

Priority Services Register Scotland: Impact and Reach

A review in the context of COVID-19 and the
Energy Transition

June 2021



Changeworks
36 Newhaven Road
Edinburgh EH6 5PY

0131 555 4010
consultancy@changeworks.org.uk
changeworks.org.uk

Report	<p>Priority Services Register Scotland: Impact and Reach</p> <p><i>A review in the context of COVID-19 and the Energy Transition</i></p>
Author(s)	<p>Freya Burns (Senior Researcher)</p> <p>Isabella Impesi (Senior Researcher)</p> <p>Lauren Salmon (Monitoring and Evaluation Manager)</p> <p>Marjan van de Weg (Senior Data Consultant)</p>
Main contact	<p>Peter Brearley</p> <p>Energy Consumers Commission</p> <p>Scottish Government</p> <p>5 Atlantic Quay</p> <p>Glasgow</p> <p>T: 0793 821 7567</p>
Issued by	<p>Lauren Salmon</p> <p>Monitoring and Evaluation Manager</p> <p>T: 0131 555 4010</p> <p>E: lsalmon@changeworks.org.uk</p> <p>Changeworks Resources for Life Ltd</p> <p>Charity Registered in Scotland (SCO15144)</p> <p>Company Number (SC103904)</p> <p>VAT Registration Number (927106435)</p>
Approved by	<p>Ian Smith</p> <p>Head of Consultancy</p> <p>Changeworks</p> <p>T: 0131 538 7949</p> <p>E: ismith@changeworks.org.uk</p>

Contents

1.	Introduction	9
1.1	Aims	10
2.	Methodology	11
3.	Findings	12
3.1	Vulnerability in the context of PSR.....	12
3.2	Gaps in Eligibility for the PSR.....	13
3.3	Awareness and promotion	21
3.4	Reach.....	23
3.5	Impact of PSR services.....	31
3.6	Adaptability: COVID-19	35
3.7	Adaptability: The Energy Transition	37
3.8	Workshop summary	41
4.	Conclusion.....	49
5.	Recommendations	50

Executive Summary

Introduction

Changeworks were commissioned by the Energy Consumers Commission to explore how experiences of the Priority Services Register (PSR) varies and whether there is potential to improve on the services offered and/or the range of vulnerabilities provided for. This was examined in the context of the Energy Transition and COVID-19.

The PSR is a record held by suppliers and network operators to enable them to provide additional support services to vulnerable consumers. However, past research has shown that the strength and depth of these services and those they seek to support vary significantly both between PSR providers and throughout the United Kingdom.

The project methodology consisted of:

- A literature review to draw upon existing research.
- A series of stakeholder interviews with PSR holders and relevant oversight and advice or support organisations.
- A gap analysis conducted to explore limitations in the existing coverage of the PSR.
- Data analysis performed to capture the extent of existing sign-ups and the impact that expansion of criteria could have on supporting the vulnerable groups identified.

This enabled new insight to be gathered into the current state of the PSR in Scotland in the context of COVID-19 and the Energy Transition.

Gaps in Eligibility for the PSR

Ofgem moved towards a principles-based approach, where-by broad guidance on vulnerable groups who may need support through the PSR is offered, but suppliers and DNOs ultimately determine who will benefit from the PSR. PSR holders have established a series of needs-codes and vulnerability flags, which often have a significant degree of consistency with that of Ofgem's previous, more prescriptive definition of vulnerability. While this covers many groups, some remain overlooked.

The main causes of vulnerability identified through the literature review and gap analysis as being commonly excluded from vulnerability considerations included:

- People with poor mental health
- People on low incomes
- First time occupants
- People who are digitally excluded
- Those with reduced capacity (full time carers / lone parents)
- Those with limited ability to interpret (English not a first language, digital or numeracy literacy problems).

Awareness and promotion

Despite Ofgem's instruction for suppliers and DNOs to promote in "innovative ways", recent research has found that sign-ups to the PSR are significantly constrained by a lack of awareness, particularly in Scotland.

Interviewees identified a number of barriers with the sign-up process that hinder consumer engagement with the PSR, these included:

- Lack of trust in energy suppliers, resulting in householders being hesitant to share personal information.
- Lack of clear benefits to consumers.
- Lack of awareness of the register and some instances of consumers being on it without being aware of it.
- Lack of awareness amongst smaller non-energy related organisations that support those with vulnerabilities.

Previous research found anecdotal evidence of suppliers in Scotland proactively engaging consumers, via means such as attending or leaving information materials in GP surgeries and foodbanks or forming partnerships with organisations such as Macmillan who can refer consumers. However, these approaches were not widely developed or part of standard practice.

With regards to DNOs, past research shows that consumers are significantly less likely to engage with them in comparison to their supplier. However, in terms of the PSR, there were considerably more examples of them promoting the support available. This is likely, in part, due to Ofgem's requirement to provide written evidence of their engagement and the offer of a financial reward for DNOs which is determined by a panel. Positive examples included a gap analysis conducted by a DNO to identify groups who were less likely to be signed-up to a PSR.

Reach: barriers and challenges

Data analysis performed on Scottish Household Survey responses found that:

- Application of the Ofgem definition of vulnerability to the SHS data estimates that 43% of the households in Scotland could be eligible for the PSR.
- Unsurprisingly, suppliers that do not expand on the Ofgem definition, including E.ON and Octopus show the same rates of eligibility as Ofgem. Suppliers with wider criteria have substantially larger proportions of eligible households. From the larger energy suppliers, EDF had the highest eligibility (59%), and Utilita from the smaller suppliers (63%).
- With regards to the DNOs, SPEN (56%) had the widest criteria, and therefore the most households eligible for the PSR, followed closely by SSE (55%).
- Despite the relatively high proportion of the population qualifying for PSR eligibility, calculations indicate that only approximately 20% of the Scottish

households are on an electricity PSR and 15% on a gas PSR¹. There will be some cross over for multi-fuel households, but it was not possible to quantify this.

- Should the criteria used by suppliers and DNOs be expanded to include the factors identified through Changeworks' gap analysis, an additional 14% of households would be eligible. Note that this 14% only includes households that would not be included by any of the criteria currently stated by the energy suppliers, Ofgem or DNOs.

Some interviewees felt that the flexible principles-based approach adopted by Ofgem gave PSR holders the flexibility to be adaptable in their approach to categorisation and there was anecdotal mention of 'no one' being refused access to the PSR. However, as previous research has indicated, reliance on customer disclosure is not an effective approach to PSR registration. Customers are reluctant to disclose their personal circumstances and low awareness results in a lack of proactive action.

Data sharing, or lack of, was one of the main topics explored in previous research and stakeholder interviews. There appears to be many possible benefits of this for householders and PSR holders. However, while there were examples of this being piloted, there is little effective use in relation to PSR. Challenges raised included, keeping data up to date, data protection, consumer trust and a lack of communication across the industry.

Other challenges raised included the transient nature of some vulnerabilities, use of digital sign-ups with suppliers (verbal engagement is one of the main forms of sign-up) and supplier working practices / attitudes serving as a barrier to offering support to vulnerable consumers.

Impact of PSR services

Previous research has found that PSR services are essential in providing support to those who need it most. However, other than snap shots of research, there is little way to identify the level and quality of support being provided to those in need. Organisations in the past have expressed concern that the main form of monitoring PSR success is the number of sign-ups.

Many of the interviewees from advice organisations felt that they could not comment on how well the PSR performs, as they are often involved in the sign-up / referral process. However, they listed the following services as being most valuable (listed in order of prominence):

- During interruptions of supply, ensuring that supply is maintained (medical equipment, refrigerated medicine).
- Meter readings for those who are unable to access the meter (especially PPM).

¹ Based on 2017 PSR sign-up data from Citizens Advice Scotland and 2017 property data from National Records of Scotland. See section 3.4.1 for references.

- Third party billing for those who are unable to manage their account (however one organisation felt that this was “*tricky to set up and suppliers are not very forthcoming with this service*”).
- Referring customers to support services (like Home Energy Scotland). This was reported by one DNO as giving the greatest benefit to the householder (although this is not a PSR requirement).

Adaptability: COVID-19

From the literature, it was evident that the impact of the COVID-19 pandemic will be substantial on both those who were already considered vulnerable in relation to the PSR, but also a broadening of the groups who fall into this category. In particular, the main drivers relate to:

- An increase in mental health issues as a result of lockdown, shielding and job losses.
- A rise in long term health issues linked to COVID-19.
- Financial vulnerability stemming from furlough, job losses and those who were not eligible for furlough. This is compounded by higher fuel costs because of a need to spend more time at home.

Groups deemed to be disproportionately impacted by the immediate economic effects of the pandemic include women, young people (particularly aged 18-24), the self-employed, people from minority ethnic groups, single parents, people with disabilities, students, private renters and families with dependent children.

During the interviews, participants explored the impacts that COVID-19 is having on vulnerable groups. One area for concern was the increase in PPM customers self-disconnecting. However, they felt that the number of customers coming forwards requiring support has not spiked. They anticipate this is because suppliers are currently not pursuing debt recovery and expect this wave to reach them once restrictions and protections are lifted.

In addition, interviewees noted that suppliers have not been collecting meter readings, so there is a high proportion of vulnerable customers registered on the PSR that are being billed through estimates, which could tip them into fuel debt once meter readings recommence.

Adaptability: The Energy Transition

The transition to a net-zero Scotland involves changes to the generation, supply and consumption of energy. The decarbonisation of the electricity supply will bring significant changes to the domestic energy market, through decentralised generation and increased requirements for grid balancing.

From existing literature, identified risks to vulnerable groups included:

- Time-of-use tariffs which add complexity and could result in higher costs if not correctly understood.
- Inability to afford new technology.

- Challenges getting to grips with new technology controls.
- Low-carbon technology resulting in higher fuel costs.

These topics were reflected in the interviews, where discussions centred around the theme of justice. It was felt that the transition risks disadvantaging those that are already vulnerable because their characteristics mean they cannot engage with the energy market and prioritise understanding of complex tariffs and technologies. The PSR was considered as potentially being a useful tool for identifying those that would also be most at risk from the transition.

Since the completion of our research the [PSR Scotland website](#) has been launched. The website was established by Scottish and Southern Electricity Networks (SSEN) Distribution, SP Energy Networks (SPEN) and Scottish Water as a centralised place to find out about eligibility for the different electricity network operators and Scottish Water. In light of this, the recommendations have been amended accordingly. However, while the website is certainly a step in the right direction; providing an opportunity to promote the service and a place for advice organisations to signpost vulnerable consumers to, many of the pre-existing challenges associated with the PSR remain.

Conclusion

The aim of the PSR is to support vulnerable consumers in a variety of circumstances using a range of different support mechanisms. Evidence from interviews suggested that this works well in some instances, especially for those with specific medical, physical or communicative needs, by providing services such as large print bills, supply in a power-cut and meter reading services.

Despite this, the range of issues identified in previous research projects continue to be present. In particular:

- Awareness raising, both amongst interviewed support organisations and anecdotally those they support.
- Data sharing, or the lack of, between organisations remains a topic of discussion here, along with no centralised system to identify those who need support.
- Flexible needs-based assessments have benefits but also mean that some miss out because of a PSR holders' decision to offer a service based on cost and resource needed to meet the demand.
- The ability of PSR holders to recognise individuals in need of support, for instance those with mental health conditions or in need of financial support.

These prevailing issues have been exacerbated by the COVID-19 pandemic. Newly vulnerable groups have led to greater volumes and different groups of people needing support. Despite this, a slowing in the number of PSR sign-ups highlighted the inability of the PSR to respond and adapt to changing circumstances.

Alongside the pandemic, Scotland continues to work towards achieving ambitious carbon reduction targets. Several pieces of research have established a clear need to support vulnerable groups through this process, including addressing consumer protection issues, providing handholding services and advice on understanding new

technology. The PSR could go some way to help identify householders who need support. Establishing working partnerships between PSR holders and those seeking to support the transition, plus other existing non-energy related support services.

Recommendations

Awareness and promotion

Promotion and sign-up

1. Suppliers, price comparison and auto-switching sites should offer all consumers the opportunity to join the PSR at the point of joining or switching supplier and advise them of the services available so that they can decide what they would like to access / benefit from.
2. The interviewed non-energy advice organisations' knowledge of the PSR was very limited; more work needs to be done by all PSR holders to better promote to those organisations working closest with vulnerable people.

Data sharing

3. Further consideration needs to be given as to the merits of a centralised PSR database to help support those who are most vulnerable. This would reduce a lot of the current barriers to sign-ups.
4. Data sharing during the COVID-19 pandemic has been very effective and serves as a positive example of what can be done. Large data sets held by the government, including shielding and vaccine priority lists could be shared with suppliers to establish a more robust PSR.
5. PSR holders should take a more proactive approach to promote the PSR services; forming partnerships with organisations such as the job centre, DWP, and Shelter to help those most at risk. These organisations would be able to facilitate support as they know what help is required and can act as a trusted intermediary.
6. The supplier industry should work to develop a mechanism by which they are able to notify a new supplier if a customer is on the PSR to support vulnerable people when switching.

