



CPP Best Practice Frameworks

Call for Evidence September 2019



About the Utility Regulator

The Utility Regulator is the independent non-ministerial government department responsible for regulating Northern Ireland's electricity, gas, water and sewerage industries, to promote the short and long-term interests of consumers.

We are not a policy-making department of government, but we make sure that the energy and water utility industries in Northern Ireland are regulated and developed within ministerial policy as set out in our statutory duties.

We are governed by a Board of Directors and are accountable to the Northern Ireland Assembly through financial and annual reporting obligations.

We are based at Queens House in the centre of Belfast. The Chief Executive leads a management team of directors representing each of the key functional areas in the organisation: Corporate Affairs, Markets and Networks. The staff team includes economists, engineers, accountants, utility specialists, legal advisors and administration professionals.



Our mission

To protect the short- and long-term interests of consumers of electricity, gas and water.



Our vision

To ensure value and sustainability in energy and water.



Our values

- Be a best practice regulator: transparent, consistent, proportionate, accountable and targeted.
- Be professional – listening, explaining and acting with integrity.
- Be a collaborative, co-operative and learning team.
- Be motivated and empowered to make a difference.



Abstract

The UR launched its new Consumer Protection Programme (CPP) in April 2019. This Call for Evidence marks the commencement of the UR's CPP priority projects of **best practice frameworks (1 and 2)**. The responses to this will assist the UR in forming an understanding of the current interventions for vulnerable domestic consumers in NI and the identification of any potential gaps in the protection of vulnerable consumers and/or consumers in vulnerable circumstances. The best practice frameworks (1 and 2) projects will be delivered together over 2 years; progressing as one joint project. In 2019/20 UR will establish what best practice should be in NI based on consultation with both industry and consumer representatives. During 2020/21 UR will put in place the regulatory framework(s) that is necessary to ensure best practice is achieved and delivered in NI.

Audience

This document is most likely to be of interest to regulated companies in the energy and water industries, consumer organisations, community and voluntary organisations, natural gas, electricity and water consumers, government and other statutory bodies.

Consumer impact

The implementation of both of these projects will result in the establishment of practical interventions to address some of the consumer difficulties brought about by vulnerability. Examples of interventions include early identification of consumers at risk and adequately trained utility staff.



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Introduction

This call for evidence marks the commencement of the **UR's best practice frameworks (1 and 2) projects**, as outlined in our Consumer Protection Programme (CPP) which was published in April 2019¹. The best practice frameworks (1 and 2) projects received significant stakeholder support for inclusion in the CPP. The CPP is the principal vehicle for the UR to ensure that vulnerable domestic electricity, gas and water consumers in NI are protected. The implementation of the CPP is of particular importance given the UR's Corporate Strategy focus on consumer outcomes in the regulated sectors.

This paper outlines the proposed approach for the delivery of the CPP 'best practice frameworks' (1 and 2) projects. The derivation of these projects and arguments for their inclusion as CPP priority projects can be found in our CPP decision paper. These projects will be delivered over a two year period (2019/20 and 2020/21) and are priority projects within the CPP. The best practice frameworks projects will focus on establishing best practice measures which regulated companies in NI should have in place to identify, assist and protect consumers in vulnerable circumstances. The implementation of these projects will result in practical interventions to address some of the domestic consumer difficulties brought about through vulnerability.

The two best practice framework (1 and 2) projects have been included in the CPP as priority year 1 and 2 projects. These two best practice frameworks projects cover the two main states of vulnerability that a domestic consumer can experience. Framework 1 refers to the **crisis situation** such as a health emergency or redundancy; and framework 2 refers to the **practical measures** put in place by regulated companies to protect vulnerable consumers on a daily basis.

The fundamental aim of the best practice frameworks (1 and 2) projects is to decide upon what best practice should be in place for NI in regards to protecting vulnerable consumers and/or consumers in vulnerable circumstances; and to make sure that best practice is then implemented across all the regulated companies.

