

## National Energy Action (NEA) response to the consultation on Refreshing the Consumer Vulnerability Strategy



### About National Energy Action (NEA)

National Energy Action <sup>1</sup> works across England, Wales, and Northern Ireland to ensure that everyone in the UK<sup>2</sup> can afford to live in a warm, safe and healthy home. To achieve this, we aim to improve access to energy and debt advice, provide training, support energy efficiency policies, work on local projects, and coordinate other related services which can help change lives.

### Background to our response

The current Consumer Vulnerability Strategy (CVS) was created in 2019, prior to the energy price crisis which began in 2021. Since the beginning of the crisis, energy prices have increased significantly and are set to remain at elevated levels for the rest of this decade, according to forecasts. When the current strategy was introduced, the energy price cap was set at £1,179. Currently, the price cap is £1,717. Accounting for changes to typical domestic consumption values, this means that the typical household pays £500 a year more than in 2019, despite using less electricity and less gas.<sup>3</sup>

The consequences of energy unaffordability are clear. Debt has risen from £1.3bn to £3.7 billion from the introduction of the previous CVS until now. For all consumers, elevated debt levels result in additional costs on tariffs. National Energy Action estimates that on aggregate, consumers are paying around £1.5bn a year to service the costs of debt. National Energy Action's own polling also suggests that households are turning to rationing, as well as debt, to cope with high prices. We recently found that almost half of adults are likely to ration their energy this winter.

The refresh to Ofgem's CVS therefore comes at a time where the pressures faced by consumers are much greater than in 2019. National Energy Action hopes that the update to this strategy will result in alleviation of pressure on the most vulnerable consumers. To do this, the strategy will need to influence how suppliers, networks and Ofgem approach the identification and treatment of vulnerable consumers over the coming years.

## Summary of our response:

Table of recommendations	
Energy debt	Ofgem should include an explicit aim for reducing consumer debt levels as part of the strategy. And introduce policies to support this aim.
	Debt levels (collected via SOR reporting) should be included as a measure of success for the strategy.
Priority Services Register (PSR)	Ofgem should introduce a financial vulnerability flag to the PSR.
	Ofgem should conduct a review of the PSR, the uptake of the services offered and an audit of how energy suppliers currently use of the data.
	Targeted promotion of services tailored to different vulnerabilities.
	An Ofgem commitment to enhance monitoring and reporting of PSR.
Innovation and vulnerability	This CVS should continue the focus on vulnerability in innovation projects, including within network innovation, and particularly through Network Innovation Allowance.
Language and communication	Review the effectiveness of expectations for suppliers to provide language services to consumers who do not speak English as a first language.
	Ofgem should account for low numeracy levels in the strategy and update relevant licence conditions to ensure suppliers communicate plainly both in terms of language and numbers.
Measuring outcomes and learning lessons	As part of behavioural science research and consumer insights work, account for the difference between how consumers perceive their ability to understand communications and their actual levels of comprehension.
	Ensure supplier presentations focus on action beyond the minimum licence condition obligations.
	Ofgem should continue to develop, apply and learn from consumer archetypes when assessing the impact of policy changes. Ofgem should also assess the impact of policy changes regarding fuel poverty levels.

### **Affordability and debt should be at the forefront of the strategy**

The total value of energy debt and arrears has risen from £1.3bn to £3.7 billion from the introduction of the previous Consumer Vulnerability Strategy until now.<sup>4</sup> Seventy-five per cent of the current level consists of arrears, meaning there is no repayment arrangement in place. Considering that the current energy price cap is higher than the previous one, it is therefore reasonable to expect that the total figure will continue to grow indefinitely. One of the major themes of the current CVS, which National Energy Action agrees should continue into the updated strategy, is around supporting those who are struggling with their bills. The

proposed outcomes for this theme focus on ensuring consumers have access to accurate information, flexibility, support and that it is delivered with compassion and understanding.

National Energy Action believes the strategy should go further to include an explicit aim for addressing the crushing levels of energy debt. Already, Ofgem are working towards this aim. National Energy Action was pleased to see Ofgem launch a Call for Input on Affordability and Debt, and to see evidence of working with government to explore options for helping consumers in debt. National Energy Action is supportive of Ofgem's thinking in this area and would like Ofgem to bring forward those plans as soon as possible to provide alleviation for many households who are facing crushing debts.<sup>5</sup>

It is implied in these packages of work that Ofgem can create positive outcomes for consumers with regard to debt, and to achieve a lower overall level of debt in the market. This is consistent with Ofgem's responsibilities to ensure fair treatment for all consumers, especially the vulnerable, and for ensuring the financial resilience of energy suppliers. Signalling an explicit aim to reduce energy debt as part of the updated strategy is symbolically important. National Energy Action recognise that such a commitment should be made carefully and take account of factors beyond Ofgem's control which could cause debt to increase in the future.

