Ofgem: Prepayment self-disconnection and self-rationing – a call for evidence

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Consultation response from the

Centre for Competition Policy

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This consultation response has been drafted by the named academics who conducted research as part of a project led by the Centre, the named academics retain responsibility for its content.

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Prepayment self-disconnection and self-rationing: a call for evidence

Consultation Response

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Background:

We have recently completed work on a UK Energy Research Council (UKERC) research project entitled "Equity and Justice in Energy Markets" [1] led by the Centre for Competition Policy [2] at the University of East Anglia. Our particular research package focused on the *lived experience of energy vulnerability*. This work involved in-depth qualitative research with tenants of Broadland Housing Association (BHA) located in Norwich, Norfolk between January and June 2017. These tenants were identified by BHA staff as likely to be at risk of fuel poverty, and were then sampled for diversity regarding housing type, family structure and type of energy issues faced etc. Interviews explored their everyday energy use, their properties' energy efficiency, how they manage their energy bills, and their reflections on BHA interventions. The interviews were recorded and transcribed verbatim before being coded thematically using NVivo software. Our responses to the consultation are based on our findings within this research project, as well as our broader engagement with the research around energy vulnerability.

Q1: Are there any categories that we have not captured in Table 1? We welcome views and evidence on the main causes of self-disconnection and groups of customers who are more likely to self-disconnect and experience detriment.

The research that we have undertaken would suggest that low incomes are a primary driver of rationing and self-disconnection. Our research also suggests that change of household situation is also an important factor. However, what the table does not capture is the interconnections between different causes. For example, the most severe case we found involved *both* mental health and financial problems. It was noted by some interviewees that the timing and size of debt repayments taken via PPMs was not clear to them, and in one case the extent of debt being deducted from top up payments was a factor in complete self-disconnection from gas. The table also does not completely capture the role that other forms of non-energy debt play in pushing people into energy vulnerable situations. In other words, indebtedness is a different risk factor to low income. We would suggest that a broader energy vulnerability framing may help to capture some of the multiple factors involved and the inter-relations between them. [3] It is also clear that, at the lower income scales, the affordability of energy at a given point in time is related to other demands on expenditure and the timing of income, rather than an abstract notion of affordability as a proportion of overall household income. In other words, rationing can be driven by the relative affordability of energy at a particular time, and not just how expensive it is as a proportion of income.

In terms of groups of customers who are likely to be at risk of self-disconnection our work adds to a body of work which suggests that there might be a significant proportion of people living within social housing who are rationing their energy consumption.[4] Further work is needed to establish the exact

[1] See http://competitionpolicy.ac.uk/research/research-projects/equity-and-justice-in-energy-markets
[2] See http://competitionpolicy.ac.uk/home
[3] For example see the recent paper by Baker et al. (2018)
[4] See for example, National Housing Federation (2016), Curl and Kearns (2017), Webb et al. (2016)

scale of this problem, however it is clear that it is not being picked up by the official fuel poverty statistics, where social housing is regarded as a good form of tenure. We therefore welcome the move to distinguish rationing as a distinct problem in its own right, despite the fact it is more difficult to measure. In terms of the Hills definition of fuel poverty, our small study would suggest that there may be many people who ration that fall into the 'low income – low cost' quadrant. This is significant because many of the deleterious effects of fuel poverty related to health and wellbeing – and which drive policy interventions – are experienced by those who ration or self-disconnect.

In terms of specific groups who are at risk, our study suggests that households with a single adult seem more prone to rationing and the most extreme cases we found were single males living on either Job Seekers Allowance or Employment Support Allowance. A further hidden group might be those households in receipt of housing benefit because BHA's tenancy support team often only identified cases of energy rationing and self-disconnection when they intervened due to rent arrears.

