, we believe that it should model the effects of introducing a social tariff in tandem with new forms of price protection.

Moving away from a flat cap will disadvantage people who cannot vary their energy consumption patterns

- Shifting from a flat cap to a dynamic Time of Use (ToU) cap may encourage certain consumers to shift demand in response to the frequently changing price of energy. However, CAS is concerned that consumers who cannot shift their demand patterns would not benefit from a dynamic ToU cap.
- Consumers who cannot respond to changing market conditions include people who use medical devices or require warm rooms to manage respiratory conditions. Removing price protections from this cohort by moving away from a flat cap would compound the detriment they experience because of their vulnerability. Ofgem should also consider the implications

of price protection based on a dynamic ToU tariff for people who cannot work from home – often in low-paid sectors of the economy like retail, hospitality and healthcare.

- Moving from a flat cap to a static ToU price cap may encourage consumers to shift demand from peak times. Theoretically, a static ToU cap is relatively easy to understand because weeks and days are divided in simple blocks of time. Nevertheless, CAS is aware of situations in which vulnerable consumers have encountered problems with ToU tariffs.

Citizens Alert: A North of Scotland CAB reports of a digitally excluded client of state pension age who was concerned about their expensive energy bills totalling approximately 30% of their net income. The client was on a Total Heat Total Control meter and didn't understand their on/off peak readings, and after numerous reports to their supplier, they failed to gain clarity. When requesting a meter inspection, the supplier stated there were no engineers available and the client would be subject to £149 upfront cost. On CAB advice to transfer to E7 for cheaper bills, the client experienced further issues with their energy supplier who stated that they could not transfer client to E7 as replacement meters were not available and they could not transfer the tariff remotely.

Price protections based around a dynamic ToU tariff would bring limited benefits to people who are digitally excluded or live in rural areas

- Having a smart meter and smart appliances – and, therefore, internet access – helps consumers take full advantage of dynamic ToU tariffs. Accordingly, Ofgem should consider whether consumers who are digitally excluded stand to benefit from price protections based around a dynamic ToU tariff.
- Shifting to a ToU price cap may not be suitable for households in rural areas where smart meter performance is poor, or suppliers struggle to install or repair smart meters. The forthcoming end to Radio Teleswitching may well compound these problems. There are 250,000 teleswitch meters in Scotland, which allow consumers – mostly using electric heating – to access ToU tariffs like Total Heat Total Control, Economy 7 and Economy 10.⁴

Citizens Alert: A North of Scotland CAB reports of a client who sought CAB support following communication from their council on the phase out of radio teleswitching devices. The client was advised by the council to contact Ali Energy, during contact, the client was redirected to their energy supplier, who were similarly unable to offer further information. The client was concerned about losing access to a suitable electricity meter and experiencing disconnected service due to the change. The client may be subject to further disconnection on switching due to poor performance of smart meters in many rural areas, and more expensive bills if moved to a smart meter at a standard cost.

Moving away from a stringent cap may leave consumers with inadequate price protection

⁴ [The closure of radio teleswitching \(RTS\) explained · Home Energy Scotland.](#)

- CAS notes the various options open to Ofgem to lessen the stringency of the price cap, including a market based cap, a ban on acquisition tariffs and a within supplier relative cap.
- One attraction of a ban on acquisition tariffs is that suppliers will not need to use the default tariff to subsidise cheaper acquisition tariffs. Ofgem would need to consider the impact of banning acquisition tariffs on the competition in the energy market, though.
- As the Discussion Paper highlights, the potential pitfall of a within supplier relative cap is that suppliers with relatively high numbers of customers on the default tariff may be tempted to game the system by making their cheapest tariff more expensive, thus increasing the default tariff. CAS believes that possibility would leave consumers with inadequate price protection.

A price cap aimed at a subsection of customers may provide targeted protection but would require careful design and implementation

- We acknowledge that the increasing diversity of retail market consumers will put pressure on a universal cap. It is vital that price protection remain in place for consumers who need it, including people who live on low incomes or deal with some form of vulnerability.
- Targeting price protections towards a specific group of consumers would mean that the price cap is no longer universal, while still affording protection to people who need it. In general, CAS supports using targeted policies as a means of channelling assistance to people who need it the most. We welcome the opportunity to scrutinise detailed proposals about moving away from a universal price cap.
- Targeting price protection at this subset of consumers relies on a careful definition of what constitutes vulnerability:
 - Vulnerability encapsulates temporary or permanent circumstances, that are often further exaggerated by personal characteristics (including protected characteristics), that have been shown to, or have the potential to, inhibit a person's capacity to represent or protect their own interests in a way that could lead to detriment or increase a person's chances of experiencing detriment.
 - As such, vulnerability is a state created by circumstances that people find themselves in and which may often be transient. Therefore, vulnerability ought to be understood in terms of circumstances, as opposed to solely limited to any individual attribute.
 - Such circumstances, or consequences of external factors, may include the sudden loss of or low income, inhibited access to local community support due to living in a rural or remote area, or choosing to self-disconnect heating due to high energy bills. Accordingly, this understanding widens the scope beyond a basic or prescribed understanding of vulnerability based on eligibility to social security alone.
 - As recognised in Ofgem's consumer vulnerability strategy 2025, 'vulnerability can affect anyone at any time and for many different reasons. It may be permanent or long-term, but equally it can be transitory following a bereavement or relationship breakdown'. Good practice in defining vulnerability also exists in

other spheres, for example, FCA (Financial Conduct Authority) guidance states that 'vulnerability is a spectrum of risk. All consumers are at risk of becoming vulnerable, but this risk is increased by having characteristics of vulnerability.'⁵

- Recognising this broad understanding of vulnerability and understanding that any person can find themselves in a vulnerable circumstance at any point, is the first step to identifying and supporting persons in vulnerable circumstances.
- CAS recognise strong indicators of vulnerability include eligibility for additional support such as the Warm Home Discount or entitlement to the Priority Services Register. However, we take the view that the criteria for such services ought to expand to take a more holistic, person-centred approach, based on lived experience. Applying this holistic approach to designing and implementing price protection, and combining it with a social tariff to address affordability challenges, will provide a robust package of measures that can help people in vulnerable situations.

About Citizens Advice Scotland

Citizens Advice Scotland (CAS), our 59-member Citizen Advice Bureaux (CAB) and the Extra Help Unit, form Scotland's largest independent advice network. Scotland's Citizens Advice Network is an essential community service that empowers people through our local bureaux and national services by providing free, confidential and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help and we change lives for the better.

⁵ [Guidance for firms on the fair treatment of vulnerable consumers | FCA](#) .