



Campaigning for Warm Homes

A strategy to define and prevent the disconnection of vulnerable customers

Comments from National Energy Action

Introduction

NEA welcomes the joint initiative by Ofgem and the Energy Retail Association to address current weaknesses in energy disconnection procedures, and the opportunity to comment on the proposals. NEA's starting point is that disconnection from a service essential to the physical health and well-being of families and individuals is not acceptable in a country sensitive to the needs and welfare of its citizens and that action to remedy this, rather than tinkering at the margins of selective protection from disconnection, should be the end objective of this consultation.

Clearly there are tensions between commercial agencies and their concern to maximise returns on investment for shareholders, and the need for regulatory intervention where prescription and guidance are necessary to refine the crude operation of competitive markets. The extent of existing regulatory intervention to protect domestic energy consumers is demonstrated in current Licence Conditions covering social obligations, and NEA would suggest that, in the case of disconnection from energy supply, these do not go far enough.

Defining vulnerable groups

NEA is aware of the difficulty of achieving consensus on what constitutes a vulnerable group. Even within the fairly narrow world of fuel poverty, different Government departments use three different definitions of vulnerable:

- The ODPM's English House Condition Survey classes any household in receipt of a means-tested or disability-related benefit as vulnerable.
- For the purpose of Warm Front eligibility, Defra requires that a vulnerable household be defined as one in receipt of a means-tested or disability-related benefit and meeting additional criteria (householder aged 60 or over, or family has a child aged under 16 years or householder or spouse is an expectant mother, or householder or spouse has some form of disability).
- In assessing fuel poverty, Defra considers only the personal characteristics of the occupant(s) in determining vulnerability – householder or spouse is elderly, has a child under 16 years or has some form of disability.

The Energy Retail Association proposal on what constitutes a vulnerable household

It is proposed that vulnerability be defined in terms of mental or physical disability or chronic illness or where a householder is in need of special consideration as a result of age or infirmity. This link between the mental or physical condition of the customer is not rational. Clearly other occupants can

be put at risk from disconnection regardless of the circumstances of the individual responsible for bill payment. This unnecessarily narrow definition could result in physical, mental or psychological harm to other vulnerable members of the household.

The Energy Retail Association acknowledges that there will not necessarily be a good match between receipt of benefit and vulnerability, and that there will be a need to supplement information on the benefit status of the householder with additional information gleaned from external sources, including face-to-face meetings and subsequent subjective assessments. It is difficult to see individuals tasked with revenue protection on behalf of their employer being best placed to make sensitive judgements like this.

It is proposed that, as a last resort, referral will be made to social services without there being any indication of what action will be expected as a result of their involvement. Unless it is anticipated that social services take responsibility for payment of an existing debt, or are able to broker a binding repayment arrangement, it is difficult to see what their actual role might be.

Can't pay, won't pay

NEA has previously questioned the value of the winter moratorium on disconnecting all-pensioner households from energy supply. There were three main problems with this concession:

- No provision existed for reconnecting these households as winter approached
- The moratorium only covered those customers whom the energy supplier was prepared to class as a 'can't pay' and, in theory, this protection was already available to all customers in this category
- Pensioners, including frail and elderly pensioners, could suffer disconnection simply because there was a non-pensioner adult living in the household

Whilst it is not explicit in the consultation that the 'can't pay, won't pay' judgement can still result in vulnerable householders being disconnected, this is NEA's interpretation. If this is the case, then the proposals in this consultation paper appear to offer nothing that is not already provided in Licence Conditions and Codes of Practice relating to supplier social obligations.

Ending the right to disconnect

The right to disconnect is the ultimate sanction of energy suppliers and, clearly, they are reluctant to lose this power. The equivalent power has been removed from water companies, primarily on grounds of health and safety, and there is a strong argument that access to fuel for warmth, light and cooking is also essential to the health and welfare of families and individuals.

A legal ban on disconnection from fuel supply would encourage companies to develop alternative tariffs and payments that enabled households to remain on supply, and the companies to recover arrears and collect payment for current consumption. Such a scheme might take the form of a revised, expanded and improved version of Fuel Direct which could develop into an acceptable alternative tariff rather than its current status as a virtually moribund payment method of last resort.

Considerable progress has been made in reducing the incidence of disconnections from both gas and electricity supply but the latest proposals are simply an additional refinement of existing practice. No matter how efficient and conscientious suppliers are in following their agreed procedures, there will

inevitably be errors and oversights that lead to the kind of tragedy that encouraged Ofgem and the Energy Retail Association to take action in the first place.¹

The only means by which it can be guaranteed that such incidents are not repeated is to end the right of suppliers to disconnect domestic gas and electricity supplies. The issue of degrees of vulnerability should be an irrelevance. The distinction between vulnerable and non-vulnerable is too fine and complex, and too important, to be left to subjective judgements. The primitive and anachronistic power to disconnect from essential services should be extended to gas and electricity supplies.

¹ The need for revised procedures to protect vulnerable customers was raised by the deaths in October 2003 of an elderly couple, George and Gertrude Bates, from cold-related illness. Mr and Mrs Bates were 89 and 86 years old respectively and had had their gas supply disconnected during the summer. Descriptions of their household circumstances, and their contact with their gas supplier, make it unclear whether they would have been offered protection under the Energy Retail Association proposals.