Referral mechanisms

7. Awareness should be raised of [PSR Scotland](#) amongst householders and support agencies, who could also use this platform to sign-up on behalf of a customer in need of support. A centralised PSR database would also help facilitate this.
8. Home Energy Scotland are currently unable to refer people to the supplier PSRs to avoid competition bias. Scottish Government should rescind this rule to facilitate sign-ups. The advisor would only be referring to an existing supplier, not suggesting a change in supplier.

9. Develop a portal by which consumers can easily access and update their own information in relation to the PSR, and/or an advice organisation could request a change on their behalf.

Impact of PSR services

10. The flexible approach of principle-based regulation should give greater guidance to standardise access and cover the gaps identified in vulnerable groups. This would ensure that consumers are able to access a similar service irrespective of the fuel supplier they are registered with.
11. Ofgem currently assess the strength of the PSR based on numbers signed-up as opposed to action taken to support. Better evaluation should be carried out to determine the impact of the services offered.
12. Ofgem should consider greater governance of fuel supplier PSRs, in line with that of the DNOs, to support vulnerable consumers who often remain loyal to one supplier.

Gaps in support

13. The Energy Networks Association and the Safeguarding Customer Working Group, who work together to set the needs codes, should expand these to include:
 - Financial criteria (such as those in arrears and debt with fuel supplier or with lower-than-average consumption, low income).
 - People with mental health conditions. The breadth of circumstances and needs associated with which would need to be considered when incorporated.
 - First time occupants.
 - People who are digitally excluded.
 - Those with reduced capacity (full time carers / lone parents).
 - Those with limited ability to interpret (English not a first language, digital or numeracy literacy problems).
14. Financial support is currently a separate Ofgem regulation. However, these should not be thought of in isolation, but considered as part of a suite of activity that suppliers are doing to support vulnerable consumers.
15. The PSR services offered by fuel suppliers should be made more flexible by, within reason, in order to tailor the service to meet varying needs.

Adaptability of PSR

The Energy Transition

16. Overhaul the support services offered by suppliers and network operators. If the PSR provides the only register of vulnerabilities, this could be used as a means of determining those who need to access different support mechanisms needed for the Energy Transition and beyond.

- The PSR could be useful in determining what support will be needed during the Energy Transition, for how many people and what additional support from other organisations could be needed to provide assistance. With no centralised register this would require analysis by existing PSR holders.
17. PSR holders should partner with organisations working to deliver the Energy Transition to provide possible additional support mechanisms, these could include:
- Those who need additional handholding through the retrofit process.
 - Referrals for additional advice requirements for their new technology.
 - A tariff check to ensure that consumers have the most suitable meter and tariff arrangements for their heating systems.

COVID-19

18. All PSR holders should recognise and acknowledge that consumers will need additional support at the moment as a result of COVID-19, in particular those groups who have mental health conditions and those who are financially vulnerable. The PSR needs to be actively promoted to these groups and the needs codes adapted to include more temporary vulnerable situations.
19. Support for vulnerable consumers via the telephone and meter readings should be considered an essential service by suppliers during COVID-19.
20. All suppliers need to plan for a spike in demand for additional support when debt recovery operations pick-up and meter reading processes return to normal. Extra resource will need to be given to support debt management.
21. COVID-19 data, such as high mortality rate areas, could serve as a data indicator for targeting households who might be vulnerable and need more support. This could be done as a collaborative project by the industry to facilitate PSR sign-ups.

1. Introduction

Changeworks were commissioned by the Energy Consumers Commission (ECC) to deliver research into how consumer experience of the Priority Services Register varies and explore whether there is potential to improve on or expand the services offered and/or the range of vulnerabilities provided for. This was examined in the context of the Energy Transition and COVID-19.

Priority Services Register

The Priority Services Register (PSR) licence provisions place obligations on energy suppliers and distribution network operators (DNOs) to provide non-financial services free of charge for consumers who are in a vulnerable situation or have certain characteristics (such as a disability).

Evidence shows that every year, energy companies are identifying more eligible customers and increasing the range of services they offer. However, a number of issues have been identified by consumer groups² and Ofgem³:

- The number of people registered still falls significantly short of those potentially eligible, and the proportion of those registered in Scotland is below the levels of registrations in England and Wales.
- Levels of consumer awareness are low.
- There is variance in the quality and breadth of services provided by suppliers.
- Some suppliers are not going far enough to identify vulnerability (e.g. some suppliers perceive that vulnerability is mainly defined by age).
- Not all consumers have a positive experience with PSR services.

The pertinence of this research has been highlighted by Ofgem, who have placed the PSR within Priority Theme 1 of its Consumer Vulnerability Strategy 2025. Ofgem want to see the following outcome:

“We want energy companies to act swiftly to provide support to the people who need it. To ensure they can do this we want them to regularly maintain and proactively update the data they hold on their customers including their Priority Services Register data.”

Energy Transition and COVID-19

The Scottish Government has committed to achieving net-zero emissions by 2045, with a target to cut 75% of emissions by 2030. The steps and measures required to achieve this are often referred to as the Energy Transition. Although the Energy Transition will bring with it many benefits, these cannot be assumed. In fact, there is

² CAS (2019) [Making it easy- Simpler Registration for Consumers in Vulnerable Situations](#); CAS (2020) [Market Pulse- Energy Consumer Tracker Survey 2017 / 18 / 19](#)

³ Ofgem (2019) [Vulnerable Consumers in the Energy Market](#); Ofgem (2019) [Consumer Vulnerability Strategy 2025](#)

evidence that, without careful consideration, new injustices and vulnerabilities could be created⁴. It is therefore essential that we research and understand these issues to enable prevention from the outset and continue to work to address the issues that already exist in our society and, more specifically within the energy markets.

Alongside the Energy Transition, the global COVID-19 pandemic has rapidly overwhelmed our societies, shocked the global economy, and overburdened struggling health care systems and other social institutions around the world. As the shorter-term impacts of the COVID-19 pandemic are becoming clearer, the implications that this disease will have in the long-term are yet to be understood. It is therefore vital to consider the impacts of COVID-19 and accurately support fuel poor and vulnerable households during the Energy Transition.

Within the challenging context of Scotland's Energy Transition and the short- and long-term impacts of COVID-19, understanding who is vulnerable and whether these consumers are being identified and receiving the support they require, is going to be vital to ensure a just and fair transition for all.

1.1 Aims

The aim of this research was to establish a baseline understanding of how consumer experience of PSRs varies and explore whether there is potential to improve on or expand the services offered and/or the range of vulnerabilities provided for.

The overarching aim was broken down into three sub-aims to be explored:

1. Understand how effective the existing PSR promotion and sign-up processes are.
2. Establish the adequacy and strengths and weaknesses of existing PSR services.
3. Understand the suitability of existing PSR eligibility criteria and provisions in the context of COVID-19 and the Energy Transition.

Note

The majority of this research was conducted prior to the launch of the [PSR Scotland website](#). The website was established by Scottish and Southern Electricity Networks (SSEN) Distribution, SP Energy Networks (SPEN) and Scottish Water as a centralised place to find out about eligibility for the different electricity network operators and Scottish Water. In light of this, the recommendations have been amended accordingly. However, while the website is certainly a step in the right direction; providing an opportunity to promote the service and a place for advice organisations to signpost vulnerable consumers to, many of the pre-existing challenges associated with the PSR remain.

⁴ Sovacool et al. (2019) [Decarbonization and its discontents: a critical energy justice perspective on four low-carbon transitions](#)

2. Methodology

The following diagram gives an overview of the methodology used to address the aims of the research. A more detailed methodology is available in Appendix A.



3. Findings

3.1 Vulnerability in the context of PSR

The following section provides context by exploring the concept of vulnerability in relation to the PSR.

Principles-Based Regulation

Ofgem have recently moved towards principles-based regulation (PBR) and away from prescriptive licence conditions specifying how companies need to identify and help vulnerable consumers. PBR sets out the consumer outcomes that must be delivered but does not stipulate how supply companies and network operators should achieve this. The aim of PBR is to drive companies to be more flexible and innovative in how they identify, understand and respond to the different needs of their customer base.

Energy companies have historically had obligations to maintain PSRs of vulnerable customers and to provide them with additional support, particularly focused around communication, access and safety needs. Ofgem has updated this obligation to broaden the definition of vulnerability and to improve sharing of information across the energy industry.

Ofgem gives a broad definition of vulnerability (see below), and the energy industry has developed standard industry-wide needs codes to identify eligible consumers. Customer vulnerability data is currently shared between suppliers and network operators, but not between supply companies.

Vulnerability drivers

Vulnerable consumers are not a small group. Frontier Economics reported in 2018 that one in every four people fell into one of 30 recognised vulnerability categories. These categories are the needs codes developed by the energy industry to identify consumers who may require additional support⁵. However, industry regulators such as Ofgem and the Financial Conduct Authority (FCA) are moving away from categorising consumers in this way towards a more rounded understanding of consumer vulnerability.

A more recent survey by the FCA showed that just under half of UK adults display one or more characteristics of vulnerability⁶. The FCA defines vulnerability as displaying one or more characteristics that fall under four key drivers:

- **Health:** health conditions or illnesses that affect the ability to carry out day-to-day tasks.
- **Life events:** major life events such as bereavement, job loss or relationship breakdown.

⁵ J1699 Priority Service Category Version 12.9

⁶ FCA (2020) [Our Financial Lives survey](#) (conducted prior to Covid-19 pandemic)

- **Resilience:** low ability to withstand emotional or financial shocks.
- **Capability:** low knowledge of financial matters or low confidence in managing money (financial capability). Low capability in other relevant areas such as literacy or digital skills.

Conceptualising vulnerability through these drivers demonstrates that it is not a fixed state and is highly sensitive to societal, economic and individual-level changes.

Ofgem’s consumer vulnerability strategy also demonstrates a more rounded approach to the concept of vulnerability. Ofgem’s definition of vulnerability is intentionally broad to capture that vulnerability is a dynamic concept.

Ofgem’s definition refers to ‘vulnerable situations’ rather than vulnerable customers. This approach recognises that vulnerability is created by a combination of factors:

- Personal characteristics such as age, poor health, or disability.
- The customer’s situation such as living alone, being on a low income or in debt, or not having internet access.
- The action (or inaction) of energy companies.

Ofgem’s definition of vulnerability

When a consumer’s personal circumstances and characteristics combine with aspects of the market to create situations where he or she is:

- significantly less able than a typical domestic consumer to protect or represent his or her interests; and/or
- significantly more likely than a typical domestic consumer to suffer detriment or that detriment is likely to be more substantial.

3.2 Gaps in Eligibility for the PSR

Financial hardship

Financial hardship is often not considered to be a qualifying category for PSRs. It is not one of the needs codes used across suppliers or DNOs. Presumably, this is because PSRs provide non-financial support. However, poverty is not only a material condition, but also a state of vulnerability which impacts people’s resilience and capabilities. Poverty increases the risk of mental and physical health problems. Being in poverty also alters how people make decisions due to factors such as stress, cognitive load, worsened cognitive functions, an inability to plan and foresee problems, and changing attitudes towards risk-taking⁷. The National Energy Agency (NEA) has called for a specific financial vulnerability PSR needs code which can flag those in or at extreme risk of poverty⁸.

In addition, there is evidence that consumers in problem debt (unable to afford their debt repayments) should also be considered as vulnerable. The FCA states that half

⁷ Adamkovič (2020) [Consequences of Poverty on Economic Decision-Making](#)

⁸ National Energy Action (2020) [Policy Paper: The Gathering Storm: Utility Debt and COVID-19](#)

of adults in problem debt are considered to have mental health issues, and people with problem debts are twice as likely to develop depression.

Age

More generally, the FCA identifies that the groups most likely to be vulnerable are those under 24 or over 65, unemployed people, and those with no formal qualifications⁹. However, of these only 'over 65' is routinely used as a category to identify vulnerable consumers.

Other factors

Research in 2013¹⁰ identified a number of consumer groups who were not eligible for PSR or Gas Safety Checks but who self-identified as having certain characteristics or risk factors which could lead to vulnerability in the energy market. The groups identified were consumers who:

- Have no internet access
- Have no formal qualifications
- Are unemployed
- Receive means tested benefits
- Sometimes struggle with reading or sums
- Do not normally speak English at home

Whilst it is clear that all the consumer groups detailed above are now eligible for PSR services under Ofgem's definition of vulnerability, in practice they are less likely to be identified by energy companies as vulnerable. This could be a hangover from the narrow pre-2015 PSR eligibility criteria as some suppliers may be less adept at recognising and identifying vulnerabilities beyond the historic criteria. The Commission for Customers in Vulnerable Circumstances¹¹ reported that both self-identification of vulnerability, and identification by a supplier or a third party are complex and difficult, particularly as we no longer define vulnerability using a simple list of criteria.

