

# **Consultation on a framework for consumer standards and policy options to address priority customer service issues**

Citizens Advice response



Citizens Advice welcomes the opportunity to respond to this consultation. Addressing shortcomings in these areas is vital for tackling the scale of challenges facing energy consumers in the current cost of living crisis. The three topics noted, involuntary pre-payment meter (PPM) installation, contact ease, and tailored advice/support for customers struggling with their bills, are the areas which our data indicate are most urgently in need of reform and regulatory action ahead of the coming winter.

The scale of the crisis facing energy consumers over the course of this year cannot be understated. Citizens Advice has been highlighting the indicators which demonstrate the extent to which domestic energy consumers are coming to our services for help in our Cost of Living Dashboard.<sup>1</sup> The reforms proposed by this consultation will help to address some of these challenges, and we therefore support the overall objectives of the proposals.

We therefore note that:

- The number of people we supported who couldn't afford to top up their prepayment meter is 69% higher than in April 2022 and 426% higher than in April 2021.<sup>2</sup>
- The quantity of fuel vouchers we have provided through our Local Citizens Advice Network is still at historically high levels.<sup>3</sup>
- By the end of April 2023, we had helped over 110,000 people with energy issues - the highest number at this point of any year on record.<sup>4</sup>

The case studies we have included throughout illustrate the need for regulatory and governmental action to tackle this crisis:

*Last year, Karen<sup>5</sup> was moved to a prepayment meter via a warrant. The meter, which is located outside of her property, is not easy for Karen to reach as she struggles with mental and physical vulnerabilities. Recently an error with the meter left Karen and her children, one of whom is under 6 months old, without heat, hot water or cooking facilities overnight. Because this happened on a Saturday night, Karen was unable to call her supplier, who does not operate an emergency line on Sundays, until Monday morning. Karen tried other routes, including text messages and webchat. On Monday morning, she spent hours on hold to her supplier.*

As the energy industry adapts to forthcoming licence changes, we note the importance of proactively working to increase visibility of support available from energy suppliers. Energy consumers may not know that support is available to set affordable repayment plans or keep them on supply. This creates a risk that consumers in vulnerable circumstances are simply unaware of any support packages, no matter how helpful they could be. It is therefore crucial that any

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<sup>1</sup> Citizens Advice (2023) [Cost of Living data dashboard](#)

<sup>2</sup> Citizens Advice (2023) [Unable to top up prepayment meter - monthly since 2015](#)

<sup>3</sup> Citizens Advice (2023) [Weekly fuel voucher](#)

<sup>4</sup> Citizens Advice (2023) [Cumulative number of people who we've helped with energy issues each year](#)

<sup>5</sup> All names have been changed.

support introduced under these new rules is proactively and repeatedly communicated by suppliers to their customers ahead of the winter. This will help to make sure that people can access support which is available.

**1. Do you agree with our assessment on what good looks like for the issues consumers are facing relating to the priority issues of contact ease and identification and support/advice for consumers struggling with their bills. Are there any issues missing?**

We are in broad agreement with many aspects of the proposals Ofgem has set out relating to the issues of contact ease and identification and support/advice for consumers struggling with their bills.

*Contact Ease*

We agree that the existing issues with customer services would be significantly improved by the provision of a proactively provided freephone telephone number that would enable consumers to access teams in energy suppliers trained to provide relevant support and advice. We also agree that this needs to be mirrored by equivalent support via email or web chat in line with the needs of consumers.

Our evidence regarding digital disadvantage highlighted the ongoing requirement for support via the telephone<sup>6</sup>. However, not all consumers in vulnerable circumstances needs are met in this way. In particular, evidence highlights that those struggling with mental health conditions may prefer to use email or webchat<sup>7</sup>. It is therefore important that the licence requirements introduce standards that ensure an omnichannel approach. This means that energy suppliers will provide support for those in need via the channel that works best for them.

Our casework suggests that much of the demand for out of hours support will be from those needing additional support credit (ASC) to stay on supply.

*Viraj has recently come out of hospital and their benefits have been stopped. Viraj self-disconnected for gas last night and they cannot afford to top up. Viraj has multiple health conditions and requires an electricity supply to use an oxygen concentrator. Viraj has tried to contact their supplier but can't get through.*

Suppliers will need to ensure that training and resources are in place in order to support these consumers.