### **Ensuring the PSR results in good outcomes for vulnerable households**

Much work has been done over recent years to develop the PSR into a "tell us once" system. While this work is important, there has been considerably less focus on whether the PSR is robust in terms of the quality of data that it holds, and what purpose that data serves. Eligibility for the PSR covers a variety of consumer circumstances, ranging from temporary circumstances such as pregnancy, and long-term medical circumstances resulting in medical dependency on energy and water. Over the past few years, the PSR has increased in size to capture vulnerable consumers seeking additional protection through the energy crisis. It has arguably been overstretched, with some suppliers reporting that up to 50% of their consumers are on the PSR. In National Energy Action's experience, PSR data is often outdated with regard to information of vulnerabilities.

For some of the PSR needs codes, such as health conditions resulting in medical dependency on energy access, there is greater importance for assuring that all households are captured because of the associated priority services that those households receive. National Energy Action would like to see Ofgem commit, as part of the vulnerability strategy, to ensuring that the PSR adequately captures these vulnerabilities. The focus should not be on the quantity of households registered on the PSR, but the quality of that data, ensuring that it is reliable and updated as circumstances change. In the first instance, there should be a focus on improving the data quality for needs codes relating to a medical dependency on energy.

This could be achieved by collaborating with health-based organisations who hold data on the clients they support. In the coming years, during the course of the updated strategy, there are likely to be significant decisions made about reforming the energy market to drive decarbonisation. These changes could impact existing services provided through the PSR, but also generate a need to reform the PSR to ensure vital services are provided to vulnerable households through the delivery of decarbonisation objectives. For instance, if the UK transitions away from supplying households with gas, and focuses on electrification, the decommissioning of the gas grid will impact vulnerable households who have a gas supply. Ensuring the data on the PSR is of a high quality will allow for greater identification and

protection of households that will be impacted by decarbonisation. In doing so, the PSR can mitigate the risk of negative outcomes for vulnerable households.

There is a lot of work that can be done to ensure the PSR continues to protect vulnerable consumers. To ensure it is fit for the future, these are the actions National Energy Action would like to see Ofgem take:

- A review of the PSR, the uptake of the services offered and an audit of how energy suppliers currently make use of the data
- A financial vulnerability flag added to the needs code
- Improved awareness of vulnerability and accessibility to PSR services by suppliers
- Targeted promotion of services tailored to different vulnerabilities
- Consideration given for bespoke funding for suppliers to recover the costs of PSR-led activity within the price cap (similar to in scale to DNOs)
- An Ofgem commitment to enhance monitoring and reporting of PSR

### **Ensuring vulnerable households are not left behind in the transition to net zero**

Ofgem's new net zero duty places additional responsibilities on the regulator to ensure that Great Britain meets its net zero goals. It is important that there is recognition that this does not provide an incentive to reach net zero at any cost, but to do so while protecting vulnerable customers, and while alleviating fuel poverty. Having due concern for fuel poor households within net zero duties is enshrined for the Committee on Climate Change in the Climate Change Act, and there is no reason why Ofgem should not work to the same principle.

Within efforts to meet net zero, it is expected that a significant amount of innovation will be needed over the course of the timespan of the next phase of the CVS, as we continue to work towards net zero. National Energy Action is pleased to see that Ofgem includes retail innovation and heat network regulation in the immediate priorities for this theme. It is important, however, that the progress on network innovation should be maintained.

Within the current CVS, efforts have been made to ensure that vulnerable consumers are included within innovation projects in the energy sector. This has principally been done through two changes to the Network Innovation Allowance (NIA) where:

- Vulnerability is one of only two areas that the NIA can be used for
- All NIA projects must include an assessment on their impact on vulnerable customers.

