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BY EMAIL

Dear Liz

REVIEW OF PROTECTION FOR VULNERABLE CUSTOMERS FROM DISCONNECTION

Thank you for the opportunity to respond to Ofgem's consultation dated 8 October 2009, following the review of protection for vulnerable customers from disconnection.

We welcome the positive conclusion of this review that "suppliers' policies and procedures to identify vulnerable customers and prevent them from being disconnected are largely satisfactory". In particular we are pleased that ScottishPower featured so positively in this joint Ofgem and Consumer Focus review. We take the prevention of debt and disconnection very seriously and as you know our approach is designed to ensure we do not knowingly disconnect vulnerable customers. Our disconnection policy exists to minimise the risk of bad-debt costs and is only used as a last resort for customers who will not pay for the usage of their energy and where we are unable to fit a prepayment meter (PPM) at the warrant visit.

Your review recognises the improvements that ScottishPower has made in recent times and the good practice in place throughout our policies and procedures. Other areas of good practice across the industry highlighted in your review will allow us to further improve our policies and procedures.

Given the generally positive outcome of the review, we question whether it is necessary to propose new licence requirements in this area. Moreover, there are important interactions of policy here which need to be considered before any licence change is considered.

Where the underlying cause of non-payment is poverty and a PPM cannot be fitted, the solution will usually be found through the DWP's Fuel Direct scheme. However, their most recent guidance¹ states that "Third party deductions are only made where it is in the interest of the individual or family – to avoid the severe hardship caused by eviction or disconnection of utilities, and preventing imprisonment for the non-payment of council tax or fines". It is therefore essential that, in order to guarantee access to the Fuel Direct Scheme, disconnection is legally a possibility. The Safety Net is a set of procedures designed to ensure that this is a possibility that, for the most vulnerable customers, never needs to turn into a reality. –As the report makes clear, it has been successful in achieving this.

Other difficult cases include customers who do not appear to be in financial hardship but are declining to pay the bill. Disconnection may need to be a possibility that is

¹ How to apply for Third Party Payments A guide for new creditors, September 2009
<http://www.dwp.gov.uk/docs/tpp-new-creditor-guide.pdf>

raised in discussion with the customer and/or Social Services etc in order to bring the matter to a conclusion that is fair to other customers.

We believe that the best solution to these conflicting requirements is to keep the licence requirements substantially as they are and follow the procedures of the Safety Net, with improvements as appropriate, to ensure that customers falling within the ERA 'vulnerable' definition are not in practice disconnected.

Similar issues arise in relation to reconnection. It is absolutely right that suppliers spare no efforts in getting vulnerable customers back on supply for the winter; but it cannot be an automatic process in the licence otherwise the other agencies involved in solving the question may feel unable to step in.

Ofgem's proposed licence amendments

Against this background. Our comments on Ofgem's proposals are as follows:

New 27.11A – take all reasonable steps to ascertain etc

Although presented as a clarification, we fear this proposed addition could have the opposite effect, in that it is unclear what steps a Supplier has to undertake in order to comply. We seek further clarity on what is proposed as "all reasonable steps" and whether the steps described in section 3.31 of the consultation come under this definition. If this is not the case we would need further engagement with Ofgem as to what steps beyond our current processes would be required.

New 27.11B - Reconnection

For the reasons given above, a licence obligation for reconnection would interfere with the ability for other agencies such as the DWP to get involved in helping to resolve the problem.

As drafted, the proposed 27.11B requires reconnection in cases where the disconnection is for reasons of theft or safety. This is not appropriate.

It is not correct that automatic reconnection as winter approaches is implicit in the existing provisions. The point about restricting disconnections to the summer period is that this provides time for the agencies concerned to work with the Supplier to get the customers back on supply, on a proper basis, before winter approaches.

Any proposal on reconnection needs to be drafted in a way which does not prevent Suppliers working with other agencies to resolve the debt problem.

Possible Merger of 27.10 and 27.11

These provisions apply different rules – a prohibition on winter disconnection for all-pensioner (or all-pensioner plus children) households – and an obligation to take all reasonable steps to avoid disconnections of a household including a pensioner, disabled person or chronically sick person in the winter.

The latter group is of course much wider and we interpret this rule as an obligation to "go the extra mile" to find alternatives to disconnection for this group, but that the theoretical possibility remains, thus enabling DWP and other stakeholders to step in. Broadening the formal protection in the way suggested would make it harder to solve these debt problems promptly, without in practice affecting disconnection numbers.

This would work against customer's interests, building up further debt through the winter period when there is no deterrent against non-payment and possibly no DWP or other stakeholder assistance. Suppliers would ultimately recover these bad debt costs through higher bills to all customers including those already in low income groups. Accordingly, we do not support merging these two categories of protection.

We would be pleased to discuss our response and concerns in more detail; please contact me using the details shown on the first page or Pamela Kelly, our Energy Retail Regulation and Commercial Manager on 0141 568 3231.

Yours sincerely

NEIL CLITHEROE
Customer Services Director