

## Feedback on APPG on Poverty's report on the Poverty Premium

### Fair by Design campaign

Update from Martin Coppack, Director:

- The report provided an independent cross party asset that we continually point to when trying to reach key people in organisations such as regulators and public bodies.
- Report was helpful in that it clarified that living in poverty is a hardship that can be further exacerbated by the poverty premium – a key message for us – and can help push people into poverty (key cyclical element).
- The call for the CMA to explore an official measure of the poverty premium – another key ask for us – is helpful for ongoing talks with the CMA.
- The report helped kick start the conversation about inclusive design in relation to the poverty premium and helped our flagship project take off with interest and co-operation with many key organisations including the FCA, Ofgem and Competition and Markets Authority as well as organisations such as the EHRC.

### CMA (Competition and Markets Authority)

Response from Mr Andrea Coscelli, Chief Executive of CMA:

- In 2018 established 'Programme of work on vulnerable consumers' to improve understanding of the different dimensions of consumer vulnerability across markets. As part of this, CMA convened a range of pan-UK roundtables between May and November 2018 looking at consumer vulnerability in a wide range of contexts (such as the challenges of digital markets, living with mental health, later life etc.).
- CMA carried out detailed research to provide insight for regulators and businesses into the different forms that consumer vulnerability can take and what can be done to help. 2018 CMA published findings of research looking at the challenges faced by consumers on low incomes. Also commissioned research into the poverty premium and contributed significantly to the debate (including publishing a report) on measurement of the poverty premium.
- 2019 report on Consumer vulnerability considered potential solutions to address the challenges - found and identified five high level principles to guide the way remedies are designed and developed (including 'inclusive design' and 'changing business practices').
- Insights from these discussions and research have informed work, including response to the 'loyalty penalty' super-complaint raised by CAB. Considered the experience of vulnerable consumers throughout response and drew-up a package of cross-cutting reforms and market-specific recommendations, including consideration of additional protections for vulnerable customers. Also considered consumer vulnerability in the funerals market study and found that the poorest are disproportionately affected by funeral costs.
- Activity in area of design and testing of the interventions put in place to address problems, including exploration of the impact of remedies on different customer groups, such as the

introduction of a targeted price cap for energy customers using prepayment meters or how the Open Banking initiative is being used to support vulnerable groups through measures such as improving access to credit or enabling agencies to help people experiencing financial difficulties.

- Protecting vulnerable customers a strategic priority for CMA highlighted in the 2019-2020 Annual Plan. Will continue to work closely with other regulators and organisations such as Fair by Design and Money Advice Trust, who met with us in January 2020 to discuss supporting a new project launched to look at Inclusive Design in Essential Services.

## **Npower**

Response from Matthew Cole, Head of Customer Vulnerability at Npower and Chair of Trustees of the Fuel Bank Foundation:

- Confirmed that Npower's policies and procedures already meet recommendations 1-3 and 5 of the Poverty Premium report. Npower has also redesigned the support it provides to its most vulnerable customers on a daily basis to ensure that when they assist they do it then and there rather than sign-posting held that may take months to access.
- On recommendation 4 (Spread the additional costs of support for customers on low incomes across all customers to eradicate the poverty premium), agreed that to ensure a consistent level of support is provided to all customers, regardless of supplier, there is a need to consider how these costs can be spread across the industry as a whole.

## **WaterAid**

- Request for Kevin Hollinrake to meet with Christine McGourty, the new Chief Executive of Water UK, and Rae Stewart, Director of Corporate Affairs.
- In particular they would like to update on a pledge made by the sector to make bills affordable for households who are currently spending more than 5% of their disposable income on water and sewerage costs by 2030. This requires a package approach tailored to local needs, including measures such as helping customers to be more water efficient, providing social tariffs and additional forms of financial assistance, and working with other organisations to support customers in vulnerable circumstances.