This has led to several successful innovation projects during RIIO-2, which more deeply consider vulnerability, for example:

- SSE-N's VFES project, which aims to better understand and forecast potential changes and impacts to vulnerability using innovative forecasting techniques, as current Distribution Future Energy Scenarios (DFES) don't effectively take consumer vulnerability into account.
- NGPD's Equinox project, which looks to develop novel commercial arrangements and supporting technologies that unlock flexibility from residential low-carbon heating, while meeting the needs of all consumers, including the fuel poor and vulnerable.

The GDNs' Vulnerability and Carbon Monoxide Allowance (VCMA) also provides opportunities to address the longer-term distributional issues associated with net zero, for example protecting low-income customers within a shrinking gas usage base. This could

include helping to ensure that homes become heat pump ready (with appropriate radiators etc.) while remaining on the gas grid and using gas boilers.

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

Yes. National Energy Action agrees that updating the definition of vulnerability should not be a priority for the refresh of the Consumer Vulnerability Strategy. The existing definition of vulnerability is satisfactory. Work to update the definition of ‘vulnerability’ would distract from, or delay, other works aiming to deliver positive outcomes for vulnerable consumers.

However, there is a gap in knowledge regarding the extent of detriment to consumers as a consequence of their vulnerability. For instance, those with a medical dependency on energy are more likely than a typical consumer to face detriment in terms of energy costs and dependency on priority services. National Energy Action would like to see Ofgem try to quantify the extent of detriment faced by consumers with different vulnerabilities. Doing so could better enable the prioritisation of work to deliver positive outcomes for those consumers.

**Q2. Do you agree with our proposals to retain the five themes?**

Yes. The five themes remain relevant. National Energy Action supports retaining them, despite a significant change to the context in which the strategy is aiming to support vulnerable consumers.

**Q3. Do you agree with our proposal to retain ‘working with partners to solve issues across multiple sectors’ as a cross-cutting theme?**

Yes, though National Energy Action would like to see Ofgem define the intended outcomes of this theme. Despite being a cross-cutting theme, it is important for Ofgem to demonstrate the value of working across sectors. National Energy Action has experienced improvements in Ofgem’s approach to engagement across sectors, such as through the establishment of a regular call between Ofgem, charities and consumer groups. As a result, Ofgem has had access to a more diverse range of perspectives, insight and lived experience to inform decision making across a range of issues that impact the experience of vulnerable consumers.

**Q4. Do you agree with our proposed outcomes?**

Our response, below, is broken down into the themes of the strategy.

1. Improving vulnerability and smart use of data

**Ensuring the PSR is robust**

To achieve the primary outcome of this theme, focus is needed on the quality of data held on the PSR.

Much work has been done over recent years to develop the PSR into a “tell us once” system. While this work is important, there has been considerably less focus on whether the PSR is robust in terms of the quality of data that it holds, and what purpose that data serves. Eligibility for the PSR covers a variety of consumer circumstances, ranging from temporary circumstances such as pregnancy, and long-term medical circumstances resulting in medical dependency on energy and water. In National Energy Action’s experience, the PSR often

holds outdated information of vulnerabilities, and does not include all households which require priority services the most.

For some of the PSR needs codes, such as those that relate to health conditions resulting in medical dependency on energy access, there is greater importance for assuring that all households are captured because of the associated priority services that those households receive. National Energy Action would like to see Ofgem commit, as part of the vulnerability strategy, to ensuring that the PSR adequately and accurately captures these vulnerabilities. The focus should not be solely on the quantity of households registered on the PSR, but the quality of that data, ensuring that it is reliable and updated as circumstances change. In the first instance, there should be a focus on improving the data quality for needs codes relating to a medical dependency on energy. This could be achieved by collaborating with health-based organisations who hold data on the clients they support.

### **Inclusion of a financial vulnerability flag on the PSR**

To ensure vulnerable customers have their needs identified, National Energy Action has been calling for the inclusion of a financial vulnerability flag on the PSR. The early identification of financially vulnerable consumers must be improved. Early engagement with those who are falling behind on bills can prevent problem debt. Without the means to identify these customers, suppliers cannot properly protect them. National Energy Action believes that the introduction of a financial vulnerability flag on the PSR will improve the prospects of early engagement. While the PSR was not initially designed to act as a means of identifying financial vulnerability, the inclusion of a financial vulnerability flag in the PSR would undoubtedly contribute towards the aim of supporting those struggling with bills.