In 2018, Ipsos MORI reviewed the categories used by 42 different organisations to identify people in vulnerable situations. Those most commonly referenced included:

- Chronic conditions or long-term health problems
- Physical disabilities
- Visual impairment
- Hearing impairment
- Older age.

⁹ FCA (2019) [Guidance for firms on the fair treatment of vulnerable customers](#)

¹⁰ Ipsos MORI (2013) [Research into the Priority Services Register and non financial support for vulnerable energy consumers](#). Note that this research refers to the PSR eligibility criteria prior to the 2015 update.

¹¹ The Commission for Customers in Vulnerable Circumstances (2019) [Final Report](#)

Those referenced comparatively less frequently were:

- Having young children or being pregnant
- Having a mental health condition
- Having English as a second language
- Being on a low income.

Our review of the eligibility criteria (or needs codes) which suppliers and network operators published on their websites also illustrates that these groups are less likely to be explicitly referred to as vulnerable groups.

Based on monitoring social obligations reporting (SOR) data and stakeholder engagement, Ofgem has identified that small and medium suppliers are not going far enough to identify vulnerability. This could be due to a narrow perception of 'vulnerability' as being defined by age. Ofgem reports that a number of small and medium suppliers claim they have fewer PSR eligible customers due to the demographics of their customer base¹².

Off-gas customers

Consumers who do not use gas or electricity for their heating are not protected by Ofgem PSR licence conditions. Oil, LPG and solid fuels are unmetered fuels, and usually delivered to people's homes by individual suppliers. Consumers using unmetered fuels are at a higher risk of vulnerability as they have less protection around being in debt and are also more exposed to price volatility, particularly those using oil.

There is no obligation for supply companies within the oil, LPG and solid fuels industries to maintain a PSR. In practice, individual supply companies often do have their own version of the PSR which allows them to prioritise deliveries during adverse winter weather. Industry bodies and trade associations also have codes of conduct such as the Liquid Gas UK Customer Charter¹³. In addition, due to the fuel being physically delivered to customers' homes, companies have more opportunities to identify vulnerability.

The lack of PSR obligation does create the risk that some off-gas consumers may have to rely on informal support networks if a delivery is not made, or simply go without fuel. The NEA has identified considerable variances in support received by households in terms of identifying consumers vulnerable to cold-related ill health and prioritising them for fuel deliveries¹⁴. Ofgem has previously suggested implementing PSR type services in non-gas markets and industry specific databases where suppliers proactively identify and hold information on consumers in vulnerable situations¹⁵.

¹² Ofgem (2019) [Vulnerable consumers in the energy market](#)

¹³ [Liquid Gas UK Customer Charter](#)

¹⁴ National Energy Action and Energy Action Scotland (2018) [UK Fuel Poverty Monitor 2017-18](#)

¹⁵ Ofgem (2015) [Insights paper on households with electric and other non-gas heating](#)

Heat networks

Likewise, for heat network customers (district or communal heating), the only current protection is the voluntary Heat Trust scheme. The Heat Trust sets out a number of consumer protection and heat contract standards¹⁶. These are comparable to the quality and performance standards for regulated utilities (such as gas and electricity) and draw on existing regulations and industry best practice. However, as the Heat Trust is currently a voluntary scheme, many consumers are not fully protected. Research in 2017¹⁷ found that at least 50% of heat network operators in Scotland had no plans to join the Heat Trust scheme. It also highlighted low consumer awareness of the Heat Trust.

The Heat Networks Bill, which completed Stage 3 in the Scottish Parliament in February 2021, will introduce licence and regulation arrangements for heat networks in Scotland. Although consumer protection is reserved to Westminster, the licence standards in the Bill will contain a degree of consumer protection. It is also anticipated that GB-wide consumer standards for heat networks will be introduced in the coming years.

3.2.1 Gap analysis outcomes and interview findings

Using the literature review and needs codes matrices (Appendix B), a gap analysis was carried out to establish groups which may need extra support. This was considered in the context of COVID-19 and the Energy Transition. The core groups that we established were:

- People with poor mental health
- People on low incomes
- First time occupants
- People who are digitally excluded
- Those with reduced capacity (full time carers / lone parents)
- Those with limited ability to interpret.

Interviewees were asked to consider whether there were any vulnerable groups that might be missing out on PSR services. They were then briefed on the groups that had been identified as missing as part of the gap analysis delivered through this research. Overall, advice organisations and charities were very supportive of the idea to enlarge the reach of the PSR. They thought the register could and should do more.

“The whole process is like trying to catch raindrops – it’s always going to fall down. Vulnerable consumers are not being funnelled effectively and reliably. There’s lots of rain on the ground – and that’s consumer detriment.” Advice organisation

¹⁶ [Heat Trust Scheme Rules](#)

¹⁷ Changeworks (2017) [Different Rules for Different Fuels: Exploring Consumer Protection in the District Heating Market](#)

“The needs codes are quite restrictive for suppliers and network operators in terms of identifying households that are in need” Advice organisation

On the other hand, the PSR holders interviewed (including the DNO and supplier) felt that their vulnerability codes are generally comprehensive.

“I don’t think so, I personally don’t think there are gaps in customers groups who are consistently being left out ...I think that our list really covers all vulnerabilities.” DNO

A summary of the groups that were most often raised by the interviews were as follows. As mentioned above, these discussions mainly took place within the advice organisation and charity interviews. These included: mental health, financial vulnerability and energy debt, younger people, first time tenants, infrastructure and the digitally excluded.

Mental health

Mental health was generally considered a vulnerability that should be highlighted in Ofgem’s guidance. As things stand, not all energy suppliers and distributors consider mental health to be a vulnerability. Energy advisors spoke of the prevalence that mental health has amongst the clients they support.

“Those people really do need extra support; they tend to bury their head in the sand and not speak to anyone.” Energy advice organisation

Mental health conditions are officially classed as a disability yet there was agreement that the PSR seems to cater better for physical disabilities rather than mental conditions.

“The physical stuff is clear in some ways, but mental health is quite difficult, and I think suppliers need to be better at picking this up so that they can have an awareness of the reason why a consumer might not be responding or might be behind on payments. And the supplier can adjust how they engage and manage this. It just gives them a bit of understanding before they start engaging with that customer.” Complaints case worker

Financial vulnerability and energy debt

Although the PSR offers non-financial support to those most vulnerable, most interviewees were very supportive of including those who are financially vulnerable or those who are in energy debt within the PSR. Interviewees recognised the need of this group to access better support like more leniency with debt repayments, or an improvement in communication such as the supplier being more proactive in the way they communicate.

“We are of a view of extending what is defined as vulnerable under the PSR to include financial flags for vulnerability [...] that automatically brings about the idea that it would be linked to financial support, but it doesn’t necessarily need to be the case, it could be just by knowing a household is in financial vulnerability they might tailor support services better to them” Advice organisation

“It’s about suppliers having more contact to help people with debt issues or if they are struggling. Usually, things are left so long. If the supplier doesn’t chase it up it’s so far down the line, whereas if suppliers could support people to see if they have disconnected so many times in a year, or arrears are building up. They should proactively reach out instead of sending debt letters. It would be a different service.”

Energy advice organisation

The energy ombudsman interviewees felt financial vulnerability to be a key characteristic of the complainants they regularly work with:

“On paper there should be the right level of support for those struggling financially. I think certainly we regularly see complaints from people who are in financial difficulty who don’t receive the support that they need. If they were included in PSR and would be entitled to better support then that would be a good thing. The important thing overall is that people who can’t pay their bills are provided the right level of support and feel that can heat and power their homes.” Ombudsman

When speaking to Ofgem, the interviewee was already aware of the calls for financial vulnerability to be added to the PSR but felt that Ofgem’s obligations already provide the space for suppliers and energy distributors to support more types of vulnerability. They reiterated the non-financial nature of the PSR and the role of industry within such decisions:

“Ideally we would want suppliers to identify financially vulnerable customers already – even if it is not a specific needs code. We would want them to think about flagging financial vulnerability on their systems. And I’m sure a number of suppliers do that.. Financial vulnerability is the key thing. We hear that some stakeholders are keen for financial vulnerability to be included in the PSR needs codes, but we’re not actually prohibiting that from happening. It’s the industry which will need to pick that up.”

Ofgem

The energy supplier interviewed already includes financial vulnerability within their vulnerability flags. The interviewee explained that although Ofgem see the PSR strictly as a non-financial form of support, they use the PSR in a way that can be consulted both for providing non-financial and financial support services they offer:

“The PSR is deliberately about non-financial services. And the financial support services that suppliers are obliged to offer are under other licence conditions. We think it’s appropriate to capture and flag on our PSR customers who need the non-financial support services that are relevant to them. It also flags to us customers who might need other financial support services that we also offer. Therefore, our PSR is naturally wider to capture that, we don’t look at it as a financial / non-financial service. Whereas Ofgem very clearly define the PSR as being for non-financial services.”

Energy supplier

The energy distributor we interviewed felt that it was not appropriate for them to hold such information, but more appropriate for energy suppliers instead:

“Maybe for suppliers it is useful to have this as they are involved in the bills and would maybe want to know if customers need help with affording bills. But as a DNO – is that appropriate for us to hold information about someone’s financial situation? In terms of GDPR, is it appropriate for us to hold that information? I don’t believe it is. But I can see that it would be a benefit for suppliers, but not DNOs.” DNO

Several interview participants mentioned that financial vulnerability must be considered in the context of other Ofgem licence conditions which are specifically designed to address financial vulnerability. These include the self-disconnection principles and ability to pay principles. It should be noted that these interviewees all interpreted the PSR as providing non-financial services.

However, one participant specifically referred to the PSR as being designed for non-financial *vulnerabilities*:

“Financial vulnerability comes up a lot, particularly in context of Covid. The PSR has always been about non-financial vulnerabilities. It’s about access and communication and accessibility, not customers’ financial circumstances”
Trade Association

This is a key difference in interpretation and this participant argued that customers who are struggling for financial reasons do not need to be flagged on the PSR as there are other forms of support which are designed to address financial vulnerability. This viewpoint was at odds with the majority of participants who recognised that non-financial services could be of use for those consumers who are vulnerable for financial reasons. This difference in interpretation can be seen elsewhere, a recent inquiry¹⁸ also defines the PSR as:

“... a register of domestic customers who, for non-financial reasons, may be in a vulnerable situation.” The Commission for Customers in Vulnerable Circumstances (page 23).

This would suggest that clarification may be required from Ofgem that PSR services can be provided to consumers who are vulnerable for financial reasons.

Younger people

Some of the interviewees recognised that the dominant fuel poverty/energy discourse tends to focus on the elderly and the disabled, possibly at the detriment of younger people:

“The level of support generally with energy bills and warm home credits is disproportionately targeted toward older people. Younger people and families, and also those with less age-related criteria are underserved through existing policy measures” Advice organisation

¹⁸ The Commission for Customers in Vulnerable Circumstances (2019) [Final Report](#)

First time occupants

Those moving into a property for the first time were also considered vulnerable, and not necessarily receiving the support and attention needed. Energy advisors and other advice organisations all agreed that this group experience disadvantages which leads them to financial vulnerability:

“Moving into property for the first time is a key time of detriment for consumers – the government is not tough enough on ensuring consumers have enough information about their utilities. Often you just wait a few months until you get a bill, but until then you don’t know who your supplier is and how much you’re paying. Ensuring customers are supported into a new premise prevents them falling into financial vulnerability.” Advice organisation

“What really frustrates me is when they move in and there is a dry meter. That person doesn’t know how much the heating systems will use, they don’t understand how much electric and gas will cost, don’t know how to use heating controls, they get their first bill and it’s £200 – they can’t deal with it and ignore it for a month and they get debt – a support worker might notice and then refer them for support but it’s already too late at this stage. They need help and extra support / help and referrals from the outset.” Energy advisor

Infrastructure: Electric, restricted heating and PPM

In Scotland, a high proportion of households rely on electric heating. These households generally experience higher costs, are often at a disadvantage in the energy marketplace and often utilise restricted meters. Advice organisations and energy advisors were very supportive of including these customers within the PSR:

“We are very concerned about electric heating, it seems to be very linked to disadvantages in the market place and disproportionately high levels of fuel poverty in Scotland. [...] It’s a clear sign that people might need support if they have that type of infrastructure (electric heating, restricted meters). Pre-payment meters are[sic.] another one, there’s cost implications to having a ppm meter, arguably it could be used as a vulnerability flag too. Things like that could be useful in terms of directing support to them.” Advice organisation

Interestingly, one interviewee discussed how one of the main aims of the PSR is to protect vulnerable households from power cuts. However, vulnerable households who are on PPM can manually disconnect their energy supply when they cannot afford it:

“We have seen this in PPM customers who are self-disconnecting. That’s definitely a gap actually, there’s a gap there that PSR doesn’t look at. If you have told them you have a vulnerability and are on a credit meter your credit won’t go off. But you can self-disconnect with PPM.” Energy advice organisation

3.3 Awareness and promotion

Suppliers and network operators must proactively identify customers who might benefit from additional support services and have a responsibility to promote PSR “in innovative ways”. Ofgem specifies an expectation for suppliers to collaborate with consumer groups and other third parties to improve awareness of the PSR.