¹ Consumer Protection Programme Final Decisions, UR, April 2019, <https://www.uregni.gov.uk/news-centre/decision-paper-consumer-protection-programme-published>

We aim to ensure that consumers are treated fairly and that there is a consistency of outcomes for vulnerable consumers when interacting with both network companies and suppliers in NI. This objective is not without challenges, especially when considering the differences between the companies that we regulate. These differences are apparent in the type of relationship that regulated energy and water companies have with domestic consumers. Variations are seen in regards to the *closeness* and the *frequency* of the consumer and company relationship across regulated companies. Alongside these variations amongst the companies, is the dynamic nature of concept of vulnerability itself. These issues demonstrate the level of complexity that exists in establishing a best practice framework for NI.

We want to ensure that any regulatory framework which is adopted to deliver best practice outcomes for vulnerable consumers and/or consumers in vulnerable circumstances will address the issues around achieving fair outcomes and will drive the improvements we wish to see from industry.

Context

The commencement and progression of the best practice frameworks (1 and 2) projects is taking place during a period of significant change for domestic consumers and in the regulated sectors.

Although the term vulnerability is now well established and allows policy makers and consumer groups to target specific interventions; some companies have found it difficult to operationalise. Vulnerable consumers too are facing a number of difficulties in the present; these include the likely radically changes and challenges coming from digitalisation, decarbonisation and decentralisation in the next few years. This will create significant capability challenges for vulnerable domestic consumers. In addition, the increasing income volatility that vulnerable consumers are exposed to may result in the need for additional support from energy companies.

We will endeavour to remain mindful of these challenges faced by consumers and industry whilst progressing the best practice frameworks (1 and 2) projects; ensuring that any regulatory framework adopted is both appropriate and proportionate.

Consultation process

The call for evidence is an additional step in the consultation process for the best practice frameworks (1 and 2) projects.

The call for evidence will provide the UR with additional information to aid in forming our consultation proposals subsequently for the delivery of these CPP projects. It will also provide stakeholders with an additional opportunity to engage with UR on these important consumer protection issues. This call for evidence invites submissions from both industry and consumer representatives.

In addition, we plan to host a stakeholder workshop during the call for evidence consultation period. The workshop will provide an opportunity for both industry and consumer representatives to exchange experiences and insights into the practicalities of delivering best practice outcomes for vulnerable domestic consumers.

The submissions received to the call for evidence and the workshop discussions, will inform the development of a public consultation paper in early 2020.

1. Call for Evidence Best Practice Frameworks

- 1.1 The best practice frameworks (1 and 2) projects will be delivered together over 2 years; progressing as one joint project. In 2019/20 we aim to establish what best practice should be in NI based on consultation with both industry and consumer representatives. During 2020/21 we will put in place the regulatory framework(s) that is necessary to ensure best practice is achieved and delivered in NI.
- 1.2 The best practice frameworks (1 and 2) projects will focus on vulnerable domestic consumers. Electricity, gas and water companies will be included in this project – both network companies and suppliers.
- 1.3 It is clear that the identification of vulnerability has represented a challenge to some companies in both GB and NI. However, where some companies appear to have struggled, others have developed effective partnerships and systems to meet this challenge. Once identified, appropriate tools to assist and protect vulnerable consumers have also been the subject of much thought and discussion.
- 1.4 We have been made aware, by consumer representatives, of inconsistencies across suppliers and network companies in regards to the support available for vulnerable consumers. Furthermore, consumers seem unaware of support that is currently available and may be unlikely to ask for support from their energy and water companies. Indeed, the UR's recently completed Consumer Insight Tracker (CIT) survey reported that 53% of domestic consumers in NI are unaware of special services available to them from their utility company².
- 1.5 This call for evidence includes three main components:
 - highlights current domestic vulnerable consumer interventions in GB

² Domestic Consumer Insight Tracker Survey, May 2019, <https://www.uregni.gov.uk/news-centre/launch-domestic-consumer-insight-tracker-survey>

via a grid (**Annex 1**);

- invites industry in NI to populate a grid demonstrating their current domestic vulnerable consumer interventions. This will be useful to *stock take* existing provisions in NI (**Annex 2**); and
- asks both industry and consumer representatives to respond to a series of questions (**Annex 3**) designed to gather their views on best practice activity by energy and water companies for vulnerable consumers.

