

National Energy Action (NEA) response to Ofgem's statutory consultation on price protection data matching



Action for Warm Homes

About NEA

NEA¹ work across England, Wales and Northern Ireland to ensure that everyone in the UK² can afford to live in a warm, dry home. NEA also tackles exclusion in the energy market locally and nationally. To achieve this we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, local health & housing projects and co-ordinate other related services which can help change lives. Our subsidy Warm Zones is a not-for-profit Community Interest Company that also aims to work in partnership in various locations across the country to deliver integrated packages of energy efficiency measures, benefits and energy advice³. NEA also provide the secretariat for the All-Party Parliamentary Fuel Poverty & Energy Efficiency Group to raise awareness of the problem of fuel poverty and the policies needed to eradicate it⁴.

Background to this consultation

Ofgem's existing statutory duties require them to take into account the needs of particular groups of consumers; including those households living on low incomes. In March last year, the Prime Minister described energy as an essential service. She also stated energy prices are highest for those on low incomes and switching alone is not working⁵. Whilst some early progress had been made following the Competition Market Authority (CMA)'s Market Investigation⁶, NEA also believes further action is required to safeguard vulnerable domestic customers, particularly those living on the lowest incomes⁷.

Following the Queens Speech⁸ and the UK Government's commitment to "bringing forward measures to help tackle unfair practices in the energy market to help reduce energy bills", using existing powers Ofgem moved forward with plans to extend the existing Pre-Payment Meter (PPM) Safeguard Tariff to an additional 1 million low income customers. This additional protection took effect at the beginning February 2018. NEA welcomed these efforts. NEA also welcomed Ofgem's subsequent consultation⁹ which proposed to extend the Safeguard Tariff to an additional 2 million low income consumers that that are eligible, but may not receive, the Warm Home Discount. This step is crucial as the households who currently miss out on the Safeguard Tariff are mostly working-age, fall into the lowest income deciles and are already facing thousand pound gaps between their incomes and the essential cost of living¹⁰. Despite these circumstances, they don't benefit automatically from either the discounts provided by the Warm Home Discount or the protection from unexpected bill increases afforded under current Safeguard Tariff. Protecting these households is NEA's key priority and, as noted above, is fully consistent with Ofgem's existing statutory duties.

Following a letter by the BEIS Committee Chair to the Secretary of State in November 2017¹¹, NEA also welcomed the UK Government subsequently consulting¹² on new data-sharing powers to make it easier for the aforementioned low income consumers to be protected from "unfair energy bills" under the Safeguard Tariff. It should however be noted that the Government's earlier response to the BEIS Committee Chair had said legislation could be brought forward early in 2018, subject to Parliamentary timings. Whilst this delay is disappointing, within this announcement the UK Government also specifically highlighted¹³ that the new data-sharing measures will mean more vulnerable consumers would be protected from high energy bills automatically via an extended Safeguard Tariff, seemingly confirming Ofgem's own intent.

NEA highlighted the importance of adequately addressing these emerging issues via oral evidence provided to the BEIS Committee during pre-legislative scrutiny of the Bill in March¹⁴. Subsequently, following the publication of the Domestic Gas and Electricity (Tariff Cap) Bill in Parliament, NEA also provided further oral evidence to the Public Bill Committee in April¹⁵. During both sessions, NEA stated that whilst we recognised the value of the wider cap being introduced, for the reasons noted above, NEA has sought to preserve and extend the benefits currently offered by the existing GB wide Safeguard Tariff, which is already in place for low income and vulnerable consumers, irrespective of the wider price cap being introduced. NEA also highlighted a significant key concern that an assumption is being made that the proposed Standard Variable Tariff (SVT)-wide cap will protect exactly the same households that are already protected by the Safeguard Tariff. NEA also highlighted that the relative values of those two caps are likely to be different given the requirements imposed on Ofgem within the draft legislation. Despite cross party amendments¹⁶ which aimed to resolve these issues, NEA continues to believe there is a significant risk low income consumers may still see their bills increase if the Safeguard Tariff is withdrawn prematurely (i.e once the wider SVT wide cap is introduced)¹⁷.

Our response to this consultation

NEA welcomes the opportunity to respond to Ofgem's statutory consultation on price protection data matching. Whilst there are no consultation questions to respond to, NEA agrees with the introduction of a licence conditions obligating suppliers to take preparatory steps now to have arrangements in place with the Department for Work and Pensions (DWP) for when the necessary data matching exercise will commence¹⁸. NEA also welcomes Ofgem addressing the current unacceptable variance in the coverage of the existing Safeguard Tariff and we express our support for ensuring suppliers over 50,000 customers are able to deliver and target this vital assistance effectively in the near future. NEA also welcomes Ofgem committing to develop and implement the necessary data privacy impact assessments in time for when the extended Safeguard Tariff is implemented, hopefully for all customers eligible for the Warm Home Discount (within both the WHD core and broader group), by no later than this December.

