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MARSDEN JACOB ASSOCIATES

Vulnerable Consumer Toolkit

Supplementary report – Case Studies of Vulnerable Consumer
Protection Frameworks (UK and Spain)

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Marsden Jacob Associates Pty Ltd
ABN 66 663 324 657
ACN 072 233 204

e. economists@marsdenjacob.com.au
t. 03 8808 7400

Office locations

Melbourne

Perth

Sydney

Brisbane

Adelaide

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Authors

Cameron O'Reilly Associate Director

LinkedIn - Marsden Jacob Associates

www.marsdenjacob.com.au

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Introduction to Case Studies

The main report of the CAREC Vulnerable Consumer Toolkit outlined a range of measures open to policy makers to assist vulnerable consumers with the distributional impacts of energy reform. Small case studies of relevant policies adopted by countries were included in the report.

As the main report emphasised, all options have at times been included in a package to support vulnerable consumers. For that reason, this supplementary report focuses on two case studies on national frameworks for the protection of vulnerable consumers.

The two countries chosen are the United Kingdom (UK) and Spain. Both countries over the last two to three decades have significantly reformed their energy markets and introduced private capital and competitive forces into those markets.

Until recently, both countries were members of the European Union (EU), which has a database of vulnerable consumer measures implemented across member states called the EU Energy Poverty Observatory.¹

A 2019 Council of Europe Development Bank (CEB) report estimated there were 30 million people across EU member states in energy poverty, a measure which is sometimes used as a proxy for vulnerable consumers.² Of those 30 million people, 85% were estimated to be in 10 of the 32 member states, including the UK and Spain.³

While the UK is no longer a member of the EU, it has been a pioneer both in energy reform and in defining and measuring fuel or energy poverty. It, therefore, has one of the most comprehensive national frameworks for addressing and reporting on vulnerable consumers in energy markets.

The UK and Spain are also identified in the CEB report and other European publications as having poor energy efficiency in their built environment. Low-quality housing, especially social housing, is, therefore, a significant contributor to vulnerability.

In the UK, a significant 18% of the population lives in social housing, where it was estimated 14.6% of consumers were behind in paying their energy bills and 13.4% of people reported being unable to keep themselves warm.⁴

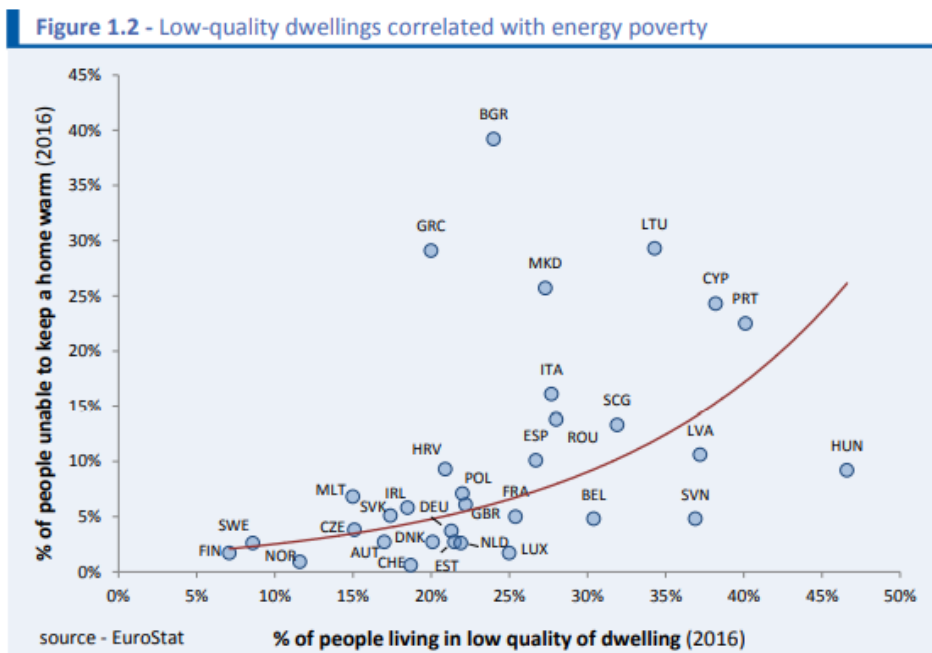
¹ <https://energy-poverty.ec.europa.eu/>

² Energy Poverty in Europe. How energy efficiency and renewables can help. EU Development Bank. March 2019. P 1 Overview.

³ Energy Poverty in Europe. EU Development Bank. March 2019. P 4

⁴ Member State Reports on Energy Poverty. EU Energy Poverty Observatory. 2019. United Kingdom. P 112

Figure 1: People living in poor quality housing.



The CEB report identified higher levels of energy poverty in southern Europe, despite the more temperate climate in those countries. This was attributed to both the poor energy efficiency of much of the housing and the prevalence of low-income consumers.

These factors are apparent in Spain, where the national unemployment rate has consistently been above European averages. In early 2022, Spain reported the highest unemployment rate in the EU at 14.1%.⁵

High unemployment contributes to consumer vulnerability in energy markets. As such, Spain’s reforms have had to occur with a significant portion of the population in disadvantaged circumstances.