However, public awareness of PSRs is low. A report from 2013¹⁹ described PSR awareness as “non-existent” even amongst consumers who are signed up. More recently an independent review in 2019²⁰ also found the impact of the PSR is being constrained by a lack of awareness that it exists. The review recommended that:

“The energy industry should work together to improve customer awareness of the PSR; make it easier to sign up to the PSR; and ensure that once a customer is on the PSR this information is actively used to support them.”

Low awareness seems to be a particular issue in Scotland, which has the lowest numbers of PSR-registered consumers across GB²¹. Despite the number of consumers registered continuing to grow, in 2019 Ofgem reported concerns around the lack of promotion of PSR services.

Interviewees identified a number of barriers with the sign-up process that hinder consumer engagement with the PSR, these included:

- Lack of trust in energy suppliers, resulting in householders being hesitant to share personal information.
- Lack of clear benefits to consumers.
- Lack of awareness of the register and sometimes consumers are on it without being aware of it.
- Lack of awareness amongst smaller non-energy related organisations that support those with vulnerabilities.

Energy Suppliers

Research commissioned by the Consumer Futures Unit in 2018²² found anecdotal evidence of suppliers in Scotland proactively engaging with consumers. This included attending or leaving information materials in GP surgeries and foodbanks. Other research participants described partnerships with organisations such as Macmillan who can refer consumers. However, these approaches were still very much in their infancy. The research suggests that there is scope for more third-party involvement to raise awareness, specifically through health and social care partnerships.

The 2019, the Vulnerable Consumers in the Energy Market Report stated that small and medium suppliers are getting better at identifying vulnerability.

¹⁹ Britain Thinks (2013) [Vulnerable Consumers and the Priority Services Register](#)

²⁰ The Commission for Customers in Vulnerable Circumstances (2019) [Final Report](#)

²¹ Ofgem (2019) [Vulnerable consumers in the energy market](#)

²² Ipsos MORI (2018) Research into simpler registration for consumers in vulnerable situations
Priority Services Register Scotland: Impact and Reach – June 2021

Research with industry stakeholders and consumers²³ identified some examples of good practice. These included signposting of services between and across organisations and sectors as well as community engagement. However, the report acknowledges that neither of these are standard practice.

Ofgem also identifies the smart meter rollout as a unique opportunity for suppliers to visit every home in the country and get insight into vulnerability on a national scale. However, there is little evidence that this is currently happening.

Distribution Network Operators (DNOs)

In comparison to supply companies, consumers are generally less familiar with DNOs and their role. This reflects the limited contact most consumers have with their network and the lack of a billing relationship between networks and customers. Recent research in Scotland reveals that most consumers have not had any contact with their DNO (14% of participants had contacted their electricity DNO and 8% their gas distribution network (GDN)).

As part of the RIIO framework²⁴ Ofgem encourages DNOs to address consumer vulnerability issues through the Stakeholder Engagement Incentive (SEI) and Stakeholder Engagement and Consumer Vulnerability Incentive (SECV). DNOs provide written evidence of their engagement activities for an annual assessment and are financially rewarded based on the decision of a panel of experts. This means that DNO activity in terms of promoting and managing their PSRs is much more closely monitored by Ofgem than the activity of energy suppliers.

Low awareness and customer contact could make PSR promotion difficult for network operators. However, Ofgem reports that a number of companies have established partnerships with mental health organisations in order to make arrangements which specifically address the needs of customers facing mental health issues. For example, Northern Powergrid's proactive communications initiative aims to contact people with mental health issues within the first hour of an unplanned power cut to provide reassurance and further information. Similarly, some DNOs such as Western Power Distribution have partnered with organisations supporting fuel poor customers to expand PSR reach.

Scottish and Southern Electricity Networks (SSEN) have taken a proactive approach by conducting a gap analysis to identify likely eligible groups not yet registered on their PSR. This approach has been praised by Ofgem²⁵. SSEN have partnered with the Centre for Sustainable Energy (CSE) to deliver outreach programmes and engage customers via bus pass renewals, MacMillan nurses, occupational health

²³ *Ibid.*

²⁴ Revenue = Incentives + Innovation + Outputs ("RIIO"). RIIO is Ofgem's framework for setting the revenues recovered by the DNOs.

²⁵ Ofgem (2020) [2019-20 Stakeholder Engagement \(and Consumer Vulnerability\) Incentives Panel Report](#)

professionals and social workers²⁶. However, it is unclear if similar partnership arrangements exist in their Scottish network region as well.

There are examples of good practice in the UK energy industry and further afield where energy companies are proactively supporting vulnerable consumers through partnerships. Research by Sustainability First identified examples including E.ON Germany's partnership with welfare organisations and Job Centres to actively identify when a customer becomes unemployed and support them. Northern Gas Network has partnered with The Children's Society to target teenagers who are about to live independently for the first time.

3.4 Reach

Extent

As part of this research, data analysis was carried out to achieve a better understanding of the reach of the PSR, the impact of different supplier criteria and what effect this could have on the householder access to the support services. The PSR eligibility guidance from Ofgem, the network operators and the different suppliers were applied to each household in the 2018 Scottish Household Survey (SHS) dataset available through the UJK Data Service²⁷. The SHS is executed yearly and with around 10,000 samples to provide a dataset that represents Scotland's households. This data was used to estimate how many people could be eligible based on each of the supplier and distributor needs codes (Appendix B), and to draw comparison between them. More details of the methodology can be seen in Appendix A.

The most recent numbers for the number of households registered to a PSR came from previous research by Citizens Advice Scotland²⁸, who estimated that in 2017 485,582 electricity consuming households and 374,629 gas consuming households were on a PSR. It was not clear if these households on electricity and gas PSRs overlapped or not. According to the National Records of Scotland²⁹, there were 2,463,569 households in Scotland in 2017. If we assume the levels of registration have not changed much since then, we estimate that 20% of the Scottish households are on an electricity PSR and 15% on a gas PSR. There will be some cross over between these households i.e., some will be registered to both gas and electricity related PSRs.

When applying the Ofgem criteria to the SHS data, we estimate that 43% of the households in Scotland could be eligible for the PSR. Of the DNOs, SPEN had the widest criteria, and therefore the most households PSR eligible. It should be noted

²⁶ SSEN (2019) Stakeholder engagement and consumer vulnerability submission: 2018-19

²⁷ Scottish Household Survey, 2018, available via [UK Data Service](#). This was supplemented with additional requested data from the question HF2A: "Which of the conditions listed on this card best describes the physical or mental health condition that (name) has?"

²⁸ Citizens Advice Scotland (2019) [Making it Easy: Simpler Registration for Customers in Vulnerable Situations](#)

²⁹ National Records Of Scotland (2018) [Estimates of Households and Dwellings in Scotland, 2017](#)

that although their website mentions that householders can request to be added to the PSR if they feel ‘in need of a little extra help’, this could not be aligned with any of the SHS/SHCS variables and so was not included in this data analysis.

Suppliers that do not expand on the Ofgem criteria, including E.ON and Octopus show the same rates of eligibility as Ofgem. Suppliers with wider criteria such as young adults living alone for the first time, the presence of young children, or a lower minimum age (60 years), have substantially higher levels of eligible households (Figure 1). From the larger energy suppliers, EDF is the supplier with the highest eligibility levels, and Utilita the highest levels from the smaller suppliers.

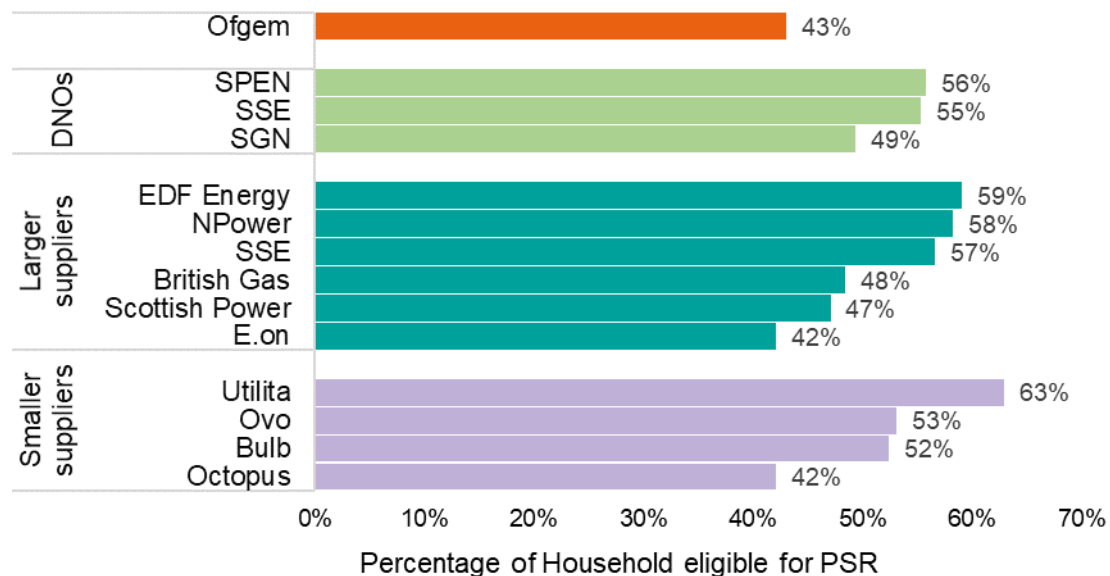


Figure 1: Households in Scotland fulfilling the PSR criteria, using openly available data from the Scottish House Condition Survey 2018.

It was not possible to extract some of the PSR qualifying criteria from the SHS data (i.e. needing power supply for cooling medication or dialysis equipment). Figure 1 should therefore be considered an informed estimate, not an absolute number.

Nonetheless, the differences in qualifying households per network or supplier illustrates how important differences in criteria can be. The difference between suppliers and the criteria outlined by Ofgem is mainly a result of those suppliers who offer their PSR to households with young children and a reduced minimum age for qualifying, as can be seen in the example comparing EDF Energy with Ofgem (Figure 2).

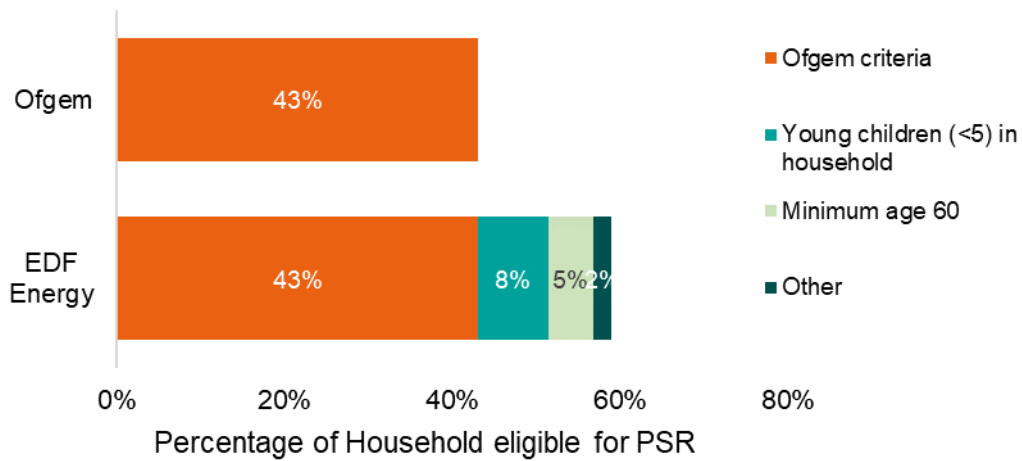


Figure 2: Households in Scotland fulfilling the PSR criteria from Ofgem and Npower, specifying the additional criteria, using openly available data from the Scottish House Condition Survey 2018.

When expanding the criteria to include the factors identified through our gap analysis, an additional 14% of households would be eligible (Figure 3). Note that this 14% only includes households that would not be included by any of the criteria currently stated by the energy suppliers, Ofgem or the network operators in Figure 1. As a consequence, the criterium 'being a single parent' did not add to these additional households, as for one energy supplier, Utilita, the criterium 'children in the household' already includes single parent households with children up to 16. The largest contributors from these additional criteria are those that represent not having a high income or not having much savings.