*Identification and support for consumers struggling to pay for their energy*

We agree that the first principle, (that suppliers make proactive contact with their customers in payment difficulty through a range of communication methods) is vital for the success of these proposals. It is important that once debt repayment plans are set up, suppliers work to ensure that repayments remain affordable, responsive to individual needs, and do not cause severe detriment. With more consumers facing larger debts, it is likely that repayment periods will include at least one, if not more, changes in an individuals' circumstances.

Finally, the principle that suppliers provide clear information about debt and engage with consumers sensitively and compassionately about how they can provide

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<sup>6</sup> Citizens Advice (2022) [Access Denied: Digital disadvantage and exclusion in the energy market](#)

<sup>7</sup> Money and Mental Health Policy Institute (2022) [Supporting customers with mental health problems through the energy crisis: A practical guide for energy firms](#) page 3

support should be specifically extended to include any agent employed on behalf of suppliers. This should include debt collection agencies.

**2. Do you have any views on potential options to address priority issues and do you agree with the extra requirements we are proposing? Please supply evidence to support your response.**

Citizens Advice welcomes these proposals, as we believe that either of the proposed options would make a significant difference for energy consumers, particularly consumers in vulnerable circumstances who are being poorly served by existing customer service standards. We can see strong cases for either of the options, and are looking forward to working with energy suppliers and Ofgem to implement one of these essential interventions.

*Contact ease*

We see significant detriment for a number of groups who face issues with their energy supply outside of traditional working hours. This detriment is primarily faced by those on prepayment meters, especially people with children, people who are reliant on medical equipment and shift workers.

*Bethany has vulnerabilities including a mental health condition and partial blindness. Bethany's son needs a nebuliser for at home treatment of severe asthma. She has been unable to reach her supplier to secure ASC despite multiple contact attempts and is off-supply for gas and electricity.*

We know that existing arrangements for providing support to consumers are not sufficient. Consumers who need access to additional support credit face particular harm as a result of limited opening hours for customer service teams. There is therefore a clear case for the adoption of Option 1 - extended opening hours. This must include Bank Holidays as well as Sundays.

The demand for 24-hour support for people who are off supply needs is not publicly available. Where consumers with a need for continuous supply remain on prepayment meters, particularly traditional prepay, they will need access to additional support credit by some means round the clock. We hope that supplier submissions in response to this consultation will include data on what time their customers run out of credit to guide the decision - particularly considering providing a service to keep consumers in vulnerable circumstances on supply between 10pm and 7am.

We would also like to highlight the requirement that any freephone number be 'easy to locate' as an area where suppliers may need more direction. We would also recommend that such reviews are made a regular part of Ofgem's monitoring procedures. Ofgem's provision of advice on the location of telephone numbers last year provided clarity of their expectations to energy suppliers and it is disappointing to see that this has not yet been adopted more widely by industry.

*Identification and support for consumers struggling to pay for their energy*

We see the proposals outlined in this area of the consultation as vital in the current climate. As we noted in our March 2023 discussion paper *Tackling Energy Debt*<sup>8</sup>, Citizens Advice has seen a huge increase in the number of people coming to us for energy debts, with the number of recent contacts about energy debt peaking at over

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<sup>8</sup> Citizens Advice (2023) [Tackling energy debt: Assessing options to address the growing energy debt crisis](#)

10,000 in March 2023<sup>9</sup>. In the past two years, the average level of energy debt owed by our clients has risen from £1200 to £1500, which for some customers will take a significant period of time to repay.

In the same report, we highlight the importance of affordable repayment plans agreed with consumers in allowing for the terms of these debts to be stretched over longer periods, reducing the affordability challenge and consumer distress.

Our data indicate that repayment plans set above what consumers can afford due to arbitrary minimums can cause serious detriment and lead to consumers falling behind on payments:

*Alex is disabled and relies on a mobility aid and medication which must be kept in the fridge. After some recent financial troubles, Alex had built up a significant debt with their energy supplier. Alex tried to reach a negotiated debt repayment plan with their supplier, offering to pay a lump sum towards the arrears and then a monthly payment, but their supplier declined and informed them that if they did not pay a higher monthly sum of over £300, they would install a prepayment meter by warrant.*

We would suggest that the licence changes that result from this consultation clarify that suppliers take an omni-channel approach to engaging their customers, utilising phone calls, letters and online forms of communication to ensure their customers are engaged in a way that feels comfortable for them when arranging and maintaining an affordable debt repayment plan. Suppliers should engage with proactive work by debt charities and Ofgem to ensure that their debt communications are accessible and tailored to individual consumers.