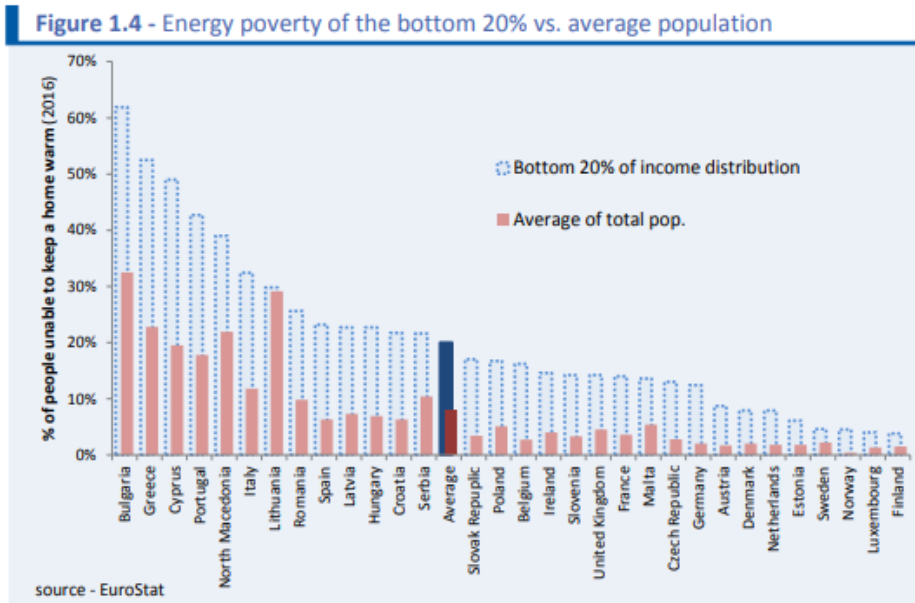
There is also a significant amount of the population in social housing or private rentals. In the social housing sector, 15.4% of consumers were behind on their energy bill and 17.4% reported an inability to keep their house warm. For private renters, 15.3% were behind on their bills and 14.6% reported difficulty in keeping their house warm.⁶

The importance of housing quality in energy poverty can be seen in Figure 1 where, despite having the most extreme climates, Scandinavian consumers report the lowest figures for inability to keep their house warm.

⁵ Spain has the highest unemployment rate among EU countries – again (euroweeklynews.com)

⁶ EU Member States report on energy poverty. EU Energy Poverty Observatory. March 2019. P104

Figure 2: Low income and inability to keep home warm.



It is supported once again by Figure 2 that Scandinavian countries report the lowest levels of heating discomfort amongst their bottom 20% of income earners. This reflects the relatively high-income levels on average and the high energy efficiency standards in Scandinavia.

Notably, despite having the highest unemployment rate in the EU, and issues with low quality housing, Spain’s poorest are around average in reporting an inability to keep their house warm.

This would suggest vulnerable consumer interventions have played some role in keeping energy poverty down in Spain.

A comprehensive overview of the UK and Spanish vulnerable consumer frameworks follows in the next two sections.

1. United Kingdom (UK)

The United Kingdom (UK) was one of the earliest countries in the world to reform its energy utilities and embrace market-based reforms. It also has one of the most comprehensive frameworks for identifying and reporting on outcomes for vulnerable consumers in energy markets.

The framework involves government, independent regulators, energy supply companies, and a range of consumer information and advocacy groups. In terms of the options outlined in the CAREC Vulnerable Consumer Toolkit, the UK framework utilises social tariffs, government support payments, regulation, energy efficiency obligations, technology interventions, and consumer information provision.

The UK has been a leader in defining and measuring the concept of energy or fuel “poverty”. A UK academic, Brenda Boardman, defined fuel poverty in 1991 as “spending 10% or more of your income on energy bills”.⁷ This definition was then adopted into UK law by government and used by regulators to guide policy targeted at vulnerable consumers.

As energy use peaks in winter in the UK and the country has a temperate summer, the benchmark for providing support to a vulnerable consumer is based upon the ability to achieve a level of heating comfort in winter. Government support payments are winter related. This underlines the importance of climate to a vulnerable consumer strategy.

The UK has a highly contestable market with multiple competing suppliers, so vulnerable is also defined in terms of a lesser ability to obtain beneficial outcomes from market competition. This leads to other interventions related to vulnerable consumers, such as helping them to choose the right tariff and understand and access technology from the market that helps them manage their energy bills.

1.1 Regulatory and Governance Framework - Vulnerable Energy Consumers in the UK

The framework for protecting vulnerable consumers in the United Kingdom involves the national government, an energy specific regulator, a general competition regulator, consumer advocacy groups, and energy companies, on whom a range of regulatory obligations specific to vulnerable consumers have been imposed.

The UK Government provides a range of support payments to vulnerable consumers including a Winter Fuel Payment, Cold Weather Payment, and Warm Home Discount.