Regarding the primary causes of self-disconnection and rationing our work highlights the role that emotions play in the dynamics of energy vulnerability.[5] So, whilst low income and indebtedness are important factors so too are the emotional relations which shape experiences and actions. For example, it is *fear* of debt or an unmanageable bill that drives much rationing behaviour. Rationing, particularly through a PPM is therefore a means to control this fear. Tenancy Support Officers described some cases where this fear drove rationing even though tenants had sufficient income to meet their energy needs. It is also worth noting that those who ration via PPMs are very 'active' consumers of energy, more active than most other consumers in terms of their daily engagement with their energy consumption. Our research also suggests that their non-switching can also be driven not only by fear of financial risk but also due to loyalty to suppliers based on the Warm Homes Discount and small rebates.

Q2: We seek views and evidence on how self-disconnection and self-rationing is being monitored for customers on traditional PPMs. We welcome views on how effective current practices are.

No comment.

Q3: We seek evidence of examples where PPM customers were at risk of self- disconnection or who self-disconnected for affordability and/or operational and/or forgetfulness reasons, the impact on these customers, and how the situation was resolved.

Hargreaves and Longhurst (2018) and Deller and Waddams Price (2018, chapters 4 and 5) contains several examples of self-disconnection and rationing, and we would direct you to those for further details. More generally we would direct you to the broader work on the lived experience of energy vulnerability such as Middlemiss and Gillard (2015), Chard and Walker (2016) and Butler and Sherriff (2017).

Within the context of our research the situations were primarily resolved by the intervention of the Tenancy Support Service of the Housing Association. They assisted the tenants in negotiations with energy companies, benefit applications and applying for discretionary grants as well as more general financial assistance and planning.

[5] See Hargreaves and Longhurst (2018) and also Deller and Waddams Price (2018), Chapters 4 and 5. A version of Hargreaves and Longhurst (2018) is currently under review with the journal *Energy Research and Social Science*.

Q4: We seek views on what great support service looks like for customers at risk of self-disconnection or who self-disconnect. We welcome examples of supplier good practice in dealing with self-disconnection and self-rationing.

It is striking that the primary mechanisms to remove customers from situations where they are rationing, or self-disconnecting are discretionary, i.e. debt write-off from suppliers and grants from charitable foundations. In other words, there is no guaranteed way in which to remove a customer from an energy vulnerable situation. Tenancy Support Officers also reported that over recent years it had become increasingly difficult for them to secure support for customers (in their perception) and that it often felt as if it were dependent on the specific call centre operative, they spoke to on the day they called. Overall, at this point in time it seems unlikely that the problem of rationing and self-disconnection can be resolved solely through market mechanisms or improved customer service. Our evidence suggests it will require broader, more substantial interventions that either subsidise the cost of energy for low income households (e.g. via a social tariff) or increase their income via the social security system.

Q5: We welcome views from all stakeholders on the emergency, friendly, and discretionary credit functions. How well do you think these features work?

Some of our interviewees used emergency credit features but it did not help resolve their overall situation in any way. There was no evidence in our study that any kind of credit function was a sufficient intervention to resolve situations of rationing or self-disconnection for vulnerable consumers.

Q6: We welcome examples of any recent good practice examples on steps taken to provide sustainable support to PPM customers who self-disconnect and/or self- ration.

See response to Q6 and our publications for further details of this. One point to add is that the interventions we observed often began when cases had already become quite severe and which therefore required considerable effort and resource to resolve. An important question is therefore how might we develop means for earlier identification and intervention? Again, we would suggest that this is where an important emotional aspect of energy vulnerability emerges, the way in which stigma and embarrassment prevents people from asking for help. Overcoming this is not necessarily easy but potentially involves creating spaces/mechanisms which allow customers to open up about their problems or making the extent of the problem more visible, so they feel less stigmatised. Other possible solutions include the use of smart thermostats which allow social landlords to monitor the temperature of their tenants' homes and identify rationing, although there will likely be significant data protection and ethical issues here.

Q7: We welcome views on how you perceive the collaboration between stakeholders should operate and what type of organisations you believe will play a central role in this process.

From our research it would seem that frontline staff in some housing associations are already playing a vital role in addressing these problems but that this is under-recognised. Depending on the kinds of interventions that are developed, it seems likely that this group could play an important role. We have discussed a number of ways in which BHA could intervene differently at points where they have direct tenant contact such as through their boiler servicing cycle or their process for inducting new tenants.

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