### **Accounting for low numeracy levels**

Licence conditions require suppliers to use plain and simple language. While it is implicit that this should take account of numeracy levels, the reality is that many consumers do not understand the numerical element of the information they receive. Remarkably, around 20 million of the working-age population of England have the numeracy level that is expected of primary school children. That's around half of the working-age population. The equivalent figure for literacy is around 6 million adults. In addition, analysis by Plain Numbers<sup>6</sup> demonstrates that there is a significant distinction between how consumers perceive their ability to understand this information, and their actual understanding of that information.

Alongside the refresh of the CVS, National Energy Action welcomes the launch of the consumer confidence plan. National Energy Action support the intention of that plan to ensure all customers receive the best possible service. To achieve that, as listed in the document itself, suppliers must help consumers understand their tariff, meter, payment options, bills, available products and services and what support is available. Since half the working-age population have the everyday number skills that we expect of a primary school child, it is important to the aim of improving consumer understanding that suppliers are delivering information in a way that can be understood by those with low numeracy levels. The vulnerability strategy should explicitly take this into account.

## 2. Supporting those struggling with bills

### **Commitment to tackle energy debt**

The total value of energy debt and arrears has risen from £1.3bn to £3.7 billion from the introduction of the previous Consumer Vulnerability Strategy until now. Seventy-five per cent of the current level consists of arrears, meaning there is no repayment arrangement in place. Considering that the current energy price cap is higher than the previous one, it is

therefore reasonable to expect that the total figure will continue to grow indefinitely. One of the major themes of the current CVS, which National Energy Action agrees should continue into the updated strategy, is around supporting those who are struggling with their bills. The proposed outcomes for this theme focus on ensuring consumers have access to accurate information, flexibility and support, and that it is delivered with compassion and understanding.

National Energy Action believes the strategy should go further to include an explicit aim for addressing the crushing levels of energy debt. Already, Ofgem are working towards this aim. National Energy Action was pleased to see Ofgem launch a Call for Input on Affordability and Debt, and to see evidence of working with government to explore options for helping consumers in debt. It is implied in these packages of work that Ofgem can creative positive outcomes for consumers regarding debt, and to achieve a lower overall level of debt in the market. This is consistent with Ofgem's responsibilities to ensure fair treatment for all consumers, especially the vulnerable, and for ensuring the financial resilience of energy suppliers. Signalling an explicit aim to reduce energy debt as part of the updated strategy is symbolically important.

### 3. Driving significant improvements in customer service for vulnerable groups

#### **Increased demand for language services**

National Energy Action has seen a significant increase in the demand for language services from clients we support. Between October 2023 and October 2024, National Energy Action provided language support in around 450 cases. Compared to the previous year, where National Energy Action provided support in 72 cases, this represents a significant increase. This trend has also been noticed by other organisations in the third sector who provide energy advice to vulnerable consumers. Provision of language services is an area National Energy Action would like Ofgem to focus on in the forthcoming strategy. Much of the increased demand NEA has seen follows community engagement projects. Around a third of the clients we supported in the past year spoke Tigrinya as their first language. Demand for our support services is driven by an inability to easily access language services from energy suppliers. The outcome and sub-outcomes under the theme of driving improvements in customer service focus on the need for tailored communications. Accessibility to language services is vital for achieving this outcome.

### 4. Encouraging positive and inclusive innovation

Ofgem's new net zero duty places additional responsibilities on the regulator to ensure that Great Britain meets its net zero goals. It is important that there is recognition that this does not provide an incentive to reach net zero at any cost, but to do so while protecting vulnerable customers, and while alleviating fuel poverty. Having due concern for fuel poor households within net zero duties is enshrined for the Committee on Climate Change in the Climate Change Act, and there is no reason why Ofgem should not work to the same principle. Below are some areas that we think could foster more inclusive innovation in the move to net zero.

#### **Ringfencing the Network Innovation Allowance**

Within the current CVS, efforts have been made to ensure that vulnerable consumers are included within innovation projects in the energy sector. This has principally been done through two changes to the Network Innovation Allowance (NIA) where:

- Vulnerability is one of only two areas that the NIA can be used for

- All NIA projects must include an assessment on their impact on vulnerable customers.

This has led to several successful innovation projects during RIIO-2, which more deeply consider vulnerability, for example:

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- NGPD's Equinox project, which looks to develop novel commercial arrangements and supporting technologies that unlock flexibility from residential low carbon heating, while meeting the needs of all consumers, including the fuel poor and vulnerable.