In particular, we note that some consumers may be more comfortable setting up and proposing changes to their repayment plans online as opposed to on the phone. Allowing people to change their repayment amounts easily online as well as via telephone would go a significant way to building in the flexibility needed for many debt repayment plans.

Lastly, we believe that it is extremely important to consider how suppliers may identify people in vulnerable circumstances during the debt process. We are aware of good practice from suppliers who utilise a range of data sources to effectively identify vulnerability as part of the debt process and would like to see this best practice used to generate guidance on how suppliers may integrate similar systems.

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<sup>9</sup> Citizens Advice (2023) [Key cost of living issues](#); Energy debt tab

**3. Do you have any evidence that suggests that we should be considering additional and/or different rules beyond what we have proposed? Please supply evidence to support your response.**

The proposals outlined respond to the most urgent issues facing energy consumers. We would like to highlight two further themes for consideration of consumers who are struggling to pay their bills.

We note that in addition to considering the circumstances of their customers, energy suppliers should take particular care where their internal processes could result in delays to a customer being able to engage in a meaningful conversation regarding payment. In particular, accounts in the name of an “occupier” and a large bill following multiple estimates can both be scenarios where particular care is required. We note some suppliers have explicit processes for these scenarios to support identification of vulnerability and the provision of additional support. We would encourage all firms to consider this as best practice.

We also see challenges faced by consumers after they miss a payment in an existing payment plan. Our Cost of Living Dashboard shows a steep rise in essential spending for people who are in negative budgets (meaning they are unable to cover their essential costs). Missed payments can be the result of unexpected expenditures or minor income changes, rather than major shocks, such as a job loss. Over the last four years, the income needed to avoid a negative budget has more than doubled<sup>10</sup>. These rising essential costs can disrupt the expected income incorporated into debt repayment plans, even those which were affordable when set up.

As a result, we would therefore reiterate the need for clear expectations regarding the ability for consumers to reset their debt repayment plan in line with their circumstances. It is in the interests of both suppliers and their customers to maintain an affordable repayment plan. This could include the need to provide intermittent debt holidays. Given that good practice on debt management and repayment has been noted by Ofgem on a number of occasions, including in the Vulnerability Strategy<sup>11</sup>, we suggest that it bears further consideration alongside the other proposals in this consultation.

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<sup>10</sup> Citizens Advice (2023) [Spotlight on our debt data](#)

<sup>11</sup> Ofgem (2019) [Consumer Vulnerability Strategy 2025](#)



**4. Do you agree with our proposed approach of introducing reputational incentives in our priority areas? Please supply evidence to support your response.**

We welcome the inclusion of reputational regulation in Ofgem's consideration of driving up standards in the energy market. The impact of the Marketwide Compliance Reviews (MCR) in identifying areas of concern and the commitment to further transparency in actions undertaken by suppliers provide important accountability mechanisms for suppliers.

The proposal for the publication of third party data on performance on supplier websites could contribute to further reputational incentives. A number of third parties produce and publish data comparing energy supplier performance across metrics including customer service, user reviews, and price. These comparison tools are provided either by consumer advocate organisations or for-profit comparison tool companies, and are predominantly used by consumers to facilitate switching decisions. While switching activity remains minimal in the domestic energy market it is important to understand how such third party data is used by consumers.

We look forward to working with Ofgem and energy suppliers in the coming months to understand the role of the Citizens Advice Star rating in driving up standards this winter.

**5. Do you agree with what we have set out in the assessment chapter? Please provide supporting evidence with your views. For evidence regarding additional costs, please provide quantitative data.**

We agree with the assessment outlined in Chapter 3 of the consultation, and look forward to working further with Ofgem and others to highlight the issues which emerge from our comprehensive data, particularly the Cost of Living Dashboard<sup>12</sup>.