## **SSE**

Response from Alastair Phillips-Davies:

- Accredited by the British Standard for Inclusive Service Provision, recognising our processes to support vulnerable customers.
- Customer service representatives trained to look out for signs of financial difficulty and mental health problems. Also encourage vulnerable customers to sign up to our Priority Service Register to give them extra support when they need it most. Warm Home Discount scheme makes energy more affordable for customers in vulnerable situations – planning to spend around £43million this

year on the scheme. Share APPG ambition to have all energy suppliers pay the Warm Home Discount.

- Partnerships with organisations such as CAB and National Energy Action. Also offer free benefit entitlement checks and last year helped over 1,200 customers identify almost £1.7million of potential new income.
- Proactively promote cheapest tariff option directly to every customer every year or at the end of their contract. Enable various payment methods and payment plans for customers and urge any customer struggling to pay their energy bills to get in touch to see if there is a better tariff/ payment option for them.
- Believe a much larger change would have a significant impact for these customers – UK government should pass policy levies through general taxation rather than through energy bills as that would be fairer on customers and should mean energy is more affordable for people on lower incomes.
- Sale expected to complete mid-January of SSE Energy Services to OVO Energy: the SSE brands will continue to operate after the sale so customers will not see any immediate changes and to allow phased/planned migration.

## **E.ON**

Response from Martin Lewis, Chief Executive:

- Strongly agreed with recommendations (as highlighted in Mr. Hollinrake's letter) and felt need for Government to socialise the additional cost of supporting vulnerable customers across the energy supply market to address the distortions and perverse outcomes the current situation is causing – suggestion that a social tariff that expands upon and replaces the Warm Home Discount may be a solution, which they would be keen to explore further in 2020.
- E.ON has an active Priority Service Register, ensures contracts and options are reviewed proactively and regularly, and provides flexible payment terms. All their advisors receive special training to spot signs of vulnerability and ensure customers get the assist they need, including 'hot transferring' to debt charities to ensure they get assistance not just limited to energy.
- Also have an Extra Support Team dedicated to customers with complex needs and circumstances. UK wide team of 15 trained to go into vulnerable customers' homes and provide face to face support. 102 advisors in central Nottingham office supporting vulnerable customers and those with financial difficulties, with dedicated account managers to support a vulnerable customer the whole way through their interaction with E.ON.

## **Northern Powergrid**

Response from Phil Jones:

- Northern Powergrid will remain active in contributing positively to the challenges presented by the issues raised in the report.

- Runs a series of programmes to support vulnerable customers in its region of the northeast of England, Yorkshire and northern Lincolnshire, where it serves more than 8 million people. These programmes have been designed to address the areas highlighted in the APPG report recommendations, where they are relevant to the role in the electricity system as the distribution network operator and the indirect commercial relationship with customers.
- Priority Services Register (PSR) in place since 2001 with over 975,000 customers registered who are able to receive additional free support in the event of a power cut. The additional costs of running the PSR and services associated with it are included within the standard tariffs set for the use of the network, which are billed through the energy supplier. Proactive in identifying potentially vulnerable customers who may benefit from PSR support, including developing own social indicator mapping tool to identify and market the PSR to specific postcodes that are more likely to have customers with mental health conditions. All Northern Powergrid staff trained to enhance awareness of the possible indicators of vulnerable customers and the steps to register them on PSR.
- Partner with local charities and community groups which work with customers who are experiencing or at risk of fuel poverty (CABs in Leeds and Newcastle offer face to face advice to customers around fuel debt, tariff switching and energy saving measures, and Green Doctors visit homes to fit energy saving measures for free and offer energy saving advice).
- Educate communities through 'Energy Heroes' programme by delivering energy efficiency advice to Year 5 pupils at a network of schools for them to share with families and the wider community.
- Developing 5 year business plan for the next regulatory period starting in 2023 and would welcome the input of the APPG to that planning process.

11 February 2020