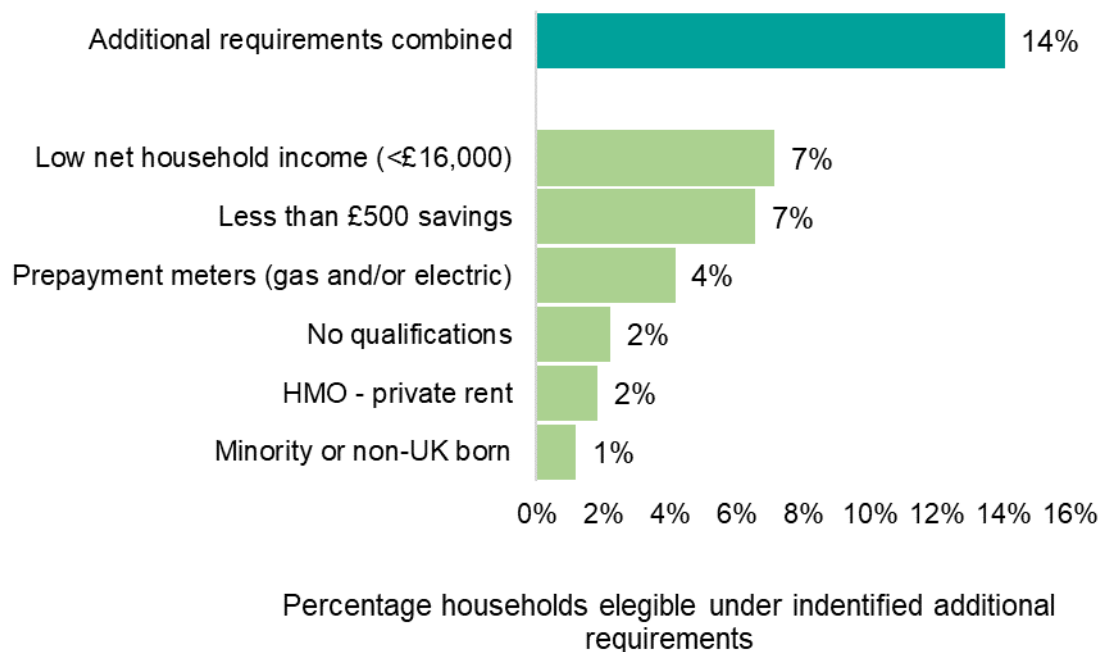


Figure 3: Households in Scotland fulfilling the additionally identified PSR criteria, using openly available data from the Scottish House Condition Survey 2018.

Barriers and Challenges

During the interviews, some interviewees felt that the principles-based regulation adopted by Ofgem allowed suppliers and distributors flexibility in their approaches and categorisations of vulnerability. One energy advice organisation mentioned that they had not anecdotally heard of any cases of suppliers turning someone down, so it was considered as being a relatively reasonable and open register.

One advice organisation explained that the sign-up process and the likelihood of the consumer being aware of the PSR is very much dependent on the supplier:

“I believe some companies identify people differently, some suppliers are very proactive and the first thing they do is to check the register, others tend to not bother and it’s something you need to ask for.” Energy advice organisation

Previous research indicates that reliance on customer disclosure is not an effective approach to PSR registration. This is particularly the case for those with mental health problems, or consumers who do not consider themselves to be vulnerable. Research by The Money and Mental Health Policy Institute³⁰ found that eight out of ten customers said they would not tell a company if they were in a potentially vulnerable situation.

In addition, low awareness of PSRs means that consumers are unlikely to proactively seek out this support. The responsibility for proactively identifying vulnerable consumers is therefore the responsibility of energy supply companies and DNOs.

A particular challenge is that some vulnerabilities can be temporary in nature and are not observable. The situations and circumstances of vulnerable individuals are diverse, complex and dynamic; the experience of vulnerability is unpredictable and can change over time. Most people will experience vulnerability during their lifetime. However, people experiencing temporary vulnerabilities such as debt problems, bereavement, or emotional instability will often not self-identify as being vulnerable.

Customer interactions such as phone calls provide opportunities for suppliers to find out about individual’s needs and any support they may require. There are consumer groups who have very minimal contact with suppliers or choose to interact only online or using apps. Such groups, which may include people with mental health problems or a lack of English language skills, may not be offered support.

Barriers within Energy Companies

Research by Sustainability First found that most staff within energy companies working on vulnerability issues are very passionate and committed to improving the lives of customers with additional needs. However, the research identified that staff face barriers and challenges to innovating to support customers in vulnerable situations³¹. These barriers include siloed internal structures, poor company-wide

³⁰ The Money and Mental Health Policy Institute (2016) [Money on Your Mind](#)

³¹ Sustainability First (2017) [Energy for all – Innovate for all](#)
Priority Services Register Scotland: Impact and Reach – June 2021

understanding of vulnerability and perceptions of vulnerable customers as having low commercial value.

Data sharing

Data sharing between organisations has been identified as a way for companies to better identify customers in vulnerable circumstances and tailor support. Both the National Audit Office (NAO)³² and BEIS³³ have called for regulators to collectively encourage and facilitate data-sharing to better identify and support customers in vulnerable situations. For consumers this removes the burden of having to explain their circumstances to multiple organisations.

PSR data is currently shared between energy suppliers and energy networks using industry data flows. Vulnerability data is shared using the needs codes. Two key areas for data sharing emerged during the literature review and interviews: sharing across industries and sharing between suppliers within the energy industry.

Sharing across industries

Currently there is an industry focus on data sharing between energy and water sectors. The UK Regulators Network (UKRN) set out expectations in 2017 that water and energy companies explore cross-sector data sharing³⁴. Water UK and the Energy Networks Association (ENA) have committed to deliver priority services data sharing between energy networks and water companies across England and Wales. Their approach was piloted in 2018 between United Utilities and Electricity North West and resulted in 1,600 new PSR registrations for United Utilities³⁵. The pilot also resulted in existing energy needs codes also being used by water companies to facilitate future data sharing.

Scottish Water are not involved with the ENA and Water UK project. Water in Scotland is regulated by Water Industry Commissioner for Scotland (WICS) not Ofwat. There are key regulatory differences as Scotland has a single water authority (Scottish Water), and water billing is carried out by local authorities, whereas water services in England and Wales are provided by the private sector. Although not involved in the ENA and Water UK project, there is data sharing activity between energy and water sectors in Scotland. SSEN have established a Joint Utilities Working Group with Thames Water, Wessex Water, Scottish Water, Bournemouth Water, Southern Water, SP Energy Networks and Portsmouth Water. The group has been working together to try to achieve bilateral data privacy frameworks, joint signposting on websites and joint messaging at events.

³² NAO (2017) [Vulnerable Consumers in Regulated Industries](#)

³³ BEIS (2018) [Modernising consumer markets: green paper](#)

³⁴ UKRN (2017) [Making better use of data to identify customers in vulnerable situations](#)

³⁵ UKRN (2018) [Making better use of data to identify customers in vulnerable situations: A follow-up report](#)

The NEA has suggested further data sharing opportunities to support customers³⁶. Where customers are identified as being eligible for Warm Home Discount, a financial vulnerability flag could be shared notifying the other organisations and allowing them to make proactive contact with the customer.

Challenges

The United Utilities and Electricity North West pilot project demonstrated that the process of matching data across different companies is resource-intensive and complex, including challenges such as differences in naming conventions and high levels of duplication which required manual data matching. Automated processes will be needed for national data sharing, but the pilot project illustrated that conversations with empathetic and well-trained staff are essential for recognising customer vulnerability and for explaining and gaining consent for data sharing. The report highlights that the use of automated systems risks creating an inaccessible service.

A further issue raised in the project is keeping PSR data up to date. This is difficult due to the transient nature of vulnerability, the size of the dataset and legal requirements to gain customer consent to amend or share data. Inaccurate data can lead to serious consumer harm. For example, Ofwat reported that during the 'Beast from the East' a number of water companies were unable to guarantee the accuracy of their data. As a result, many vulnerable customers did not receive support when water supplies were cut off due to freeze-thaw incidents³⁷.

Data sharing also raises the issue of accountability as there may be challenges concerning which organisations are responsible for protecting, as well as updating, the data.

Sharing between suppliers

From the reviewed literature it seems that a key expectation of consumers registered for PSR is that this registration will be passed over when consumers switch suppliers³⁸. Currently the onus is on consumers to inform their new provider of their circumstances and needs and potentially risking missing out on important services. Data sharing between energy supply companies would remove this risk and potentially could alleviate some concerns which may prevent consumers switching suppliers.

Consumer attitudes

Consumer attitudes towards the sharing of PSR data are generally split. Participants in a recent research project³⁹ felt that data sharing would help to promote awareness of PSR services and as mentioned previously, remove the burden of having to explain their circumstances multiple times. There was a perception that this would be

³⁶ NEA (2020) [Surviving the wilderness](#)

³⁷ Ofwat (2018) [Out in the cold: Water companies' response to the 'Beast from the East'](#)

³⁸ Ipsos MORI (2018) Research into simpler registration for consumers in vulnerable situations

³⁹ Ipsos MORI (2018) Research into simpler registration for consumers in vulnerable situations

especially valuable for people with mental health issues and chronic conditions, for whom repeat registration would be likely to present a significant barrier to accessing services. However, most consumers also raised concerns around data-sharing between suppliers. Most commonly, they were concerned about the potential for their data to “fall into the wrong hands” and be subject to misuse.

A minority of consumers expressed outright opposition to data-sharing between suppliers, arguing that they would prefer to register with individual service providers themselves, so that they could take the opportunity in the process to learn more about the support the providers offered, or because they wanted more control over their personal data.

Additionally, research in 2013⁴⁰ found that consumers who were aware of PSR services were more likely to be happy for their information to be shared with other energy suppliers and network operators than consumers who did not know about PSRs. Again, this illustrates that low awareness of PSR services is a key challenge.

The UKRN and Revealing Reality conducted research to understand consumer attitudes towards the collection and sharing of vulnerability data⁴¹. It identifies that the utility sector is further ahead than others such as communications and financial services in terms of the culture around sharing vulnerability data. However, it also identifies a culture of fear and distrust when it comes to discussing data, both among consumers and companies. It was highlighted that some firms may use legislation as a reason to not progress data sharing, due to fear of breaking the rules. The perception that consumers are resistant to data sharing is also holding back the process and makes the end goal of effective data sharing seem too complicated to achieve.

Interview findings

The research identified a clear relationship between the severity of someone’s vulnerability, and their openness to disclosing and sharing data.

As collated through the literature review, research undertaken by Citizens Advice Scotland has already highlighted some of the difficulties of the PSR in relation to data handling and sharing. Generally, the interviews highlighted that the potential of the data being gathered through the PSR is not being maximised:

“As an organisation, if you are routinely gathering data on vulnerable people and you know their vulnerabilities, it seems a missed opportunity not to routinely offer and make sure these people are offered energy advice, benefits checks, because there’s is a good chance they will benefit from these things.” Energy advice organisation

⁴⁰ Ipsos MORI (2013) [Research into the Priority Services Register and non financial support for vulnerable energy consumers](#)

⁴¹ UKRN (2020) [How can we help you?](#)

Interviewees also talked about trust. There are generally quite low levels of trust between households and energy suppliers, which makes them less likely to agree to share information, especially if it is sensitive:

“The key issue is that consumers don’t want to share data with energy providers, there is a lack of trust. This is a real challenge. More is needed to reassure consumers that their data will be treated well and they can rescind their permission to use it easily at any time. And they don’t currently have this. This puts people off and makes them wary.” Advice organisation

Interviewees also discussed the fragmented and outdated nature of PSRs. Energy suppliers do not share PSR data with one another, burdening consumers with having to sign-up multiple times. A few interviewees suggested that consumers and support workers should be able to access the register to keep it updated:

“Currently suppliers and networks are required to hold data accurately, but that’s not really enough - they actually need to hold data in a way that’s easy to access for consumers so they can update their data and access their own data around energy use. And that makes it easier for support services to engage with to support additional sign ups. [...] The PSR needs to be joined up with really clear benefits that can be presented to consumers. The regulation isn’t fit for purpose because it isn’t requiring utilities to do that.” Advice organisation

“We proposed a single registration point, where consumers could input their details and then be signposted to the PSR that best suits their needs. One household can be eligible for multiple registers so that single registration point makes sense.” Advice organisation

Several interviewees also referenced the Citizens Advice and Auriga project to develop a single portal for PSR registrations⁴². The concept was supported but the project is still in very early stages:

“There’s the project with Auriga for a single portal, to make it simpler and easier. It’s a bit far away from becoming reality.” Network Operator

“It’s a good long-term ambition, but there are things we can do in the interim to get us to a better place.” Trade Association

One energy advice organisation discussed the merits of automatic registration and data sharing with the Department of Work and Pensions:

“If they have a benefit that identified that they had some sort of disability then the suppliers would work with DWP to register them for warm homes discount. So that they could do something similar for the PSR. Automatically enrol them in the scheme so that they don’t need to sign-up themselves – which might be quite difficult for them to do.” Energy advice organisation

⁴² [Auriga launches online portal to support innovation in the UK utility sector](#)

In response, Ofgem and the energy supplier were supportive of the need to improve PSR data handling and sharing, but they also highlighted the realities of the energy industry:

“Our view on data sharing is that we are positive about it – it can help consumers avoid going through difficult conversations multiple times. We also are supportive of the work between water and energy sharing PSR data. [...] Industry need to put in place good processes to share data and ensure that consumers have control over it. It’s a good way to make it a lot easier for consumers.” Ofgem

“I’m surprised that the industry has not yet come up with a way of sharing info between suppliers. This is something I’ve raised before. [...] But its maybe the complexity of the industry data flows [that is preventing that], I’m not an expert. I have no idea how we would communicate that kind of information between suppliers. We don’t talk to each other. We are competitors.” Energy supplier

One interviewee explained that whilst data sharing between energy suppliers would be a positive development for consumers, it is not a current priority. The current focus within the energy industry is cross-sector data sharing with the water industry and the faster switching programme⁴³:

Sharing data on a switch is doable but not the current priority, there’s not a quick fix. There are problems to overcome in terms of verifying data between suppliers. Currently the only way to ensure that two companies are talking about the same consumer is to eyeball the data and make sure the names and details are enough of a match. I think it’s something the industry are interested in, but it’s not the next stage of PSR development, that is very much cross-sector sharing.” Trade Association

3.5 Impact of PSR services

Previous research with consumers registered for PSR services⁴⁴ has found that general perceptions are positive. The PSR is seen as a vital resource that makes it easier for those in vulnerable situations to access essential services.