In terms of regulators, the UK has a general competition regulator, the Competition and Markets Authority (CMA), which states its role is to promote “competition for the benefit of consumers, both

⁷ “Definitions of Fuel Poverty – Implications for Policy”, Richard Moore. Energy Policy, 2012.

within and outside the UK”.⁸ As the UK has a privately owned and a contestable energy market, energy is one of the sectors overseen by the CMA.

The UK also has an independent energy specific regulator, Ofgem. Its website describes its role as “working to protect energy consumers, especially vulnerable people, by ensuring they are treated fairly and benefit from a cleaner, greener environment”.⁹ This underlines the degree to which affordability and sustainability objectives are now conflated in UK energy policy.

Ofgem has a very significant role in the UK energy market and operates under legislation implemented by the UK parliament.

In terms of vulnerable consumers, Ofgem is responsible for setting a price-cap (social tariff) and determining eligibility for that cap, licensing of energy companies, regulating the behaviour of energy companies, and reporting on energy company compliance with vulnerable consumer initiatives.

Ofgem has developed a Consumer Vulnerability Strategy out to 2025 which outlines how it intends to monitor and regulate for better outcomes from the market for vulnerable consumers.¹⁰ Each year it publishes a Vulnerable Consumers in the Energy Market report focused on changes in key indices relating to vulnerable consumers.

Energy companies, both retailers with direct relationships with energy consumers and electricity networks, also play a significant role in the UK vulnerable consumer framework.

Suppliers are required to maintain a Priority Services Register (PSR) of their consumers who may fit the category of vulnerable and be eligible for assistance. Consumers can seek to be added to the PSR of their supplier if they meet certain vulnerable definitions, including some that would be characterised as temporary.

Energy companies must also observe regulations in relation to monitoring consumer debt and comply with regulations that apply to disconnections of vulnerable consumers.

The companies are also responsible for reporting on consumers that switch to pre-payment metering to help them manage debt and affordability issues.

Energy companies also are required to provide energy efficiency advice to vulnerable consumers and comply with an Energy Company Obligation (ECO) program that was implemented in 2013. The ECO is a government energy efficiency scheme which requires companies to tackle fuel poverty by funding accredited measures that assist vulnerable consumers. Compliance is overseen by Ofgem.

Finally, a feature of the UK vulnerable consumer framework is the existence and support provided to a range of consumer advocacy groups targeting the vulnerable. In terms of overall consumers, there is a large advocacy body called Which, otherwise known as The Consumers Association. In terms of energy specific outcomes, the main independent consumer advocacy body is called National Energy Action (NEA). NEA’s stated ambition is to end fuel poverty across the UK.¹¹

⁸ [About us - Competition and Markets Authority - GOV.UK \(www.gov.uk\)](https://www.gov.uk/about-us)

⁹ [Our role and responsibilities | Ofgem www.ofgem.gov.uk](https://www.ofgem.gov.uk/our-role-and-responsibilities)

¹⁰ Consumer Vulnerability Strategy 2025, Ofgem, October, 2019.

¹¹ www.nea.org.uk

1.2 Specific Vulnerable Consumer Measures in the UK

1.2.1 UK Price Cap or Social Tariff

The UK price cap is a tariff set by the regulator Ofgem to apply to customers who have not made an active choice of tariff from their supplier. It is effectively a “default tariff” in which the amount is determined every six months by the regulator based on their estimate of the costs to “supply a typical domestic customer of medium use”.¹² While eligibility is not confined to dedicated vulnerable consumers, it was justified on the basis that they are more likely to be unable to choose an appropriate tariff.

The price cap was announced by the UK Government in 2017 and was implemented in 2019. It was described at the time as a temporary measure and is meant to end in 2023. Prior to its implementation, energy pricing was left to the market in the UK.

The UK Competition and Markets Authority (CMA) opposed the introduction of the price cap on the basis it would stifle competition¹³. It is believed that the inflexible price cap system which only allows for adjustments every six months may have contributed to the failure of a range of UK energy companies at the end of 2021 when the country experienced a large increase in energy costs.¹⁴

1.2.2 UK Government Support Payments for Vulnerable Consumers

Winter Fuel Payment

The Winter Fuel Payment is an annual payment from the UK government that ranges from 100 to 300 pounds sterling. It is paid to those who pass eligibility tests in relation to their date of birth, which must show they are over 65, and provide proof of permanent residency in the UK at a qualifying date. Consumers who are already receiving a UK government pension and other forms of social security, such as a disability pension automatically receive the payment. Other vulnerable consumers must apply directly for the payment by the end of March each year, or around the time a winter energy bill is received.

Cold Weather Payment

The UK Cold Weather Payment scheme applies for the period between the start of November and the end of March each year. Recipients receive a fixed amount of 25 pounds sterling for each period of 7 days when the average temperature is at or below zero degrees Celsius for the week. Again, eligibility for the payment is determined based on whether the consumer is receiving a pension or other form of government support for low-income consumers. It can also be applied for by consumers who may be struggling to meet housing costs.

¹² [Check if the energy price cap affects you | Ofgem](#)

¹³ CMA Energy Market Investigation. Published 9 February, 2016.

