



*Campaigning for Warm Homes*

## **Introduction**

As a national charity with the primary objective of eradicating fuel poverty, NEA's main campaigning role prioritises positive and constructive action to deliver affordable warmth, to vulnerable and disadvantaged households, through practical improvements to heating and insulation standards in dwellings occupied by these households. However, NEA's wider remit includes protecting the interests of low-income energy consumers by ensuring they receive equitable and supportive treatment in the operation of the competitive energy market. Consequently, NEA sees effective regulatory action as a crucial factor in ensuring adequate protection for vulnerable households and acknowledges Ofgem's considerable past achievements in moderating the potential of a competitive market to marginalise or overlook the needs of disadvantaged energy consumers.

## **The role of Ofgem**

NEA recognises that the combination of past and future increases in the cost of domestic energy, taken in conjunction with the current severe economic downturn, imposes unprecedented pressures on household budgets and will inevitably result in increasingly unaffordable fuel costs and higher levels of indebted energy consumers. Clearly such circumstances increase the likelihood of disconnection from supply, and NEA believes that any effort to strengthen protection for vulnerable energy consumers is both timely and essential. Consequently, NEA welcomes Ofgem's intentions to better clarify and codify some aspects of disconnection protocols and procedures and the opportunity to comment on the regulator's proposals.

## **The remit of this consultation**

However, prior to commenting on the specifics of Ofgem's proposals, NEA would wish to raise the issue of consultation processes. We are unclear as to the relative status of what Ofgem styles 'informal' and 'formal' consultations. The stage before this current consultation was described as 'informal', but Ofgem has used this preliminary process to arrive at firm conclusions, to the extent that the subject of the formal consultation is now restricted to stakeholder views on SLC 27.11 (A). NEA believes that all of the issues discussed in the informal consultation should have constituted part of this latter formal process.

## **New Standard Licence Condition 27.11 (A)**

SLC 27.11 (A) is intended to ensure that energy suppliers use their utmost endeavours to identify vulnerable households, but the result is confusing and, in failing to match the level of protection to vulnerable customers offered by the industry on a voluntary basis, Ofgem will be perceived as less concerned about consumer welfare than the industry itself. The existing voluntary commitment by Energy Retail Association (ERA) members to disconnect no vulnerable households at any time should be formalised as a Licence Condition.

## **Reconnecting supply in advance of winter**

Ofgem initially rejected the case for regulatory intervention to require energy suppliers to reconnect vulnerable customers prior to the winter period. Such intervention was deemed unnecessary because of the voluntary supplier commitment not to disconnect any vulnerable customer at any time. NEA believes this to be an abdication of responsibility on the part of the regulator and questions Ofgem's apparent reluctance to formalise a Licence Condition because the industry, at its own discretion, has willingly adopted more rigorous prescription on its members' actions.

NEA notes and welcomes Ofgem's willingness to reconsider this issue, but believes that this demonstrates a degree of scepticism about supplier practice. Clearly if no vulnerable households are disconnected there will be no need for reconnection. However, we would reiterate the comments on this subject made in response to the informal phase of consultation: 'The other issue concerns the fluid nature of vulnerability criteria based on age or health status. Since energy

suppliers cannot constantly monitor the circumstances of disconnected consumers there has to be some mechanism that requires energy suppliers to ascertain the status of disconnected households as winter approaches. We note the support of one energy supplier for a requirement to reconnect all households in advance of winter and the pragmatic suggestion that this requirement might be qualified by a 'best endeavours' provision. Again it is interesting to note an energy supplier perspective that is more radical than that of the agency charged with protecting the interests of consumers.'

### **Consolidation of SLCs 27.10 and 27.11**

Finally, NEA finds Ofgem's acceptance of the argument that SLCs 27.10 and 27.11 should not be consolidated because 'there is no substantive difference between the levels of protection provided by the two conditions' to be perverse and irrational. If there is no substantive difference then there is no case against consolidation and this should be implemented on the grounds of clarity and consistency.