Service provision data from Ofgem, and research with consumers both indicate that the most commonly used service is quarterly meter readings. However, in 2019 Ofgem noted a concerning decrease in the number of password schemes and third-party billing/re-direction offered to gas customers⁴⁵.

Being registered on the PSR does not guarantee that consumers will benefit from the support services they require. In 2018, 6.7 million electricity consumers and 5.7 million gas consumers were registered on the PSR, however only 873,082 PSR services for electricity customers and 659,650 for gas customers were provided by

⁴³ Ofgem [Switching Programme](#)

⁴⁴ Ipsos MORI (2018) Research into simpler registration for consumers in vulnerable situations

⁴⁵ Ofgem (2019) [Vulnerable consumers in the energy market](#)

suppliers⁴⁶. Concerns have been expressed by organisations including Age UK and NEA around the volume of PSR sign-ups being the only performance indicator for supplier and network operator PSR activity. This risks PSR holders focussing on the volume of registered customers rather than the quality and appropriateness of the services they are providing.

NEA have previously called for Ofgem to enhance the monitoring and reporting on PSRs and for licensees to monitor and report on their efforts to identify vulnerable customers and promote services to them⁴⁷. This issue was also flagged in the 2019 inquiry chaired by Lord Whitty which recommends that:

“Suppliers should ensure that systems and processes are in place to monitor whether their customers on the PSR are actually receiving the services they need.”
The Commission for Customers in Vulnerable Circumstances (Recommendation 11).

PSR Benefits

Interviewees were asked to talk about the main benefits that the PSR provides. Those who had little/no knowledge of the register, were not able to answer. Those who did have prior knowledge saw the continuation of power supply during an interruption as the most valuable function. Most advisors could not say how well it performs, but the PSRs were considered most valuable in the following areas (listed in order of prominence):

- During interruptions of supply, as it ensures that supply is maintained (medical equipment, refrigerated medicine).
- Meter readings for those who are unable to access the meter (especially PPM).
- Third party billing for those who are unable to manage their account (however one organisation felt that this was *“tricky to set up and suppliers are not very forthcoming with this service”*).
- One DNO felt that referring customers to support services (like Home Energy Scotland) gave the greatest benefit to the householder (although this is not a PSR requirement).

Other more broadly mentioned strengths included that the Ombudsman had received very few complaints about the PSR. Also highlighted was that the register allows suppliers and energy distributors to go further than the minimum obligations:

“The best model I saw was a supplier that had a dedicated team, a separate helpline for customers in vulnerable circumstances. It was almost a counselling service and sometimes it was not a complaint, it was more someone to talk to. I’ve seen that in terms of really going the extra mile with customers. But that’s the exception. I certainly think the energy sector has invested a bit more in this area in

⁴⁶ *Ibid.*

⁴⁷ NEA (2020) [Response to Ofgem’s Consultation ‘Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing’](#)

comparison to the other sectors we handle complaints in. It's certainly positive for the energy sector.” Ombudsman

PSR Weaknesses

Interviewees were asked to share from their experiences, the main weaknesses of the PSR. These conversations were a lot lengthier than the benefits discussions above. Some of the topics that were discussed included:

- The concept of vulnerability and how this is interpreted.
- Support services not being standardised across utilities.
- Difficult and fragmented sign-up processes.
- Instances of energy advisors having to pursue suppliers to provide bills in larger fonts.
- The onus still being on the customer to sign up.
- Meter readings not being taken regularly enough.
- Suppliers and networks making the best use of the data they hold to provide relevant services for consumers.

The topics that were discussed by more than one interviewee and in more detail are summarised below.

Customer expectations

All interviewees struggled to gauge whether the PSR support services meet customer expectations. Energy advice agencies and housing associations tend to be involved in the registering of vulnerable clients but were not generally aware of instances when these services were used. Advice agencies and complaint handlers were also understandably not in the habit of asking for feedback on the PSR services they are receiving.

“In complaints we don't really discuss with consumers whether they are happy with the PSR service they are receiving” Complaints case worker

“I've helped people sign-up but I don't know what happens. I don't really know. [...] there is not enough information to know what will happen.” Housing association

“The services are there, but whether they work in practice, I don't know the answer to that [...] we put people on register but I don't find out what happens in practice” Energy advisor

“It's unclear what benefits customers get from PSR [...] and you're not necessarily given much steer about the actual benefits from being on the PSR” Advice organisation

“99% of consumers do not really understand what it's even for. It will get you all this help you need, but people don't have expectations that it will actually do them any good – so they will they have low expectations anyways.” Energy advisor

Different companies different support

One of the weaknesses interviewees discussed is the highly uneven levels of support that energy suppliers and distributors offer. This creates disparity in the support being received by customers. When speaking to one energy advice organisation, they explained that because they are being funded by the government, they are only able to promote sign up to the PSR for energy distributors. This is to ensure they continue to remain impartial.

“We don’t make referrals to suppliers to avoid any issues around impartiality. Scottish Government require us to be impartial in the advice we give so we have stayed away from making referrals to suppliers” Energy advice organisation

Other energy advice organisations commented on the different approaches energy suppliers take to the PSR. In particular, the difference in support offered depending on the size of the energy supplier and the customer base:

“I think it comes down to the size, the big six are pretty much quite good at it. The smaller ones haven’t maybe got to grips with these sorts of obligations yet. Those that rely on more affluent ones [customers] like Octopus and Bulb, early adopters/affluent people, I have issues with them acknowledging support for vulnerable groups. Small companies when they start out don’t have this experience and knowledge to deal with it. They have got a bit better with this over time – but new smaller companies struggle with this to start with.” Energy advice organisation

An energy supplier we spoke to also acknowledged these inconsistencies and explained that the reason for these differences is due to the costs of the services versus the scale of the customer base:

“Customers may be getting different services depending on whether they are with a supplier for whom it is reasonable and practical to provide a certain service and take on that cost (as they have lots of vulnerable customers). Similarly, vulnerable customers may not get that service with a different supplier for whom it isn’t reasonable and practical.” Energy supplier

One interviewee highlighted that the differences in service provision between suppliers is an issue which requires better enforcement rather than redesign of the PSR. They suggested that monitoring the services and quality of services provided by suppliers will drive greater consistency for consumers:

“One of the challenges we have is that in a market of 60+ suppliers, some are better than others at identifying customers and providing services for them. The rules are consistent across suppliers. It’s a question of compliance and enforcement. And that’s a job for Ofgem.” Trade Association

3.6 Adaptability: COVID-19

Groups most impacted by COVID-19

Reviewing the literature, it is clear that more consumers will be in vulnerable circumstances since the onset of coronavirus (COVID-19). Many of those will be newly vulnerable and/or have multiple drivers of vulnerability. Bereavements, job losses, physical and mental health issues, and loneliness as a result of COVID-19 and restrictions all contribute towards the four drivers of vulnerability outlined by the FCA.

People from ethnic minority groups are at higher risk of contracting and experiencing the adverse consequences of COVID-19. This group are therefore more likely to experience market vulnerability as a result of health issues, or bereavement. In addition, low earners are more than twice as likely to do jobs exposing them to health risks⁴⁸.

Perhaps the most far-reaching impact of the pandemic and subsequent restrictions is on mental health. A survey by Mind found that 60% of adults, and 68% of young adults reported their mental health worsened during lockdown. Young adults and women (and young women in particular) have reported that the pandemic has had a negative impact on their mental health. Stress, anxiety, and depression limit people's mental bandwidth for making decisions or engaging with energy suppliers.

In the longer-term, health inequalities are expected to increase as a result of COVID-19⁴⁹ and the pressure on NHS services. In addition, the effects of long COVID-19 will also impact people's vulnerability. Long COVID-19 is associated with symptoms such as shortness of breath, fatigue, headaches and problems concentrating ('brain fog'). Research indicates that women and people aged over 70 are more likely to develop long COVID-19⁵⁰.

The financial impacts of job losses and furlough due to COVID-19 are being felt most by certain groups. Job losses have particularly affected people working in 'shutdown' sectors such as hospitality, tourism, manufacturing, entertainment, non-food retail and wholesale or those who are unable to work from home. The Resolution Foundation reports that lower earners are three times as likely to have lost their job or been furloughed than high earners⁵¹. Other groups disproportionately impacted by the immediate economic effects of the pandemic include women, young people (particularly aged 18-24), the self-employed, people from minority ethnic groups, single parents, people with disabilities, students, private renters and families with dependent children.

⁴⁸ Resolution Foundation (2020) [A new settlement for the low paid](#)

⁴⁹ Douglas et al. (2020) [Mitigating the wider health effects of covid-19 pandemic response](#)

⁵⁰ KCL (2020) [New research identifies those most at risk from 'long COVID'](#)

⁵¹ Resolution Foundation (2020) [A new settlement for the low paid](#)

Lockdown, home schooling and home working have resulted in increased living costs for many households. After the first lockdown, household energy bills rose by an estimated £16 a month, impacting the financial resilience of those on low incomes with minimal savings. This may be exacerbated by further price increases. Ofgem have proposed⁵² lifting the price cap on standard variable energy tariffs to cover additional costs of the pandemic incurred by the energy industry. This is mainly due to the number of households that cannot afford their bills as a result of job losses, furlough and other impacts of COVID-19, as well as increases in wholesale energy prices.

During the interviews, participants explored the impacts that COVID-19 is having on vulnerable groups. Generally, advice organisations have noticed that the pandemic has resulted in an increase in PPM customers self-disconnecting, but the number of customers coming forwards requiring support has not spiked. They expect this wave to reach them once restrictions and protections are lifted, for example once suppliers return to full debt recovery.

Suppliers have not been collecting meter readings, so there is a high proportion of vulnerable customers registered on the PSR that are being billed through estimates, which could tip them into fuel debt once meter readings recommence.

“It exacerbates a lot of existing issues. Fuel debt was on our radar for a while and with suppressed household incomes, increased energy consumption, and a combination of both of those factors it is really, really worrying for people, we haven’t seen the worst of that yet. Once restrictions start to be lifted, we will see the full impact. If suppliers really return to full debt recovery, we will see people really struggling, the price cap has already increased.” Advice organisation

Interviewees were also asked to think about whether the pandemic might be creating newly vulnerable groups which do not currently form part of the PSR needs. The following groups were discussed:

- Teenagers and young people
- Those with mental health issues
- The digitally excluded
- Those in energy debt
- Those with pre-payment meters
- Those shielding
- Furloughed
- Financially vulnerable
- Victims of domestic abuse
- Immigrants and refugees.

Lastly, the energy supplier explained their approach to COVID-19 within the PSR:

⁵² Ofgem (2020) [Consultation: Reviewing the potential impact of COVID-19 on the default tariff cap](#)

“We have been thinking about the impact of COVID-19. Should we create another flag on our PSR for customers impacted by COVID-19? Is this a vulnerability in itself? Or is it a trigger for vulnerabilities and circumstances we already have flagged. We haven’t come to a definite conclusion on this.” Energy supplier

3.7 Adaptability: The Energy Transition

Risks to vulnerable consumers

The transition to a net-zero Scotland involves changes to the generation, supply and consumption of energy. The decarbonisation of the electricity supply will bring significant changes to the domestic energy market, through decentralised generation and increased requirements for grid balancing.

One mechanism for grid balancing is time-of-use tariffs. These encourage consumers to vary their electricity demand through market signals such as higher prices during peak times. The complexity of these tariffs could lead to higher costs for consumers. Research commissioned by Citizens Advice⁵³ found that vulnerable consumers may struggle to receive benefits from time-of-use tariffs. Some vulnerable consumers, such as those with young children, a disability or a long-term health condition may be unable to shift their usage away from peak times and may pay more for electricity as a result. Vulnerable consumers, particularly those with communication barriers, may be unable to navigate increasingly complex electricity tariffs, and therefore be penalised through higher prices.