¹⁴ The Guardian September, 21 [What caused the UK's energy crisis? | Energy industry | The Guardian](#)

Warm Home Discount Scheme

The Warm Home Discount Scheme is not paid directly to the vulnerable consumer but to suppliers. If an eligible consumer is receiving both electricity and gas from the same supplier, and they are either recipients of government benefits or low-income earners, they can be eligible for a one-off discount of 140 pounds sterling off their winter energy bill. The vulnerable consumer must claim the discount from the supplier.

1.2.3 Regulatory protections for Vulnerable Consumers in the UK

The principal way energy companies are required to assist vulnerable consumers in the UK is through license obligations. To participate in the UK energy market either as a supplier to customers (retailer) or as a network, a license to operate must be obtained from the UK energy regulator, Ofgem.

The license imposes various obligations on the company to assist vulnerable consumers. License obligations vary between suppliers and networks.

Both suppliers and networks must maintain and update a Priority Service Register (PSR) that is open to all their customers. The Register allows companies to keep a list of consumers with special needs. Consumers can apply to be added to their supplier's PSR and the companies must report on their PSR each year to Ofgem. As of 2018, nearly 24% of electricity and gas customers in the UK were listed on PSRs maintained by suppliers.¹⁵

Customers on the PSR of a supplier must be provided with free services such as energy efficiency advice and free insulation. The value of these services is primarily received by vulnerable consumers and effectively cross subsidised by all consumers.

As it is the suppliers (retailers) who bill the customer, they are required under their license to provide support to consumers having trouble paying their bills. This will generally be reflected in the accumulation of debt to the company by the consumer.

The supplier must offer payment options, advice, and support for the customer to help them pay their outstanding bills. Disconnection of the customer is only allowed as a last resort and reconnection must be achieved within 24 hours of a consumer making an outstanding payment.

Consumers with debt can be transferred to new smart pay as you go or pre-payment meters to prevent further debt being accumulated. The company is still required to monitor the consumer to ensure they do not self-disconnect and continue in hardship.

With new "smarter" or digital meters being increasingly part of the vulnerable consumer framework, suppliers are also required to comply with a Smart Meter Installation Code of Practice. This ensures that consumers are fully informed about the services available from the meter, including such things as in-home displays and pre-payment capability.

Increasingly, energy networks are requiring information from customers. Suppliers are required to share data with the networks, who will often be the source of supply interruptions.

¹⁵ Ofgem. Vulnerable Consumers in the Energy Market. October, 2019 report. P 8

Ofgem regulates both networks and suppliers and it uses incentives, as well as regulation to ensure good vulnerable consumer practice by networks. It operates a Stakeholder Engagement (and Consumer Vulnerability) Incentive scheme to encourage networks to engage with consumers on how they plan and run their businesses. Under this scheme, networks can be financially rewarded for an effective customer engagement strategy, with a focus on addressing consumer vulnerability being a key factor.¹⁶

1.2.4 Energy Efficiency Schemes to support Vulnerable Consumers in the UK

Energy Company Obligation (ECO)

The Energy Company Obligation (ECO) is a government energy efficiency scheme that licensed energy suppliers with more than 150,000 customer accounts are required to comply with. The scheme began in 2013, but it has had three phases, the latest of which, ECO 3, began in 2018 and runs to the end of March 2022.

ECO 3 has a very significant focus on vulnerable consumers and is dominated by one regulatory energy efficiency obligation called the Home Heating Cost Reduction Obligation (HHCRO). Under the HHCRO obligation, licensed suppliers must implement measures that improve the ability of low income, vulnerable consumers to heat their homes. This includes replacing or repairing home heating systems of vulnerable consumers.

An energy suppliers' level of obligation is based on its market share of customers. The supplier will often contract an accredited scheme participant to undertake the efficiency or heating project, pay them and earn compliance certificates. The costs of the certificates are then recovered from overall energy prices.

Compliance with the ECO is overseen by Ofgem and the performance of licensed suppliers in meeting their targets under the ECO is reported monthly. Supplier performance is audited by Ofgem and there are penalties imposed on suppliers who do not meet their targets.

Energy Savings Opportunities Scheme

The Energy Savings Opportunities Scheme (ESOS) is a mandatory scheme for large energy using businesses in the UK. The Environment Agency is the scheme administrator of ESOS. Under the scheme, businesses are audited for their energy efficiency performance. The audits identify ways buildings, industrial processes, and transport networks can improve their energy efficiency performance. While not directly targeted at vulnerable consumers, the view is that improving energy performance of large users should reduce overall energy costs to consumers. Vulnerable consumers spend a higher percentage of their incomes on energy and, therefore, benefit the most from lower energy costs.

¹⁶ www.ofgem.gov.uk/publications/stakeholder-engagement-panel-2020-21

1.2.5 Information and Behavioural measures for Vulnerable Consumers in the UK

Energy Savings Trust (UK)

There are multiple energy efficiency advice schemes and programs in the UK targeted at vulnerable consumers, but at a national level the country has a unique, well-resourced model called the Energy Savings Trust (EST). The EST is a for profit enterprise established in 1992 with no shareholders that reinvests all its profits and funds back into its purpose which is to “address the climate emergency”.¹⁷ It is staffed by a range of experts in energy efficiency and clean energy and is administered by an independent board.