GB mapping of current vulnerable consumer interventions

- 1.6 We are conscious of the more mature dialogue and practical interventions in GB around domestic consumer vulnerability, and the need to ensure positive material consumer outcomes in regulated sectors. See for example publications from, the Financial Conduct Authority (FCA), Energy UK, and the Competition and Markets Authority (CMA).
- 1.7 Therefore, we have developed a GB grid (**at Annex 1**) of current domestic vulnerable consumer interventions that are being used by both regulators and industry (network companies and suppliers). This is clearly not an exhaustive list but rather a demonstration and *snap shot* of relevant current activity in this area to stimulate ideas and feedback.
- 1.8 The production of this GB grid has assisted in the scoping of the best practice frameworks (1 and 2) projects and this mapping will inform the development of appropriate and proportionate practical interventions in NI.
- 1.9 The GB grid has two sections:
- **Regulatory interventions** - this section includes interventions that Ofgem and Ofwat have put in place as part of their wider regulatory frameworks to deliver positive outcomes for vulnerable domestic energy and water consumers; and
 - **Industry interventions** – this section highlights the current interventions that a selection of GB electricity, gas and water (network companies and

suppliers) are using to ensure domestic vulnerable consumers are protected.

1.10 The grid has been developed using the following 5 'company activity' headings:

- (i) Identification (mechanism by which vulnerable consumers are identified e.g. use of a definition);
- (ii) Assistance (a) practical non-financial help;
- (iii) Assistance (b) practical financial help;
- (iv) Staff training/culture/ethos; and
- (v) Relationship with consumer representatives and use of consumer data.

1.11 The above headings have been decided upon following the analysis of themes and policy direction of many recent relevant publications. These publications include, CMA's '*Consumer vulnerability: challenges and potential solutions*'³ and '*The Commission for Customers in Vulnerable Circumstances, Final Report*'⁴.

1.12 Many reports, including those cited above, have noted the inconsistency of the utility sectors performance in meeting the needs of vulnerable consumers and that both the measures adopted by industry voluntarily, and those required as part of the regulatory regime, have not fully addressed or resolved the issues raised by vulnerability.

NI mapping of current vulnerable consumer interventions

1.13 Through this call for evidence we will map the current interventions that NI electricity, gas and water companies have put in place in order to meet or

³ Consumer vulnerability: challenges and potential solutions, Competition and Markets Authority, February 2019.

⁴ The Commission for Customers in Vulnerable Circumstances: Final report 2019, Commission for customers in vulnerable circumstances, May 2019.

exceed their current obligations to protect vulnerable domestic consumers. This is an important step in understanding if and where the NI framework used by utilities for vulnerability identification and assistance might be deficient. This mapping exercise will facilitate the establishment of a vulnerability benchmark, and ‘gap’ analysis to assist our future decisions.

- 1.14 A grid has been developed and we invite NI energy and water companies to populate this grid. This grid can be found at **Annex 2**. The headings of this NI grid mirrors the GB mapping grid.
- 1.15 We invite companies to demonstrate the effective steps that they have taken to better understand vulnerable consumers’ needs and how they have translated these into positive outcomes for those at risk.
- 1.16 As part of the call for evidence we expect companies to tell us how they ensure consumers in vulnerable situations are not disadvantaged by their products and services. We acknowledge that most companies want to do the right thing for vulnerable consumers and have made progress in how they treat them. However, due to the dynamic nature of vulnerability, some companies will need to invest additional effort to identify and support vulnerable consumers; this may be challenging for some.
- 1.17 We will remain mindful that any interventions adopted into NI are appropriate and proportionate for the NI market whilst meeting consumer need.

