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Ofgem's Consumer Vulnerability Strategy Refresh Consultation Response from the Committee on Fuel Poverty

Introduction

The Committee on Fuel Poverty (the Committee) is an advisory Non-Departmental Public Body sponsored by the Department for Energy Security and Net Zero (DESNZ). The Committee advises on the effectiveness of policies aimed at reducing fuel poverty and encourages greater co-ordination across the organisations working to reduce fuel poverty.

The Committee welcomes the opportunity to comment on Ofgem's Consultation on refreshing its Consumer Vulnerability Strategy. The strategy covers consumer vulnerability in all its many forms. However, our comments are limited to the areas which align most closely with the Committee's remit.

Response and Comments

Q1. Do you agree that we should not prioritise updating the vulnerability definition?

We think the definition of vulnerability should be updated to include financial vulnerability, to give a clear single focus to work on addressing fuel poverty and financial vulnerability more generally.

In section 4 Ofgem sets out the current definition of vulnerability. It explains that there has been stakeholder feedback around defining financial vulnerability and including it in the vulnerability definition. Ofgem proposes not to include financial vulnerability in its definition, noting that financial vulnerability remains a key focus for the organisation and it has work to tackle specific issues in train, including energy affordability.

The Committee believes that the most important point is that Ofgem engages substantively in addressing fuel poverty, in addition to its work on managing government schemes. However, it seems simply confusing to have a definition of vulnerability that does not include financial vulnerability, when its consultation on its strategy includes so much on energy affordability and by implication addressing a key cause of fuel poverty. For example:

- pages 30 and 31 of the consultation deal with energy affordability and fuel poverty; and
- theme 2 is supporting those struggling with bills, the immediate priorities for which include reviewing rules on debt and arrears, work with government on financial solutions on debt, standing charges and continuing to work with government on future price protection

It is confusing not to include financial vulnerability within a definition of consumer vulnerability when the strategy for the latter appears to include some projects aimed squarely at the former. It would be easier for all to understand Ofgem's work on addressing fuel poverty and financial vulnerability more generally if it was all corralled in one place – and the obvious place would seem to be this strategy.

Q4. Do you agree with our proposed outcomes?

and

Q5. Do you have any comments on our definitions of success or metrics to monitor progress and delivery of the outcomes?

We comment on this in relation to theme 2, supporting those struggling with bills, Outcome 2 and its success measures are unduly narrow and lacking in ambition to protect consumers – and do not match some of what it is proposing to do in this area.

The second outcome is:

Vulnerable customers who are struggling to pay their bills, or are indebted, should have proactive and consistent affordability and debt support, that is delivered with compassion and understanding

It is unclear from this outcome alone whether this includes actual financial support, as opposed to advice and information. The definition of success for Outcome 2 is:

1. *Improvements in the number of customers on repayment plans vs in arrears;*
2. *An increase in accurate bills provided; and*
3. *Improved customer understanding of bills.*

Reading these suggests that the outcome is focussed on advice and information, and not on providing actual financial support.

These are laudable outcomes to achieve. However, if that is all Ofgem were aiming to achieve in the affordability space, Ofgem would rightly be criticised for letting consumers down. Crucially, this is not all Ofgem appears to be aiming to achieve – its list of priority projects for this theme include several pieces of work which do not seem to play in to these success measures but are important – those listed above in response to question 1. To the extent this is not included in these projects, Ofgem should of course be advising government on options for targeted support for those in fuel poverty.

In short, the work Ofgem is proposing to do feels broadly along the right lines, but the success measures and hence the outcomes do not match that work, they are unduly narrow. Outcome 2 should include reference to vulnerable consumers struggling to pay their bills also having access to the targeted financial support they need.