Analysis of participation in the smart energy market by CSE⁵⁴ demonstrated that lack of participation is likely to exacerbate existing vulnerable situations and potentially increase financial inequalities. This is also likely to foster a ‘left behind’ mindset in those unable to access smart energy market offers and technologies. The analysis identified the following characteristics or capabilities which prevented people switching to a dynamic time-of-use-tariff:

- Insufficient broadband speeds
- Low income
- Poor digital literacy
- Household circumstances which do not allow for flexibility around energy use.

The transition will require upgraded heating and cooking systems in people’s homes. This will be particularly disruptive for households currently using mains gas central heating, oil, LPG or solid fuel heating systems. This disruption may be more challenging for vulnerable consumers, particularly those with a disability, young children, or physical or mental health issues. In addition, almost all low carbon heating systems are expected to be more expensive than current natural gas heating

⁵³ Citizens Advice (2017) [The Value of Time of Use Tariffs in Great Britain](#)

⁵⁴ Centre for Sustainable Energy (2020) [Smart and Fair? Exploring social justice in the future energy system](#)

provided through the grid. The Committee on Climate Change (CCC)⁵⁵ advises against passing this cost fully onto households through bills, which could push millions of people into fuel poverty.

Interviewees were asked to share their thoughts on the Energy Transition and the impacts (positive or negative) that it is having and will have on vulnerable groups, within the context of the PSR. Generally, discussions centred around the theme of justice. It was felt that the transition risks disadvantaging those that are already vulnerable because their characteristics mean they cannot engage with the energy market and prioritise understanding of complex tariffs and technologies. The PSR was considered as potentially being a useful tool for identifying those that would also be most at risk from the transition.

Echoing the calls to include financial vulnerability, interviewees discussed how it will be important to consider the financial aspect of the transition:

“We strongly support net zero ambitions obviously, but the costs can’t fall on those who are least resilient. And the PSR could have a role to play in protecting consumers during the transition. If the needs codes accurately reflect vulnerabilities in the context of future energy services.” Advice organisation

One energy advice organisation was already supporting those who are transitioning to decarbonised heating systems and finding it extremely challenging:

“I see some really complicated cases where there is a lot of fuel debt. There needs to be really early intervention and advice from the supplier. I’ve got people who won’t use their new ASHP because of the difficulties it has caused. It’s been wired into the higher rate of electricity, costing more than it should, or they haven’t been shown how to use it. There really needs to be a lot of thought on this. People lose faith in this as well as getting into arrears.” Energy advice organisation

“You are telling people to put an electric [heating] system and even if it’s more efficient, it’s still going to cost more than gas, and that’s going to affect everyone. But more vulnerable groups need the heat, they need to use more energy and so it’s really going to impact vulnerable people. I fear as usual, that those most vulnerable are going to suffer the most with this” Energy advice organisation

Two energy advice organisations also raised the idea of “social tariffs”:

“I get people calling up saying I’ve got this health condition, and they ask ‘is there a special tariff for me?’ I don’t know any suppliers that do offer one. Maybe there should be separate tariffs, like a social tariff. If someone has gas, I wouldn’t go to electric. Financially it makes no sense, for those on lower incomes, it’s not fair. It’s not going to really help them.” Energy advice organisation

⁵⁵ Committee on Climate Change (2019) [Net Zero: The UK's contribution to stopping global warming](#)

One interviewee recognised the structural inequalities within the energy sector that urgently need consideration:

“If you take away gas and put electric heat, there’s going to be more load on the electricity network so it will cost more to upgrade and maintain the network. That cost is currently a flat rate. It’s a non-progressive form of taxation. Effectively it means the wealthiest are installing all that fancy low carbon tech and saving a lot of money and are paying exactly the same for the infrastructure costs as the poorest who can’t afford to engage with that technology. That’s something that needs addressed, the transition has to be just.” Energy advice organisation

Smart energy grid

Smart energy grids are another mechanism for balancing the supply and demand of electricity. Domestic power generation is a key component, which makes the end-user both a producer and a consumer, or a prosumer. Smart grids aim to incentivise and empower prosumers to contribute to the balance of power supply and demand in the system. Consumers who are unable to engage as a prosumer are likely to be disadvantaged.

An estimated 800,000 people are likely to face digital exclusion in Scotland⁵⁶. If these consumers are excluded from participating in a smart energy system, they may be precluded from opportunities to access cheaper tariffs or to benefit from incentives for generating energy. Aside from the issue of exclusion, there is also evidence that the use of unfamiliar smart technology may have detrimental impacts for vulnerable consumers. This is evidenced in ongoing smart meter rollout. The rollout of smart meters has caused stress and confusion for elderly and low-income households, particularly those with no formal education, those who do not speak English as a native language, or those with a long-term illness^{57,58}.

Many vulnerable consumers require additional support in order to engage with smart energy technology. An EU-funded research project⁵⁹ demonstrated that smart meters can benefit vulnerable and low-income households through changing behaviour and reducing energy consumption. However, in most cases this required additional support and face-to-face advice. That said, the project also revealed that many vulnerable consumers were unable to make significant and meaningful adjustments to their energy-related behaviour because they were concerned about bills and were already rationing their energy use beyond recommended levels.

One interviewee used the smart meter rollout as an example of a technological innovation which has not been successful in reaching vulnerable households. During the Energy Transition it will be vital for energy suppliers and distributors to learn from

⁵⁶ Inspiring Scotland (2020) [Digital Exclusion in Scotland](#)

⁵⁷ Barnicoat & Danson (2015) [The ageing population and smart metering: A field study of householders’ attitudes and behaviours towards energy use in Scotland](#)

⁵⁸ Citizens Advice (2016) [Early consumer experiences of smart meters](#)

⁵⁹ Smart-Up Project (2018) [Impact Report](#)

past challenges and consider the ways they engage with vulnerable customers identified through the PSR, taking into account their anxieties and mental health conditions as well as the physical disabilities.

“Consumers who are quite vulnerable are also worried about smart meters. Ironically, those people who may benefit from them the most don’t want them and are worried and anxious about them.” Complaints case worker

Market factors

The changing economic and energy markets also have implications for levels and experiences of vulnerability. The recent Energy White Paper⁶⁰ predicts that energy prices for consumers could rise due to increases in network costs over the next 10 years and funding required for clean energy projects. Brexit will have wide-ranging economic implications for all markets. For the energy sector in particular, leaving the Internal Energy Market is likely to result in higher energy prices for the GB market.

Such price rises will particularly affect vulnerable consumers who are far more likely to pay a ‘loyalty penalty’ for their energy. An investigation by the CMA⁶¹ revealed that the loyalty penalty is significant and impacts many people. Those most at risk of paying the loyalty penalty include consumers on low incomes, who struggle to use online services, or with poor mental health who may avoid or fear change. The UK government has proposed two potential schemes to protect consumers from the loyalty penalty. These involve ‘opting-in’ to collective switches, or ‘opting-out’ to allow automatic switching to the cheapest tariff.

At present when a consumer on the PSR switches supplier they must re-register for the PSR with their new supplier. Without PSR data-sharing between suppliers, automatic switching may result in customers falling off the PSR. If automatic switching processes are designed to automatically flag and re-register PSR customers, there is also a risk that customers may switch to suppliers which offer a different range of PSR services.

The Commission for Customers in Vulnerable Circumstances highlighted that automated or collective switching decisions made predominantly on price may not be the most appropriate for vulnerable consumers. The inquiry noted that whilst cost is important, empathetic, and practical support is also critical for vulnerable households. Therefore, the cheapest deal may not always be the best for consumers’ particular needs.

The energy market is changing due to the influx of market players such as price comparison websites (PCWs), automatic switching services, and other third-party intermediaries. These services are used by a significant volume of customers. One interviewee suggested that due to its flexible nature the PSR is already fit for purpose to support vulnerable customers through the Energy Transition. However, they noted

⁶⁰ BEIS (2020) [Energy white paper: Powering our net zero future](#)

⁶¹ CMA (2020) [Loyalty penalty update -progress two years on from the CMA’s super-complaint investigation](#)

that the PSR is limited because the obligations only apply to the gas network, electricity network and suppliers:

“The PSR is not prescriptive, so it doesn’t need to be adapted. It is designed to flex and evolve. What is missing is that only suppliers and networks have these obligations. The transition will mean a much greater role for third party intermediaries, aggregators, demand-side response providers. This is the greatest weakness when considering the Energy Transition, there will be other parties owning customer relationships who don’t have these obligations.” Trade Association

This leads to wider questions around the regulation of an energy market with an increasing number of third-party intermediaries (TPIs). There is currently no specific regulatory regime for TPIs, other than general consumer protection law. Citizens Advice commissioned research in 2019 which suggests six models for potential future TPI regulation⁶².

3.8 Workshop summary

A workshop was delivered with the aim of capturing opinions on the robustness of the PSR research recommendations from a range of stakeholders. The workshop was attended by representatives from 14 organisations:

- Utilita
- Scottish Power
- People’s Energy
- Octopus Energy
- Scottish and Southern Energy Networks
- EDF
- Citizens Advice Scotland
- Ombudsman Services
- Ofgem
- Scottish Government
- Scottish Federation of Housing Associations
- Eildon Housing Association
- Changeworks
- Energy Consumers Commission

The workshop took place on Thursday 20 June 2021. The session included a presentation of the findings, following which the attendees were placed into three discussion groups each taking a section of the recommendations: awareness and promotion, impact of PSR services and gaps in support and adaptability of PSR. The groups had 20 minutes to discuss the following questions in relation to the recommendations:

1. Do the recommendations adequately address the issues raised?
2. Are there any aspects that would not work?
 - Why is that the case?
 - What are the alternative solutions?

⁶² Penningtons Manches Cooper LLP (2019) [Regulation of Third Party Intermediaries in the Energy Sector](#)

3. Are there any gaps?
4. What steps should be taken to enact these recommendations?

This section summarises the key points stemming from the discussion groups and their impact on the recommendations.

Ability of the recommendations to address the issues

Awareness and Promotion

The stakeholders were supportive of the recommendations to increase promotion of and sign-up to the PSR. A representative from Citizen's Advice Scotland (CAS) highlighted that this would help to address the known challenge of the gap between eligibility and take-up. It was recognised by an affordable warmth advisor that the benefits of the PSR are not always clearly communicated or understood and therefore the suggestion in the recommendations to share the services as opposed to identifying needs based on vulnerability was seen as positive. Suppliers agreed that they could change their approach to this:

"We all need to consider (especially the energy suppliers) that we talk about the benefits more... applying what their particular vulnerable situations are to ensure they get the right support by us, by DNOs, etc" (Supplier).

Overall, there was consensus that the recommendations related to data sharing are relevant to addressing the issues raised, but that this would require a lot of work as GDPR and consent can be incredibly difficult challenges to overcome:

"The data sharing would be a fantastic thing to be able to achieve, but it is incredibly difficult, between DNOs, water companies and the suppliers, in terms of GDPR consent... also how the different organisations input and have a definition of the information... for me and my experience over the past couple of years, it's incredibly difficult to get to that end solution, but it would be very very insightful... customers tend not to trust their supplier but they may trust other organisations" (Supplier).

However, the same stakeholder, noting that customers tend not to trust their supplier, indicated there could be a detrimental effect on sign-up rates if customers knew information was being shared with suppliers.

Impact of PSR Services and Gaps in Support

There was broad agreement that the recommendations adequately address the issues raised. There was also a sense from the group that there is always more that can be done but that ultimately this can sometimes be limited by resource. All participants were particularly in favour of the recommendations to broaden the scope of the PSR, whilst also commenting that a number of these markers, such as mental health, are already being picked up day to day by some DNOs and suppliers.

One DNO representative was particularly interested in the recommendation to include financial criteria:

“The financial one’s a really interesting one and I do believe that there’s not the same need for a DNO to be aware of it but there are instances where it would really be of benefit to us. For example, during long outages we reimburse people if they go and purchase hot food. However, I’m very well aware that not everyone is in the situation to go and purchase hot food and wait for a reimbursement...that money is a lifeline to a customer, for a DNO it would be relevant in those situations, not day to day but certainly for emergencies” (DNO).

A Scottish Government representative reiterated the group opinion that broadening the scope of the PSR was welcome:

“I am hugely in favour of that expansion...it was felt by a wide range of people that vulnerability should take a wider definition” (Scottish Government).

In relation to sign-ups, the DNO perspective was that they had a price control mechanism through to 2023 that was predicated on sign-ups. They stated that from 2023 onwards there was a desire from Ofgem to support a more regulated system, where outputs such as the services provided to customers are recognised. The DNO was supportive of this transition and recommendation.

Adaptability of PSR

There was a deep concern amongst the stakeholders that those already vulnerable and/or fuel poor could become even more disadvantaged because of the energy transition. Using the PSR to better support those that could be left behind was considered a positive recommendation. However, it was also noted by a representative from the SFHA that this was not the purpose the PSR was designed for, so it would be interesting to see how this would work in practice.