National Energy Action believes that it is important for the CVS to continue the focus on vulnerability in innovation projects, including within network innovation, and particularly through NIA.

### **Ensuring that the GDNs' Vulnerability and Carbon Monoxide Allowance addresses distributional issues**

The GDNs' Vulnerability and Carbon Monoxide Allowance (VCMA) also provides opportunities to address the longer-term distributional issues associated with net zero, for example protecting low-income customers within a shrinking gas usage base. This could include helping to ensure that homes become heat pump ready (with appropriate radiators etc) while remaining on the gas grid, and using gas boilers.

#### 5. Working with others to solve issues that cut across multiple sectors

As mentioned above, National Energy Action would like to see Ofgem define the intended outcomes of this theme. Despite being a cross-cutting theme, it is important for Ofgem to demonstrate the value of working across sectors.

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

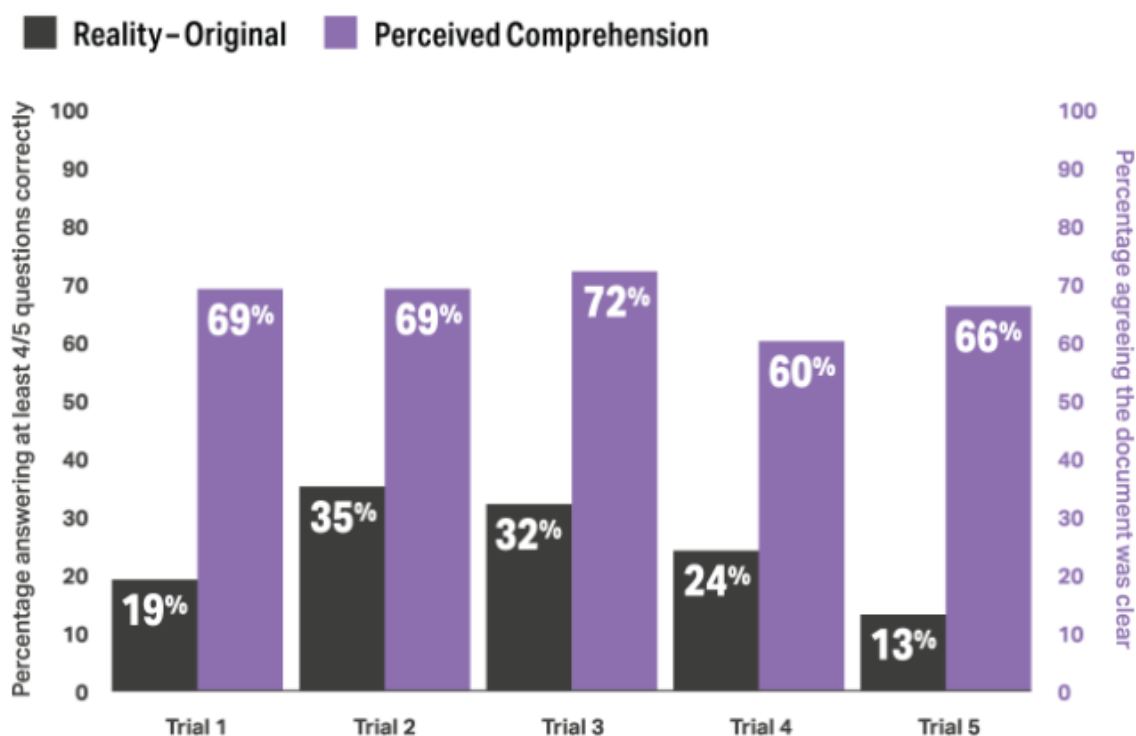
#### 1) Measuring Consumer Understanding

Central to the outcomes in the CVS is a focus on consumers' ability to understand the information they are provided. This is also a focus within the Consumer Confidence Programme. To measure performance in this area, the consultation document suggests undertaking consumer insight and behavioural science research. National Energy Action agrees that this approach is appropriate. Within such research, it is important not only to gauge consumer attitudes, opinions and perspectives, but to test perceived understanding against actual understanding.

As mentioned above, analysis by Plain Numbers demonstrates that there is a significant distinction between how consumers perceive their ability to understand information, such as bills, and their actual understanding of that information. A graph demonstrating their findings can be found below.<sup>7</sup>



## The difference between perceived and actual understanding – original version



To properly measure consumer understanding of information, Ofgem should show how behavioural science research and consumer understanding can account for this difference.