Working with government, businesses, consumer groups, and households, the EST funds a range of advice services and programs focused on energy efficiency and clean energy.

The objectives of the EST are to:

- Reduce fuel poverty
- Lower fuel bills
- Increase jobs and growth in renewable energy
- Promote healthier homes
- Support cleaner air

The EST has a national energy efficiency advice service for households which covers issues such as appliance ratings, home insulation, heating, lighting, and smart meters. It also provides grants and loans directly to vulnerable consumers to upgrade the energy efficiency of their homes.

The EST and a related body, the Energy Savings Foundations (ESF), also provides grants to other consumer organisations and local government to deliver programs on fuel poverty.

The EST administers an Energy Industry Voluntary Redress Scheme on behalf of the regulator, Ofgem, which is funded by penalties imposed on energy companies for breaching regulatory rules. The funding is then distributed by the EST on programs and innovations to reduce fuel poverty in vulnerable consumers.¹⁸

In its most recent Impact Report, the EST stated that it provided energy efficiency advice to 46,000 homes in the UK, funded and installed energy efficiency upgrades in 10,000 homes and provided interest free loans to another 7,500 homes to make energy efficiency and green transport improvements.¹⁹

1.2.6 Technology support for Vulnerable Consumers - Metering

In the UK, all electricity meters are currently being changed to digital or “smart” meters that allow the provision of more immediate information to both supplier and consumer. They help establish a

¹⁷ [Who we are - Energy Saving Trust](#)

¹⁸ <https://energyredress.org.uk/about-us>

¹⁹ Energy Saving Trust – Impact Report 2020-21. P 7

much more interactive relationship between the consumer and the supplier. They enable related technologies such as in-home displays that can inform a consumer what their current usage is, what the current cost of energy is and how they may shift usage through a day to save money.

While not specific to vulnerable consumers as they spend a higher percentage of their income on energy, an engaged vulnerable consumer can potentially benefit from the technology.

Energy suppliers who are responsible for the meter changes must comply with a code of conduct that is implemented through the licenses they operate under from the regulator, Ofgem.²⁰

The new meters include the ability to switch consumers, where it is safe to do so, to pre-payment mode where a consumer can ensure their energy use is within their budget means. Rather than paying for energy after it is used, it means that consumers who opt for pre-payment can manage their consumption using the increased information from smart meters and in-home displays within their capacity to pay.

In the UK, the suppliers with customers who have accumulated debt are encouraged to switch customers to pre-payment mode under the new meters to ensure they do not get into further debt. Those customers are generally added to the Priority Service Register (PSR) mentioned previously which is maintained by the energy companies. PSR's will include vulnerable consumers of all types.

Smart meters also enable immediate disconnection and reconnection of a consumer who is not paying their bill, and consumer who are in genuine hardship will generally seek emergency assistance if they have run out of funds. If they have not been paying by choice, they are likely to make a payment and their energy service can be immediately reinstated. The technology can, therefore, help to ascertain who is genuinely vulnerable and in need of assistance, and those who may claim to be but have a capacity to pay.

There is not universal agreement that pre-payment meters are good for vulnerable consumers and there are concerns that some voluntarily disconnect and ration energy. It is clear the technology provides a better way to immediately identify those with payment issues and provides a means, through pre-payment, for them to better manage their energy use and not accumulate further energy debts.

1.3 Temporary Hardship – Case Study of COVID 19 – UK response

As discussed in the Vulnerable Consumer Toolkit, a distinction needs to be drawn between long-term vulnerability and temporary vulnerability. An event can sometimes create additional vulnerable consumers in an energy market while also increasing the disadvantage of those already deemed as long-term vulnerable.

An instance in recent times has been the COVID-19 pandemic and its impact on economic activity and the changing distribution pattern of energy use from lockdowns and work from home orders. Indirectly, the pandemic's impacts on global supply chains have also been partially blamed for the wholesale energy price spikes in Europe in the winter of 2021-22, which have in turn flowed through

²⁰ [Smart meters code of practice - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/smart-meters-code-of-practice)

to the energy bills of households, including the vulnerable. Both the UK and Spain have enacted additional measures to their vulnerable consumer frameworks in response to this event.

1.3.1 Specific UK COVID-19 measures

In response to the COVID-19 pandemic, the regulator Ofgem required energy suppliers to offer more generous credit terms to all their customers. There was also an emergency credit to consumers on pre-payment meters and extra repayment terms for the vulnerable consumers. Ofgem also adjusted the price cap and forced reduction in supplier default tariffs.²¹ This was in the early phase of the pandemic when energy prices worldwide dropped.

In recent times, the prices have increased, and the price cap has had to be adjusted, but has not been able to prevent the failure of a range of energy suppliers. The UK Government’s budget for the Winter Fuel and Cold Weather payments has had to be dramatically increased in recent times with fuel costs increasing in 2021-22 and a higher percentage of customers continuing to work from home owing to the COVID-19 pandemic.

