

Consultation Response

Ref 0916

Competition and Markets Authority consultation on provisional remedies from its energy market investigation

April 2016

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1. Introduction

Age UK is the country's largest charity dedicated to helping everyone make the most of later life. We help more than 5 million people every year, providing support, advice and companionship for older people who need it most. We run programmes to help people keep warm in winter, including support to shop around and switch energy supplier.

In March, the Competition and Markets Authority (CMA) published its provisional decision on remedies as part of its energy market investigation. We welcome the opportunity to respond to this consultation. This paper responds solely to the proposals in the 'Domestic retail remedies' section.

2. Key points

We support the CMA investigation given the importance of energy prices to older people.

- There are 542,000 older households (where the oldest person is aged 60+) in fuel poverty in England. This equates to about 1 million people aged 60+.
- The *depth* of fuel poverty is high among older households; the average fuel poverty gap (between required and median costs) for people aged 60+ is £450.¹
- High energy prices have a significant impact on many older people's health; over 9,000 deaths were directly attributed to cold homes in winter 2014/15.²

Below we raise a number of concerns, chiefly that many older people – including those in vulnerable circumstances – will continue to be disengaged from the energy market despite the support on offer. Solutions are needed to prevent them from paying excessive prices.

We also make the following recommendations:

- 'Disengaged customers' on the proposed database may be overwhelmed by offers, causing paralysis and distress. Ofgem should work to prevent this, including by evaluating the volume and complexity of deals offered to disengaged customers.
- To make a real impact on behaviour, Ofgem and the Government should adopt the principle that consumers should be able to access comparison information and switching services through a range of channels, including telephone.
- We strongly support the proposed temporary price cap for customers on prepayment meters, but Ofgem should explore the range of customer data available to identify other groups of vulnerable customers who could also benefit from a price cap or other similar mechanism.
- Ofgem should identify vulnerable customers who could be offered intensive practical support to compare offers and switch.
- In the context of the move towards principles-based regulation, Ofgem should set out a clear and robust plan for how it will police supplier behaviour and enforce good practice.

3. Supporting and protecting ‘disengaged’ customers

We welcome the strategic aim of ‘helping customers to engage to exploit the benefits of competition’, but the proposal to create an Ofgem-controlled database of ‘disengaged customers’ could bring opportunities and risks.

In principle, older consumers are the same as consumers of any age and face similar problems. However, normal consumer problems – such as difficulties engaging with complex marketplaces – are often exacerbated by conditions associated with ageing, such as living with multiple conditions or being less likely to use the newest technology, and this can increase the likelihood of older people being ‘disengaged’ or indeed vulnerable.

There is a risk that ‘disengaged customers’ – including older people in a range of vulnerable circumstances – will be overwhelmed by new communications from multiple suppliers. There are over 30 suppliers in the market and the proposed removal of rules on simpler choices (e.g. the four-tariff rule) will mean suppliers can offer a larger number of more complex tariffs. This may contribute to a feeling of paralysis among some customers.

Ofgem, as the controller of the database, should therefore have a clear duty to protect vulnerable customers from being bombarded by information in a way that may cause distress or harm. There are a range of circumstances in which a customer may be especially vulnerable, including living with dementia or other mental health conditions.

We recommend that Ofgem commission research into the tariff deals offered to customers on the database. This would help gauge how appropriate these deals are for people in the target market, and enable early action if there is evidence of poor quality or poor selling practices.

The broader point is that providing customers with information will not be sufficient to prompt engagement of all customers. Indeed, many people already receive quarterly information showing how much they could save if they switched. Ofgem may need to explore other tactics to provide information effectively and change the behaviour.

4. Improving switching

We know many people do not switch. A CMA survey on energy found that ‘34 per cent of respondents said they had never considered switching supplier, while 56 per cent said they had never switched supplier, did not know if it was possible or did not know if they had done so.’