### 2) Measuring support for those struggling with bills

Vulnerability can influence a household's ability to keep on top of energy bills. Growth in debt is likely to correspond to higher levels of rationing. The consequences of falling behind on payments also impact non-vulnerable households. Growing debt levels creates risk regarding the resilience of the market, and it also results in increased costs for all consumers in the form of debt allowances under the price cap. Levels of debt and arrears in the energy market therefore broadly reflect households' need for support. Utilising SOR data regarding the financial value of debt and arrears is a crucial measure for how well the strategy is performing with regards to supporting vulnerable consumers. National Energy Action recognises that external factors beyond the control of Ofgem can impact levels of energy debt. Overall debt levels as a measurement of success should be used alongside other measurements of success listed in the strategy.

### 3) Continually improving impact assessment models for key policy decisions

Over the course of the current strategy, Ofgem has used consumer archetypes, created by the Centre for Sustainable Energy, to form the basis of impact assessments for key policy decisions. Most recently, they have been used for proposals around reforming standing charges, as well as being used in the Levelisation workstream. Use of these archetypes has facilitated the introduction of positive changes for vulnerable households, such as the levelisation of prepayment standing charges, which is expected to generate a net benefit of over £100mn in savings for low-income households<sup>8</sup>. In terms of the strategy, National Energy Action would like to see Ofgem continually improve the archetypes and apply them

to impact assessments for key policy decisions. Beyond use of the archetypes, National Energy Action would like to see Ofgem continue to be mindful of the impact of policy changes for fuel poor households. Demonstrating how these archetypes have been used, improved and applied could form a part of the yearly strategy reviews. Impact of policy changes on fuel poverty should also be included.

**Q6. Do you agree with our proposals for annual supplier presentations to Ofgem on how they are delivering good outcomes for their consumers in vulnerable situations?**

Yes, with the caveat that the presentations should be focused on work done to drive improvements to the identification and protection of vulnerable consumers, instead of compliance to the obligations that suppliers have as part of their licence conditions. The presentations should form the basis for being able to highlight best practice, and for Ofgem to identify areas where less improvement has been made than anticipated.

Ofgem should also work with Energy UK on the vulnerability commitment to ensure that there isn't duplication of work between the CVS presentations, and presentations for the vulnerability commitment.

**Q7. Do you agree with our proposals for reporting the findings from these presentations, and for the inclusion of the key SOR metrics and research be included?**

Yes. Reporting should form the basis for a milestone assessment, which analyses progress towards achieving the outcomes of the CVS over the previous 12 months. It is vital that it includes SOR data, too. National Energy Action would like to see Ofgem provide commentary alongside the release of data captured through SOR. This will enable Ofgem and industry stakeholders to improve understanding of the drivers behind changing data. The benefit of doing so is for Ofgem, charities, consumer groups and suppliers to be better positioned to identify what changes could bring about positive outcomes for consumers.

In doing so, the report should also highlight planned work for the following 12 months. An annual report which looks forward, as well as backwards, will help maintain momentum for progress that has been achieved. It would also be useful for identifying contextual changes which require a shift in priorities. And finally, it would mean that if progress towards the initial priorities has been slower than expected, the workplan for the following 12 months can be reassessed to account for that slower progress.

**Q8. Do you agree with our proposals for a dedicated section on our website to inform updates for the live Strategy?**

Yes. National Energy Action agrees with this proposal. The live strategy should primarily be used to highlight forthcoming work that is relevant for achieving the outcomes of the strategy.

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## References and Notes

<sup>1</sup> For more information visit: [www.nea.org.uk](http://www.nea.org.uk).

<sup>2</sup> National Energy Action also works alongside our sister charity Energy Action Scotland (EAS) to ensure we collectively have a UK wider reach.

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<sup>3</sup> Typical Domestic Consumption Values (TDCVs) decreased by 200 kWh for electricity and 500 kWh for gas during this period.

<sup>4</sup> [Ofgem debt and arrears indicators](#)

<sup>5</sup> Additional rationale can be found in NEA's [response to the affordability and debt Call for Input](#)

<sup>6</sup> Further info can be found on the [plain numbers website](#)

<sup>7</sup> Further info can be found on the [plain numbers website](#)

<sup>8</sup> Ofgem [decision on adjusting prepayment standing charges](#)