1.4 Summary Table of UK Vulnerable Consumer Interventions

Table 1: UK Vulnerable Consumer Framework.

| Type of Intervention | Measures |
|-----------------------------|---------------------------------------------------------------------------------------|
| Pricing | Price cap |
| Government support payments | Winter Fuel Payment Cold Weather Payment Warm Home Discount |
| Regulations | Priority Service Register (PSR) of consumers Obligation to provide payment support |
| Energy Efficiency | Energy Company Obligation |
| Information and Advice | Energy Savings Trust |
| Technology | Smart Meter roll-out In home displays Pre-payment options |

²¹ COVID 19 Impact on European Residential Energy Market Prices. VaasaETT Global Energy Think Tank. July, 2021. P18

2. Spain

Unlike the United Kingdom following BREXIT, Spain is one of the member countries of the European Union (EU) and is subject to both EU energy policy and emission reduction targets, as well as having its own national energy policy. Electricity supply is interconnected with neighbouring countries, and it has a jointly operated wholesale energy market with Portugal. Spain is dependent on foreign sources for 73% of its fuel needs, which is driving development of renewable energy where Spanish companies have become global leaders.²²

Spain reformed its energy markets more recently than the UK and has introduced competition and moved to more cost reflective electricity and gas tariffs.²³ It has ambitious decarbonisation goals of Net Zero emissions by 2050 and 97% of supply from renewable energy by the same date. The large amount of investment required to decarbonise helped drive energy reforms aimed at attracting private capital.

Currently, Spain's electricity supply is dominated by fossil fuels, but coal generation has significantly reduced in recent times to 5% of supply. Spain also plans to phase out four of its seven nuclear plants by 2030.²⁴

Spain has developed the concept of a "Just Energy Transition" which involves support for regions impacted by coal closures. Spain's twenty-seven regional governments with varying degrees of autonomy play a role in energy policy, making management of the energy transition complex.

The regional governments sometimes provide financial assistance to consumers on top of that provided by the national government. The regional governments also play a significant role in energy efficiency policy given the built environment is generally not controlled by the national government. As mentioned earlier, Spain's built environment is a major factor in its poor energy efficiency outcomes.

Spain has a comprehensive national framework for supporting vulnerable energy consumers, and in 2019 announced a National Strategy against Energy Poverty for the period 2019-24.²⁵

The Strategy set four main priorities for action in the first phase. Those priorities being:

1. Improving knowledge of energy poverty.
2. Improving the response to energy poverty.
3. Structural changes to reduce energy poverty.
4. Measures to protect all consumers and increase societal understanding of energy efficiency.

²² International Energy Agency (IEA). Spain 2021. Energy Policy Review. P14

²³ IEA Spain 2021. Energy Policy Review. P124

²⁴ IEA Spain 2021. Energy Policy Review. P13

²⁵ European Social Policy Network (ESPN). Flash Report. March 2020

Importantly, the Strategy sets targets to reduce energy poverty indicators and will be updated every year.

The EU compares all member countries annually on two indicators of energy poverty: the percentage of consumers unable to keep their homes adequately warm, and the percentage of consumers unable to pay utility bills on time. On these indicators, Spain's figures in 2018 were 9.1% and 7.2%, which were above the EU averages of 7.6% and 6.6%²⁶.

2.1 Regulatory and Governance Framework – Vulnerable Consumers in Spain

As already discussed, the national government plays a leading role in vulnerable consumer policies in Spain. It is the Department of Ecological Transition that is responsible for the National Strategy against Energy Poverty announced in 2019.

There are other national policies that are seen as complementary to the Energy Poverty Strategy, such as the National Strategy to Combat Poverty and Social Exclusion (2019-23), the new Spanish Urban Agenda 2019, the Strategy for Urban Renovation in the Building Sector (2017), and the Long-Term Strategy for Energy Retrofitting the Building Sector in 2020.²⁷

The Ministry of Ecological Transition and the Demographic Challenge is also responsible for the National Energy and Climate Plan (2021-30) which has set the framework for decarbonisation of the energy system in Spain.

The national government also oversaw significant reforms to the electricity market after 1998, at which time supply was dominated by vertically integrated monopolies. Law 54/1997 on the electricity sector opened electricity networks to third parties, established a wholesale trading market, and reduced public intervention in the market.²⁸ Spain is also subject to EU regulation of the electricity sector and the EU's Clean Energy Package.

As part of the national reforms, more responsibility for the electricity sector was given to a national regulatory authority called the Comision Nacional de los Mercados y la Competencia (CNMC). It oversees the wholesale market and regulates networks and suppliers. The CNMC also works with other European regulators in the Council of European Energy Regulators (CEER).

Spanish supply has been significantly liberalised since the 1998 reforms, and at the wholesale level, has been part of the Iberian Power Market (MIBEL) linked to Portugal since 2007. This in turn makes it part of the Common European Market.

The supply to the customer or retail market has also been liberalised, and consumers can now choose their supplier of which there are five main ones and a range of smaller companies. Supply arrangements allow for both regulated tariffs and market contracts. There is also a social tariff for vulnerable consumers.

²⁶ EU Statistics on Income and Living Conditions. 2018.

²⁷ European Social Policy Network (ESPN). Flash Report. March 2020.

²⁸ IEA. Spain 2021. Energy Policy Review. P123.

