

Ofgem Energy Supply Probe consultation– Macmillan Cancer Support response

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Date:	28 November 2008

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Key points

- **As a result of their condition, many cancer patients face higher utility bills at a time when their income has often reduced, and so struggle to pay their bills.**
- **Macmillan supports any attempt to better inform customers and simplify the process of switching but people with cancer also need more information about the help available to vulnerable customers from their supplier.**
- **Macmillan remains concerned that vulnerable customers may not take advantage of cheaper payment options and believes that social tariffs should not be cost reflective of payment type.**

Background

1. Macmillan Cancer Support welcomes the opportunity to respond to this consultation and would be very happy to provide any further information. In this submission we have responded to the points we feel best placed to comment on.
2. Macmillan improves the lives of people affected by cancer, providing practical, medical, emotional and financial support. We work to raise awareness of cancer issues and have been campaigning for a better financial deal for cancer patients including ensuring patients receive routine financial information. Macmillan also operates a hardship grant providing financial assistance to those patients in need and funds benefit adviser posts in hospitals and information centres across the UK.

Cancer patients and fuel poverty

3. Every year around 290,000 people in the UK are diagnosed with cancer and more than 150,000 die of the disease¹. However, survival rates are improving - half of people diagnosed with cancer now survive for more than five years¹ - and there are currently two million people living with or beyond cancer in the UK².
4. As a result of their condition, cancer patients face a number of increased costs at a time when their income has often decreased. Macmillan research found that among working age cancer patients (under 55s) seven out of ten suffer a reduced household income, losing on average 50%³. It

¹ CancerStats, Cancer Research UK

² King's College London, Macmillan Cancer Support and National Cancer Intelligence Network, *Cancer Prevalence in the UK*, 2008

³ Macmillan Cancer Support, *Cancer Costs*, June 2006

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is estimated that around 4 in 10 cancer patients of working age do not return to work after treatment⁴. Higher utility bills are one of the major additional costs which cancer patients face⁵.

5. There may be several reasons why a cancer patient faces increased energy costs. Many cancer patients spend longer periods of time at home in order to recuperate during treatment; are unable to engage in hypothermia prevention measures such as keeping active⁶ and there is evidence to suggest that they feel the cold more⁷. In a Macmillan online survey of people with cancer, three quarters of those who said they were using more fuel since their diagnosis said this was because they felt the cold more. This means that cancer patients have increased energy needs throughout the year tied into their illness and treatment cycles. In a recent online survey of people living with cancer, Macmillan found that, of those who were struggling financially, two thirds were struggling to cope with energy bills since their cancer diagnosis⁸ and so far this year, nearly 40% of the people who have received financial help from us asked for assistance with their fuel bills.

Response to Ofgem's proposed actions

Action 1: promoting more active customer engagement

6. Macmillan supports any attempt to better inform customers and simplify the process of switching. Higher energy bills are an additional burden for people with cancer at an already extremely difficult and stressful time. Making the energy market easier to navigate will help to reduce the burden for many. Customers should have all the information needed to switch readily available at their finger tips and should not have to go searching for this.
7. As well as providing the support needed to make informed choices about suppliers and tariffs, people with cancer also need more information about the help available to vulnerable customers from their supplier. This help needs to be much more widely promoted; for example displayed on website home pages and included with bills. People with cancer are often too ill to have the time to search out the best deal so this additional help can be crucial.

⁴ Spelten E, Sprangers M, Verbeek J, *Factors reported to influence the return to work of cancer survivors: a literature review*, *Psycho-Oncology* 11: 124-131 (2002)

⁵ Macmillan Cancer Support, *Cancer Costs*, June 2006

⁶ Rising fuel bills could mean more die of cancer, *The Press and Journal*, 14 October 2008

⁷ *Shivering in acutely ill vulnerable populations*, Holtzclaw, AACN Clinical Issues, Volume 15, No. 2, pp267-279

⁷ http://www.npower.com/health_through_warmth/about_htw/Health_impacts/index.htm

⁸ Macmillan Cancer Support online survey of people with cancer, October 2008

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8. Some people with cancer have told us that they are confused by the language used by energy suppliers. For example they are not familiar with phrases such as ‘crediting an account’ or ‘placing a hold on an account’. We have noted Ofgem’s work to encourage clearer bills but suggest that plain-speaking be extended to all forms of communication including letters, call centre staff and salespeople.
9. In the report it is highlighted that those medically reliant on their energy supplier, such as cancer patients and the terminally ill, are less likely to switch supplier due to the perceived risk of something going wrong. Ofgem should consider what could be done to further reassure these vulnerable customers; for example could further protections around switching be added to those under the Priority Services Register.

Action 2: helping customers make well-informed choices

10. Macmillan would support the development of an easy-to-understand price metric in the hope that this would further simplify the switching process for customers. This metric would also be helpful to our many benefit advisers when discussing options with their clients including whether a social tariff might be applicable and whether it might provide the cheapest option.
11. Suppliers should make it explicitly clear if a customer is switching to a more expensive deal and if the requirement for a written quotation and comparison were introduced, there should be a clear statement about whether or not the new deal is more or less expensive. Ofgem will need to monitor and enforce this. However, we are still concerned that this will only go some way to empowering so called ‘reactive’ customers as they will remain unaware of the wider deals available.

Action 5: addressing concerns over unfair price differentials

12. Macmillan is encouraged to see the requirement that price differentials for payment type must now be cost reflective. However, we are concerned that many of the most vulnerable customers are still not benefiting from the cheapest payment type – direct debit. These customers remain unresponsive to the market and we suggest that Ofgem monitor this closely to determine whether better information and promotion helps to encourage more vulnerable customers to take advantage of a cheaper payment option.

Social Tariffs

13. Macmillan is in agreement with the new definition of a social tariff introduced by Ofgem in July 2008. We agree that a social tariff should be

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the lowest tariff offered by the company but are concerned that even those on social tariffs are still paying different amounts depending on payment type. For example, some social tariffs offered by suppliers provide a discount or rebate on what the customer is paying – so this means that both a direct debit customer and prepayment customer will receive the same discount but overall the direct debit customer will be paying less. We do not think that social tariffs should be cost reflective in this manner. Those who qualify for social tariffs have been identified as vulnerable or in fuel poverty – they may be unable to switch to direct debit or they may have very justifiable reasons for not doing so. It seems perverse not to offer them the full help available.

14. We would also support wider calls to standardise social tariffs across all suppliers on the condition that this standard is high, continues to challenge suppliers and is monitored by Ofgem. If this were introduced Ofgem would need to ensure that the tariff offers real, rather than symbolic, benefit to those in financial need.