The reasons for not switching are also well-covered. In Age UK’s experience, these include not appreciating that they could do better than their existing supplier, hassle, confusion, difficulty making comparisons, a previous switch going wrong or worry that it will go wrong, and digital exclusion. While older people are increasingly going online, there are still two thirds (67%) of people aged 75+ who are non-users. Those people offline cannot easily access price comparison websites (PCWs) or online switching services.

Unless policy measures address these barriers, disengaged customers will continue to not switch. We welcome the call for ‘greater clarity around the role of PCWs – effectively acting as brokers offering customers good deals and facilitating switches rather than

repositories of all available tariffs'. The development of effective 'brokers' that engage with and do the work of actually switching for disengaged customers could represent progress.

To enable people of all ages who want to switch to do so, we have proposed an additional principle to the Government (BIS): **Consumers should be able to access comparison information and switching services through a range of channels, including telephone.**

5. Extending the transitional price cap

We welcome the proposal to intervene directly during a transitional period – through a price cap for prepayment meter customers – given the likely continuation of substantial consumer detriment. While we recognise that this investigation understands consumer detriment in monetary terms, we re-emphasise that high energy prices impact older people's health, with over 9,000 deaths directly attributed to cold homes in winter 2014/15.

Our key argument is that some older people (and people of all ages) in vulnerable circumstances have a pressing need for more affordable energy but are not in a position to be active consumers. These circumstances include living with dementia or other mental health conditions, living with disabilities or long-term health conditions and being digitally excluded. The Ipsos MORI customer engagement tracking survey shows that people 'with a long term physical or mental impairment are less likely than those without such an impairment to have switched either fuel this year'.³

So, in addition to prepayment customers, there may be other identifiable groups of customers who should be offered a transitional price cap.

We are not in a position to identify such a group. Ofgem may be in a position to do so, drawing on its extensive customer data, including the proposed database of disengaged customers. It could work with government departments, energy suppliers and network operators to assess other data, including Warm Home Discount and Pension Credit recipients, and customers with particular needs captured on priority services registers. We encourage Ofgem to explore this wealth of data on customers and their circumstances (understanding that data sharing agreements may need to be developed) to identify groups with a valid need for a price cap.

6. Using data to target practical support

Age UK's experience of supporting older people to shop around and switch shows that some people are interested in switching but need 'hands-on' practical support to do so. Continuing the theme of using data better, there may be scope for Ofgem to identify disengaged and/or vulnerable customers, who can then be offered practical support to compare and switch.

Indeed, we have found through our programme that some people's initial reluctance to switch can be overcome by comparing it to shopping and comparing prices in supermarkets, explaining that the energy is exactly the same only a different coloured bill. However, only four in ten (41 per cent) people in the programme switched. This suggests that even when offered intensive practical support ('hand-holding') there is a large proportion of people unwilling or unable to switch, despite the large savings possible. So

there will also be limits to how far providing information to customers can act as a prompt to switch. Those who are not in a position to be active consumers should not be condemned to paying excessive prices.

It also means we have to make the most of the various initiatives that already exist to give practical support to people to switch, including the Big Energy Savings Network and Energy Best Deal. The Smart Meter Community Engagement programme will soon be rolled out. Ofgem should maximise these programmes by joining them up to build a firm platform of local advisers that can bring the most disengaged or vulnerable through the switching process.

7. Principles-based regulation

We note that the remedies ‘place a greater emphasis on the use of principles rather than detailed rules in seeking to address potential adverse supplier behaviour’. We seek reassurances on how Ofgem will police supplier behaviour and enforce good practice.

8. Contact

To discuss any of these points, please contact Phil Mawhinney, Policy Advisor, Public Policy Team, Age UK at phil.mawhinney@ageuk.org.uk or 0207 020 303 31391.

¹ *Annual Fuel Poverty Statistics Report*, DECC, 2015

² UCL statistics

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https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/customerengagementreport2015_final_for_publication.pdf