As per the ‘awareness and promotion’ group, stakeholders also agreed that data sharing would be advantageous, especially as it would allow organisations to provide additional assistance to those who need it. Potential challenges with GDPR were also flagged as an issue. However, a Council representative was aware of EU member states that have progressed this successfully, including sharing of data between social services and health data:

“Energy suppliers and DNOs in other countries are able to alert the social services when there are issues” (Council Representative).

Additionally, the ‘awareness and promotion’ group explained that Energy UK and other groups were also trying to move data sharing forward. It was suggested that further research is needed to learn from such cases.

Aspects of the recommendations that would not work

Awareness and Promotion

CAS highlighted that activities which increase sign-up to the PSR could result in too many people on the list and asked the suppliers what impact this might have.

Suppliers explained that this could result in a de-prioritisation of the priority services, as they cannot deliver them all to everyone:

“We do have a significant proportion of our customers that are on the PSR, and if we get to the point, we haven’t experienced it yet, but if you get to the point where there are more customers on your PSR than not, then arguably the priority services aren’t necessarily priority as you’ve got more customers needing the support and customers are already stretched in terms of the level of support they can offer, particularly under the price cap rules, our margins are incredibly strained at the moment, so that’s just something to bear in mind” (Supplier).

One supplier suggested that the financial flag could bypass DNOs and go directly to suppliers as financial information should only be seen by those who are able offer support for those needs. However, as stated earlier, in the ‘impacts and gaps’ group one DNO indicated that they would be able to provide support to the financially vulnerable in emergency situations.

Impact of PSR Services and Gaps in Support

The DNO and supplier representatives questioned the need for ‘first time occupants’ to have their own code. They agreed that this was an important group but considered it more of an education opportunity that Housing Associations and other landlords could contribute to by providing an information pack detailing what to do in certain scenarios i.e. a power cut. This could also be used as a referral route to the PSR for first time occupants.

Gaps in recommendations

Awareness and Promotion

It was recommended that, in addition to suppliers, price comparison and auto-switching sites need to make the offer of the PSR clear. An affordable warm advisor mentioned that it is now seen on some tariff comparison sites but is not standard practice.

One gap highlighted by a supplier was the unpredictable nature of vulnerability:

“In a heartbeat you can become a vulnerable person, there’s something in there around on an on-going basis, how can we ensure that the customer base, or maybe households across the market know that there’s PSR and know what the benefits are.” (Fuel supplier)

Some possible solutions were suggested, including triggering third-party organisations to make a referral to the PSR, such as health-care organisations in the case of an illness. This reinforced the need to raise the profile of the PSR to organisations such as NHS and housing associations and create mechanisms so that they can refer or signpost the customer. This aligns with the recommendations made.

Impact of PSR Services and Gaps in Support

For the mental health needs code, it was recommended by one supplier that this could be expanded, as a single mental health code can be restrictive given the breadth of conditions that need supported:

“Mental health is so broad and sensitive and having one code is very restrictive at times because there is lots of transient mental health and very long-term mental health so maybe there’s something there on some kind of expansion on one size fits all for mental health” (Supplier).

There was also a discussion around the challenges of transient vulnerability and knowing how long to add someone to the register for, and when it is appropriate to remove them. The DNO representative shared that they send a letter with a pre-paid return envelope to customers letting them know that they will be removed from the register in due course and ask if they are still in need of services. All stakeholders agreed that if there was a mechanism where customers could more easily update their own information that would be a positive outcome and it would also boost consumer agency in the process.

During the plenary session it was mentioned that there needs to be increased flexibility of the service to address varying needs. For example, someone with a fault on their meter needed to provide information about the fault before someone was willing to come out, but they could not see the meter properly, as they were visually impaired.

Adaptability of PSR

One of the housing association representatives stated that during COVID-19 it was discovered that getting permission to speak to the supplier on behalf of vulnerable people is incredibly difficult and time-consuming. They recommended that a solution to this challenge could also be considered.

There was also broader discussion around who the PSR is used by and for. The group asked about the private rented sector and those not on the gas grid indicating that it will be an additional challenge to provide help to these groups:

“How do we help those not part of a Housing Association or Council stock?”
(Council Representative).

Steps to be taken to enact the recommendations

Awareness and Promotion

To increase awareness and promote the PSR it was suggested to look for examples of good practice. One supplier felt that good practice is to be mindful that this is not a process (as it is often seen) but needs to be more of a conversation with the customer. The fuel supplier also felt that there could be more knowledge sharing between DNOs and suppliers as DNOs already have some materials in place i.e. leaflets set up.

Energy UK host monthly vulnerability and debt groups where suppliers share patterns and discuss how to better support customers. These groups are well attended and although it was not discussed at the workshop, could be a possible forum for DNOs sharing information with suppliers.

There is also a new [PSR Scotland](#) website that acts as a central sign-up place. It is hoped that this will drive uptake, expanding to incorporate a greater number of agencies and further minimising the frequency with which people must tell that story and share their personal information.

Impact of PSR Services and Gaps in Support

The DNO highlighted that the Warm Home Discount could be utilised as an indicator for financial vulnerability and the supplier agreed that this seemed a sensible approach.

Adaptability of PSR

To better target households who might be vulnerable and need more support, a Housing Association representative suggested that linkages with DWP could be explored. For example, once someone makes a benefit claim then they could be linked to the PSR. The other stakeholders agreed that there needs to be better linkages, also for example, between health and housing.

Workshop conclusion

Across all three sub-groups in the workshop there was a sense that the recommendations adequately address the issues raised in relation to the PSR. Data sharing was a common challenge that was discussed within the groups, as well as issues of a lack of trust of suppliers by customers. It was suggested that more research into data sharing best practice will be needed to address this. It was also mentioned that a significant increase in sign-ups that resulted in more customers on the PSR than those who are not could result in a de-prioritisation of the priority services, although this is not something suppliers have experienced to date. Some gaps were also identified by stakeholders and suggestions made in response to these:

- In addition to suppliers, encourage price comparison and auto-switching sites to make the offer of the PSR clear.
- Move beyond a single mental health code to reflect the breadth of conditions that need supported.
- To better track and monitor the transient nature of vulnerability, create a mechanism where customers could more easily update their own information.
- Increase the flexibility of the service to meet varying needs.
- Remove the 'first time occupant' code and work to provide information packs for these customers that also act as a referral route to the PSR.

The findings from the workshop were used to inform the final recommendations which can be seen in Section 5.

4. Conclusion

Designed as a mechanism to support vulnerable consumers, the PSR seeks to support consumers in a variety of circumstances using a range of different support mechanisms. Anecdotal evidence from advice organisations recalled instances where this is working well to support certain households. In particular those with specific medical, physical or communicative needs, by providing services such as large print bills, supply in a power-cut and meter reading services.

However, recognised problems still exist. These include challenges in raising awareness, both amongst interviewed support organisations and anecdotally those they support. Data sharing, or the lack of, between organisations remains a topic of discussion here, along with no centralised system to identify those who need support. The flexible approach to PSR needs codes allows organisations to adapt their support requirements to address varying needs. However, this also means that some households can be overlooked as a result of a PSR holders' decision to offer a service based on cost and resource needed to meet the demand. Another limitation identified was the ability of PSR holders to recognise individuals in need of support, for instance those with mental health conditions or in need of financial support.

Existing issues with the PSR have been highlighted by the COVID-19 pandemic. Despite strong evidence to suggest the growth of vulnerable groups, the sign-ups to the PSR have been lower than usual. Some of these groups are perhaps newly vulnerable as a result of the pandemic and are less likely to have engaged with and therefore be aware of additional support services. However, there were few instances of PSR support being advertised to those who need additional help because of COVID-19. Not only has COVID-19 highlighted the inability of the PSR to respond and in some instances adapt to changing circumstances, it has also resulted in greater volumes of people needing support, as a result of rising fuel demand due to lockdown and therefore additional costs.

Alongside the pandemic, Scotland continues to work towards achieving ambitious carbon reduction targets. To achieve this, all households will need to engage with the retrofit agenda, some perhaps for the first time. Several pieces of research by Changeworks and other organisations have established a clear need to support vulnerable groups through this process, including consumer protection issues, handholding services, and advice on understanding new technology. The PSR could provide a solid support mechanism. Examples of the opportunities available include identifying householders who need support, establishing working partnerships between PSR holders and those they seek to support through the Energy Transition and other non-energy related support services.

The recommendations (in the following section) seek to address some of the existing challenges with the PSR and suggest options for possible adaptation in response to COVID-19 and the Energy Transition.

5. Recommendations

Awareness and promotion

Promotion and sign-up

1. Suppliers, price comparison and auto-switching sites should offer all consumers the opportunity to join the PSR at the point of joining or switching supplier and advise them of the services available so that they can decide what they would like to access / benefit from.
2. The interviewed non-energy advice organisations' knowledge of the PSR was very limited; more work needs to be done by all PSR holders to better promote to those organisations working closest with vulnerable people.

Data sharing

3. Further consideration needs to be given as to the merits of a centralised PSR database to help support those who are most vulnerable. This would reduce a lot of the current barriers to sign-ups.
4. Data sharing during the COVID-19 pandemic has been very effective and serves as a positive example of what can be done. Large data sets held by the government, including shielding and vaccine priority lists could be shared with suppliers to establish a more robust PSR.
5. PSR holders should take a more proactive approach to promote the PSR services; forming partnerships with organisations such as the job centre, DWP, and Shelter to help those most at risk. These organisations would be able to facilitate support as they know what help is required and can act as a trusted intermediary.
6. The supplier industry should work to develop a mechanism by which they are able to notify a new supplier if a customer is on the PSR to support vulnerable people when switching.

Referral mechanisms

7. Awareness should be raised of [PSR Scotland](#) amongst householders and support agencies, who could also use this platform to sign-up on behalf of a customer in need of support. A centralised PSR database would also help facilitate this.
8. Home Energy Scotland are currently unable to refer people to the supplier PSRs to avoid competition bias. Scottish Government should rescind this rule to facilitate sign-ups. The advisor would only be referring to an existing supplier, not suggesting a change in supplier.
9. Develop a portal by which consumers can easily access and update their own information in relation to the PSR, and/or an advice organisation could request a change on their behalf.

Impact of PSR services

10. The flexible approach of principle-based regulation should give greater guidance to standardise access and cover the gaps identified in vulnerable groups. This would ensure that consumers are able to access a similar service irrespective of the fuel supplier they are registered with.
11. Ofgem currently assess the strength of the PSR based on numbers signed-up as opposed to action taken to support. Better evaluation should be carried out to determine the impact of the services offered.
12. Ofgem should consider greater governance of fuel supplier PSRs, in line with that of the DNOs, to support vulnerable consumers who often remain loyal to one supplier.

Gaps in support

13. The Energy Networks Association and the Safeguarding Customer Working Group, who work together to set the needs codes, should expand these to include:
 - Financial criteria (such as those in arrears and debt with fuel supplier or with lower-than-average consumption, low income).
 - People with mental health conditions. The breadth of circumstances and needs associated with which would need to be considered when incorporated.
 - First time occupants.
 - People who are digitally excluded.
 - Those with reduced capacity (full time carers / lone parents).
 - Those with limited ability to interpret (English not a first language, digital or numeracy literacy problems).
14. Financial support is currently a separate Ofgem regulation. However, these should not be thought of in isolation, but considered as part of a suite of activity that suppliers are doing to support vulnerable consumers.
15. The PSR services offered by fuel suppliers should be made more flexible by, within reason, in order to tailor the service to meet varying needs.

Adaptability of PSR

The Energy Transition

16. Overhaul the support services offered by suppliers and network operators. If the PSR provides the only register of vulnerabilities, this could be used as a means of determining those who need to access different support mechanisms needed for the Energy Transition and beyond.
 - The PSR could be useful in determining what support will be needed during the Energy Transition, for how many people and what additional support from other organisations could be needed to provide assistance.

With no centralised register this would require analysis by existing PSR holders.

17. PSR holders should partner with organisations working to deliver the Energy Transition to provide possible additional support mechanisms, these could include:
 - Those who need additional handholding through the retrofit process.
 - Referrals for additional advice requirements for their new technology.
 - A tariff check to ensure that consumers have the most suitable meter and tariff arrangements for their heating systems.

COVID-19

18. All PSR holders should recognise and acknowledge that consumers will need additional support at the moment as a result of COVID-19, in particular those groups who have mental health conditions and those who are financially vulnerable. The PSR needs to be actively promoted to these groups and the needs codes adapted to include more temporary vulnerable situations.
19. Support for vulnerable consumers via the telephone and meter readings should be considered an essential service by suppliers during COVID-19.
20. All suppliers need to plan for a spike in demand for additional support when debt recovery operations pick-up and meter reading processes return to normal. Extra resource will need to be given to support debt management.
21. COVID-19 data, such as high mortality rate areas, could serve as a data indicator for targeting households who might be vulnerable and need more support. This could be done as a collaborative project by the industry to facilitate PSR sign-ups.