Despite welcoming these promising steps, NEA highlights an acute concern regarding the continued uncertainty regarding whether Ofgem will actually seek to preserve and extend the benefits currently offered by the existing GB wide Safeguard Tariff, irrespective of the wider price cap being introduced. NEA highlights above that there has now been a long delay to getting clarity on these crucial issues and we urge Ofgem to set out how they will mitigate the risks above (the risk that the proposed SVT wide price cap will not protect exactly the same households that are already protected by the Safeguard Tariff and the likely possibility the value of the two caps is to be different). This should result in an unambiguous statement that the Safeguard Tariff will not be withdrawn prematurely and will operate alongside the (SVT)-wide cap and can continue long after the SVT cap is withdrawn.

¹ For more information visit: www.nea.org.uk.

² NEA also work alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

³ For more information visit: <http://warmzones.co.uk/>.

⁴ For more information visit: www.nea.org.uk/fpeeg/about-fpeeg/

⁵ The Prime Minister was speaking at the Conservative Party Spring Forum in Wales on the 17 March 2017

⁶ NEA welcomed the introduction in April 2017 of a price cap for Pre-Payment Meter customers

⁷ NEA highlights that net disposable income after housing costs of a low income household is £248 per week (£12,933 per year), equating to 60% of the UK median of £413 per week. The income after housing costs of a fuel poor household is even lower: £10,118 per year, equating to a net disposable weekly income of £194. Investigating income deciles shows the poorest 10% of UK society have a gross average weekly household income of £130 (£6,760 per year). Fuel poor households overwhelmingly comprise the poorest fifth of society: 85% of households in fuel poverty in England are located in the first and second income deciles and 78% of English households in those two deciles are fuel poor.

⁸ The Gracious Speech, 2017

⁹ The consultation was released on December 2017, see: <https://www.ofgem.gov.uk/publications-and-updates/providing-financial-protection-more-vulnerable-consumers>

¹⁰ Ibid, Bridging the Gap report.

¹¹ [https://www.parliament.uk/documents/commons-committees/business-energy-and-industrial-strategy/Correspondence/Letter-from-the-Chair-to-the-Secretary-of-State-\(BEIS\)-relating-to-vulnerable-energy-customers-1-November-2017.pdf](https://www.parliament.uk/documents/commons-committees/business-energy-and-industrial-strategy/Correspondence/Letter-from-the-Chair-to-the-Secretary-of-State-(BEIS)-relating-to-vulnerable-energy-customers-1-November-2017.pdf). In response the Secretary of State noted the Government's support of the safeguard tariff for vulnerable customers and said they were working actively working with Cabinet Office, the Department for Work and Pensions and Ofgem on how legislation, including the Digital Economy Act, could enable the safeguard tariff to cover more vulnerable customers. He also said legislation could be brought forward early in 2018, subject to Parliamentary timings.

¹² Released in February 2018, see: <https://www.gov.uk/government/news/new-proposals-to-help-vulnerable-people-benefit-from-cheaper-energy>.

¹³ Business and Energy Secretary Greg Clark said "the effects of energy price rises are often felt most by those on the lowest incomes, as they are usually on the highest standard variable tariffs. These people are at risk of being plunged further into fuel poverty if they are left at the mercy of a broken energy market. Enabling energy suppliers to establish who should be on Ofgem's safeguard tariff cap will help these vulnerable consumers. The proposed amendments to the Digital Economy Act will allow suppliers to work with government to carefully identify those whose energy bills are high and potentially putting them in financial difficulty. These people can then be placed under Ofgem's safeguard tariff cap, protecting them from high bills and unfair price rises".

¹⁴ See: [https://hansard.parliament.uk/commons/2018-03-13/debates/b74f2d8c-34f4-4159-b6d5-99308f983172/DomesticGasAndElectricity\(TariffCap\)Bill\(FirstSitting\)](https://hansard.parliament.uk/commons/2018-03-13/debates/b74f2d8c-34f4-4159-b6d5-99308f983172/DomesticGasAndElectricity(TariffCap)Bill(FirstSitting)).

¹⁵ In response, both Ofgem and the Minister stated publically that they recognised the need for the Safeguard Tariff to continue even if the SVT wide cap is in place by this winter. Further to this, the Minister also restated that the UK Government supported the positive case for the Safeguard Tariff to be expanded to those eligible for the Warm Home Discount scheme and this would be possible once the revisions to the necessary data-sharing in the Digital Economy Act schedules have been made. As noted in the consultation, it is anticipated that the Government is expecting to publish its response to this consultation shortly and regulations designed to make the necessary changes, which will also be laid for Parliamentary approval before summer recess.

¹⁶ The Chair of the BEIS Committee and a number of cross party MPs tabled a suitable amendments at the Report Stage of the Bill which took place on the 30th April (see amendment 9, https://publications.parliament.uk/pa/bills/cbill/2017-2019/0168/amend/domestic_daily_rep_0427.1-6.html) and watch the debate from 19.15 here: <https://www.parliamentlive.tv/Event/Index/450d1e00-73fd-4d1e-8792-df32dc3abb24?agenda=True>).

¹⁷ NEA stresses it would be perverse if the only people who see their energy bills increase as a direct result of the introduction of the wider price cap are low income and vulnerable households. This would potentially invoke public and political criticism.

¹⁸ Read NEA's response the data-sharing consultation here: <http://www.nea.org.uk/wp-content/uploads/2018/03/NEA-RESPONSE-TO-CONSULTATION-ON-DATA-SHARING-REGULATIONS-FOR-A-SAFEGUARD-ENERGY-TARIFF.pdf>