In addressing the priority areas, Ofgem should ensure that the proposals due to come online ahead of this winter are flexible to emerging issues for energy consumers and that the regulatory approach is adaptable if outcomes for consumers worsen. This means that monitoring arrangements may need reviewing and extending.

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<sup>12</sup> Citizens Advice (2023) [Cost of Living data dashboard](#)

**6. Using the list of prospective data items we present in the monitoring chapter as a guide, what other additional data items could we aim to collect and from what data sources? Do you consider there are any challenges you may face when collecting/providing these? If so, please provide any supporting evidence you have.**

Enhanced monitoring with a swift transition into appropriate regulatory accountability and enforcement is vital for the success of these proposals.

The data items listed cover important indicators and should be collected monthly from suppliers where possible. Monitoring must be accompanied by strong enforcement action at an urgent pace, particularly over the course of the coming winter.

We also believe it is important to maintain additional options as outcomes this winter become apparent. This may lead to additional reporting requirements to ensure the new licence conditions resulting from this consultation are having the desired impact for consumers, particularly consumers in vulnerable circumstances.

## 7. Do you have any comments on the factors that should be considered in determining whether to use principle-based or rule-based approach to setting standards?

We recognise the importance of the themes outlined in the Consumer Interest Framework in Appendix 3. As we argued in our response to Ofgem’s call for evidence on protections for prepayment consumers, we believe that *‘principles-based regulation needs to be accompanied by more detailed guidance on high risk areas.’*<sup>13</sup>

Dissatisfaction with energy supplier customer service is widespread<sup>14</sup>, so it is vital that Ofgem gets the balance right between principles and prescription to raise standards. Outcomes over 2022 and 2023, particularly for consumers in vulnerable circumstances<sup>15</sup> show that a new approach is required.

We believe that the experiences of financially vulnerable consumers in particular warrant specific prescription, monitoring, and enforcement to ensure that suppliers are meeting the SLCs which are already in place in addition to any new requirements.

*Clive has less than £2 emergency credit on both of his meters. Clive has contacted his supplier but has been refused ASC and told to contact Citizens Advice. Clive lives with his 4 year old child and has multiple health conditions which require medication that must be kept refrigerated.*

As a result, while we welcome the content of the Consumer Interests Framework, we believe that an even more comprehensive consumer protection regime is needed. We have proposed the introduction of a “Consumer Duty” in energy retail regulation to achieve this<sup>16</sup>. This broadened approach would mean a more meaningful focus on outcomes across the consumer-facing energy market.

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<sup>13</sup> Citizens Advice (2023) [Citizens Advice response to prepayment rules and protections: a call for evidence](#) page 3

<sup>14</sup> Quadrangle Research (2023) [Consumer Perceptions of the Energy Market Q4 2022](#) page 14

<sup>15</sup> As shown in our [Cost of Living Dashboard](#), and our recent [Kept in the Dark - the urgent need for action on prepayment meters report](#), for example

<sup>16</sup> Citizens Advice (2022) [Access Denied: Digital disadvantage and exclusion in the energy market](#) page 13

**8. Do you agree with our early view of reputational based incentive options for winter 2023 and the potential incentive options for development over the longer-term? Please provide explanations to support your responses.**

It is not clear that reputational incentives will sufficiently improve consumer outcomes ahead of winter 2023/24. We therefore see the proposals for reputation incentives as adding value in the medium and long term.

In the medium term, we support all the trials and testing of incentives suggested in this consultation. We support the principle of bringing financial and regulatory incentives into improving customer service outcomes, and would be happy to support Ofgem in delivering these projects to ensure that they meet consumer needs.

As we have highlighted in our work in incentive mechanisms in the context of RIIO-ED2<sup>17</sup>, it is vital that interventions into the market which offer financial benefits are correctly calibrated. Any incentive-based projects should not reward business-as-usual approaches, but should recognise genuinely outstanding performance and innovation which prioritise the needs of consumers. We would welcome working further with Ofgem on ensuring that incentives are balanced appropriately, and to ensure that the principles set out in our previous work on RIIO-ED2 are adhered to.

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<sup>17</sup> Citizens Advice (2023) [Our views on the Ofgem RIIO-ED2 Final Determinations for the electricity distribution sector](#) page 6

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