The CNMC oversees many of the regulatory obligations on suppliers relating to vulnerable consumers.

In developing the National Strategy against Energy Poverty, the national government consulted consumer groups and non-government organisations working on energy efficiency and energy poverty. The Strategy allows for a permanent Social Action Third Sector Roundtable to be set up to monitor progress.²⁹

2.2 Specific Vulnerable Consumer Measures in Spain

2.2.1 Social Bonus Tariff

Spanish household customers have access to both a regulated tariff if they consume less than 10 KW, and market contracts offered by competing suppliers. Only designated suppliers can offer the regulated price. According to the CNMC, at the end of 2019, 38% of households had chosen a regulated tariff while 62% were on market contracts offered by their chosen supplier.³⁰

Household consumers using less than 10 KW who also meet a series of socio-economic tests have access to a special tariff called a Social Bonus (SB). The SB was first established in 2009 and was expanded in 2017 and again in 2020 in response to the COVID 19 crisis.

The SB applies to low-income customers, large families, or customers receiving an aged, disability or other form of government pensions. The SB is offered by designated suppliers and provides a 25% discount to recipients off their electricity bill.

There is a further category of “severely vulnerable consumers” who, subject to income tests, can receive up to 40% of their electricity bill. A final category of consumers at risk of social exclusion who are receiving services from a local administration can receive the maximum 50% off their electricity bill under the SB.³¹

This scaled social tariff with varying criteria and discounts creates complications for the market and suppliers. It operates on top of the general regulated tariff and market contracts. The SB is provided by a cross subsidy implemented by the major suppliers and recovered from all consumers.

In 2022, it is estimated 80% of the SB will be funded by the three largest suppliers.³² As at the end of 2019, some 1.3 million Spanish customers were receiving the SB in some form.

2.2.2 Spanish Thermal Social Bonus

In addition to the Spanish Social Tariff, the SB, the Ministry of Ecological Transition also provides a “Thermal Social Bonus” (TSB).

²⁹ Poverty Watch Spain 2019. European Anti-Poverty Network. P61

³⁰ IEA. Spain 2021. Energy Policy Review. P125

³¹ IEA Spain 2021. Energy Policy Review. PP 125-26

³² <https://www.larazon.es/economia/20220128/7otcg54vsvdure7voxjezipzfm.html>

The TSB is provided to vulnerable consumers who are already receiving the SB and is direct aid from the government to assist with payments for heating, hot water, cooking, and air conditioning.

The TSB is provided as a single payment that can vary from 25 to 125 Euros depending on the level of vulnerability. The cost to the budget of the TSB was estimated to be around 100 million Euros annually.

The TSB has been used to help offset some of the increase in energy costs arising from the winter peaks in Europe in 2021-22, and its budget is projected to increase by 44% in 2022.³³

There is also an Emergency Financial Support payment provided by the Spanish Government to people in need. This can be used for energy payments where there is a risk of disconnection.³⁴

2.2.3 Regulatory protections for Spanish Vulnerable Consumers

Spain has both a General Act of Consumer Protection and a legislative definition of Vulnerable Consumer enacted in 2014 and expanded in 2017. Meeting the definition of vulnerable consumer under the act provides access to the SB which must be offered by designated energy suppliers.³⁵

To date, the framework and definition of vulnerable consumers has only been applied to electricity and not gas.

There are a range of other regulatory protections for vulnerable consumers of a non-price nature that are overseen by the CNMC and the Department of Ecological Transition.

The CNMC monitors the overall effectiveness of consumer protections including for vulnerable consumers.

Protections that are of relevance to vulnerable consumers include:

- Provision of a customer service number free of charge to the consumer.
- Provision of a free comparison service on energy offers from the market.
- A requirement to complete transfers within 21 days if a consumer chooses to switch its supplier.
- Access to payment options for energy that do not discriminate between consumers.
- Provision of consumer information in plain language.
- Transparent information on energy costs on bills.

In 2017 and 2018, there were specific measures enacted to prohibit the disconnection of vulnerable consumers at risk of social exclusion and other specific vulnerable groups.³⁶

³³ <https://spainsnews.com/the-government-plans-to-freeze-the-price-of-electricity-for-vulnerable-consumers-with-a-social-bonus/>

³⁴ EU Member States Report on Energy Poverty. EU Energy Poverty Observatory 2019. EU Commission. P 105

³⁵ Spanish Energy Regulator's Report (CNMC) to the European Commission July, 2018. PP 98-100

³⁶ POWERTY Intereg Europe. EU European Regional Development Fund. "State of the Art Regulatory Framework in the POWERTY Partner Countries". Spain. Presentation by Andalusian Energy Agency. <https://www.interregeurope.eu/powerity/>

The Department of Ecological Transition also has a role in the regulatory framework for vulnerable consumers through the provision of an energy dispute resolution service. Access to this service is free of charge to consumers.

2.2.4 Energy Efficiency Schemes to Support Vulnerable Consumers in Spain

Energy efficiency measures in Spain involve both the national government and the regional governments. The regional governments have stronger powers over the regulation of the building sector and the social housing sector. They are also active in providing community energy efficiency advice and services.