Call for Evidence Stakeholder Questions

- 1.18 As previously stated, this call for evidence invites submissions for both industry and consumer representatives.
- 1.19 We invite all consultees to respond to the following questions (**included at Annex 3**):
 - a) Are the 5 areas of vulnerable domestic consumer interventions, the correct areas for UR to focus on? The 5 areas are:
 - (i) identification;

- (ii) assistance (practical financial help);
 - (iii) assistance (practical non-financial help);
 - (iv) staff training/company culture and ethos; and
 - (v) relationship with consumer representatives and use of consumer data.
- b) Please provide examples and/or experiences of best practice activity in regards to supporting vulnerable consumers and consumers in vulnerable circumstances in regulated sectors. Please, where possible, map these to the 5 headings above.
- c) Please provide examples of seeking external assurance and/or accreditation from expert agencies on the quality of the current consumer interventions that are offered to domestic consumers.
- d) Please state, with supporting evidence, the particular challenges consumers face when interacting with the energy and water industry in NI.
- e) Please demonstrate, with supporting evidence, the particular challenges organisations (industry and other) face in identifying and supporting consumers who are vulnerable and/or are in vulnerable circumstances.
- f) Please provide examples and/or experiences of how the appropriate use of consumer data can be used to provide positive consumer outcomes. This may be best achieved via establishing clear 'consumer consent' mechanisms, so as to explicitly deal with any data protection and GDPR concerns.
- g) Please provide examples, with supporting evidence, of specific issues affecting vulnerable domestic consumers in NI which you feel need to be considered.
- h) Please identify the important lessons (positive and negative) to learn

from industry and regulatory work on these vulnerability matters from GB or in other jurisdictions?

2. Next Steps

- 2.1 All call for evidence submissions must be received by **3pm on 6th November 2019** for consideration.
- 2.2 We plan to hold a stakeholder workshop during the call for evidence consultation period. This workshop will be held in **October 2019**. This workshop will be a focused event; providing an opportunity for industry and consumer representatives to exchange practical information and insights into delivering best practice outcomes for vulnerable domestic consumers.
- 2.3 The UR will review responses provided to this call for evidence and will then move into the next phase of the project with the publication of a consultation paper. The submissions received to this call for evidence and the workshop discussions will inform the development a public consultation paper.

3. Call for Evidence Questionnaire Spreadsheet

Respondent Information

- 3.1 We request that industry respondents complete both **Annex 2 and Annex 3** within the call for evidence questionnaire spreadsheet.
- 3.2 We ask that consumer representative bodies complete **Annex 3** within the call for evidence questionnaire spreadsheet.

Questionnaire completion

- 3.3 We have identified a number of areas that we believe would benefit from consideration as part of the delivery of the best practice frameworks (1 and 2) projects. We have outlined a number of questions in **Annex 3**. Please answer these questions where applicable. If any questions are unanswered, they will be assumed to be not applicable to the respondent.
- 3.4 Alongside responses to the questionnaire questions we also welcome any additional views and evidence that respondents consider should be taken into account. We request that respondents include this information within the 'additional relevant factors' section of **Annex 3** in the questionnaire spreadsheet.

4. Responding to this Call for Evidence

- 4.1 The UR welcomes responses to this call for evidence by **3pm 6th November 2019**.
- 4.2 Responses to this consultation should be forwarded to:

Meadhbh Patterson
The Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

Email: Meadhbh.Patterson@uregni.gov.uk

- 4.3 It is our preference that responses are submitted by email where possible.
- 4.4 Your response to this consultation may be made public by the UR. If you do not wish your response or name made public, please state this clearly by marking the response as confidential. Any confidentiality disclaimer that is automatically produced by an organisation's IT system or is included as a general statement in your fax or coversheet will be taken to apply only to information in your response for which confidentiality has been specifically requested.
- 4.5 Information provided in response to this consultation, including personal information may be subject to publication or disclosure in accordance with the access to information regimes; these are primarily the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 1998 (DPA). If you want the information that you provide to be treated as confidential, please be

aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things with obligations of confidence.

4.6 In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Authority.

4.7 This document is available in accessible formats. Please contact Meadhbh Patterson (Medhbh.Patterson@uregni.gov.uk).