In 2020, the national government adopted a Long-Term Strategy for Energy Retrofitting in the Building Sector (ERESEE), consistent with some of its undertakings in relation to energy efficiency directives from the EU.

Poor insulation of the residential building sector is one of the reasons listed for Spain reporting higher than the European average in households reporting an inability to achieve adequate warmth at home. This, despite Spain having a more temperate climate than many other EU member countries.

ERESEE sets a target to achieve the decarbonisation of the building sector by 2050. According to the IEA, the retrofitting could improve the energy intensity of the building stock by 35% by 2050.³⁷

The Strategy includes a focus on energy poverty and seeks to address housing inefficiency and a lack of heating systems. It aims to target the housing stock of vulnerable consumers.

Energy poverty in Spain is highest in the social housing sector, with 17.4% of this population indicating problems with keeping their house warm and 15.4% being in arrears on their energy bills.³⁸

The Strategy looks at new financing measures to address the issue of who captures the energy savings from investments, or split incentives, and the up-front capital costs of investing in efficiency.

These national measures are complemented by actions from regional and local governments. Since 2017, there has been a housing renovation program for vulnerable households run by local governments and regional energy efficiency programs focused on insulation and heating systems run by various regional governments.³⁹

2.2.5 Informational approaches to Vulnerable Consumers in Spain

Energy Bank

The Energy Bank is a regional association that promotes energy saving and efficiency to anyone suffering from energy poverty or vulnerability. It is financed by individuals and organisations that are willing to contribute some of their own energy savings to the cause of reducing energy poverty.

³⁷ "Perspectives for the Clean Energy Transition. The Critical Role of Buildings". International Energy Agency. 2019

³⁸ EU Member States Reports on Energy Poverty 2019. Spain. P 104

³⁹ EU Energy Poverty Observatory. Member State Report – Spain.2019

The contributions go to energy education and some household investments. Those contributions receive favourable tax treatment. Around 75% comes from individual contributions and 25% from organisations.

The Energy Bank targets vulnerable households who it provides advice to on energy efficiency and, in some cases, oversees strategic investments in the housing stock.⁴⁰

Energy Assessment Points – Catalonia

This regional scheme was initially a pilot which employed 100 people for 6 months as energy agents. Those chosen for training were unemployed at the time.

The agents targeted vulnerable customers in three areas of Barcelona who were categorised as vulnerable. The agents provided advice on managing energy bills and energy efficiency behaviour to 3000 vulnerable customers in total.⁴¹

The program has been continued by the city authorities, and assessment points have been set up in ten locations in Barcelona where vulnerable consumers can approach agents for advice on energy efficiency. Appointments with the agents can also be booked through the Barcelona Municipal Authorities.

2.2.6 Technology options to support Vulnerable Customers in Spain

Spain has a very high level of installation of digital or smart meters. According to the IEA at the end of 2019, 99% of customers consuming less than 15 KW had a smart meter and a similar figure had been enabled for remote operation.

For that reason, Spain has been one of the chosen markets for an EU program called SMART-UP. The aim of SMART-UP is to encourage the active use of smart meters and in-home displays by vulnerable consumers.

SMART-UP provides training to installers, social workers, and front-line workers in contact with vulnerable consumers on how to educate them on getting the best out of their interactive meters and in-home displays. It is also aimed at ensuring the installers can explain the benefits of the technology in an understandable way.

The program involves Distribution System Operators (DSOs), utilities and metering companies to ensure the training is extended into the industry. In each participating EU country, the aim is to train fifty to one hundred installers with a view to reaching at least 1000 consumers.⁴²

2.3 Temporary Hardship – COVID 19 response in Spain

In response to the COVID-19 pandemic, the Spanish Government announced an extension of the Social Bonus and extended eligibility to self-employed consumers who had seen their income reduce

⁴⁰ Atlas of Energy Poverty Initiatives in Europe. April 2017. EcoServais. P52

⁴¹ Atlas of Energy Poverty Initiatives in Europe. EcoServais. P55

⁴² [Vulnerable consumer empowerment in a smart meter world | SMART-UP Project | Fact Sheet | H2020 | CORDIS | European Commission \(europa.eu\)](#)

by 75%. This recognised that a new temporary category of vulnerable consumer had been created by the impact of lockdowns on business owners. In addition, the government imposed a freeze on disconnections and consumers were given an extension of up to six months to pay their energy bills.⁴³ Better payment terms and stricter conditions on disconnecting small and medium businesses were also introduced.

2.4 Summary of Spain Vulnerable Consumer Interventions

Table 2: Spain Vulnerable Consumer Framework.

| Type of Intervention | Measures |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Pricing | Social Bonus Tariff |
| Government support payments | Thermal Social Bonus |
| Regulations | Disconnection bans on vulnerable Free consumer service line Dispute resolution service |
| Energy efficiency | Long Term Strategy for Energy Retrofitting – government policy Local Government renovation programs Regional energy efficiency schemes |
| Information and Advice | Energy Bank Energy Assessment Points |
| Technology | Smart meters – SMART-UP program |

⁴³ COVID 19 Impact on European Residential Energy Market Prices. VaasaETT. P 17