

Prepayment Self-Disconnection and Self-Rationing

Response to Ofgem's Call for Evidence

10 December 2018

Introduction

The Centre for Sustainable Energy (CSE) is an independent charity which delivers projects in partnership with national and local government, the energy industry, community groups, business and other energy charities across the country, towards the reduction of carbon emissions to safe levels and the replacement of fuel poverty with energy justice. CSE has delivered practical projects, including support to households, for over 40 years. In 2017/18, our Home Energy Team directly supported more than 8,250 vulnerable households across the West of England, Somerset, Dorset and Wiltshire to address their energy-related challenges. Among them were 2,360 people with a health condition, with cardio-vascular, mental health, respiratory and arthritis being the most common.

CSE welcomes Ofgem's attention towards the issues faced by PPM customers who self-disconnect and those who self-ration their energy use to save money or limit spending in other essential areas. Our response is structured in line with the questions set out in the call for evidence. Where we feel we have no views or evidence, we have marked: no response. We do not consider the response to be confidential. Where we refer to specific cases, we have not used individual's actual names and have removed potential identifying details.

CSE maintains a database of all clients. In order to formulate our responses, we performed a database search from which we identified clients on a PPM who self-disconnect, self-ration or are at the risk of self-disconnection. Case studies and examples have been extracted from this selection of clients to support our responses. It should be noted that evidence presented here is not statistically representative and that the terms "self-disconnection" and "self-rationing" are not in themselves flags on our database, making it likely that there are clients who have not been identified as part of our case studies.

Responses to Questions

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.

While consumers from our selected case studies fall into the categories as outlined by Ofgem in Table 1, the table does not acknowledge interlinking causes of self-disconnection. All clients from selected case studies identified multiple causes of self-disconnection or factors which put them at the risk of self-disconnection. Clients stating affordability as the main reason for self-disconnecting also suffered from health issues, either mental or physical, and most were in receipt of relevant benefits (either ESA or PIP). Self-disconnection or self-rationing are often having detrimental impacts on health and significantly reduce quality of life. For instance, one client stated seldom having the heating on making her arthritis worse; another client said she sleeps and lives in the lounge because of problems with mould in the bedroom resulting from inadequate heating. Clients felt particularly stressed, worried and anxious, finding it difficult to cope and struggling to pay their bills. Interestingly, two clients from our selected case studies preferred paying by PPM, despite self-disconnecting and struggling to keep up with energy payments.

Furthermore, our sample identified two categories of consumers who were self-disconnecting or at the risk of self-disconnection that have been excluded in Table 1. These are consumers who are social tenants, either with housing associations or local authorities, and those whose first language is not English. Although only one client from our sample was unable to speak English fluently, it is evident that language barriers can make it extremely difficult for consumers to communicate with their supplier and increase their risk of self-disconnection, particularly in the absence of an interpreter. Our evidence indicates that these are two risk groups needing further attention.

From our wider advice work we expect that households transferring to Universal Credit are more likely to self-disconnect in the 5 (or more) week period that they are awaiting their first payment. Those most likely to experience detriment are those with mental and/or physical health conditions.

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

In our view, self-disconnection and self-rationing among customers on traditional PPMs is not being monitored by suppliers. The lack of supplier-level data shows that suppliers fail to adopt a proactive approach in identifying and responding to the needs of those in vulnerable circumstances. Since consumers who self-disconnect are often unwilling to self-identify or contact the supplier themselves, it is crucial for suppliers to monitor household energy consumption to help indicate consumers who may be self-disconnecting or self-rationing. However, cases studies collected from our database provide evidence that suggests suppliers make no extra efforts to support consumers who are self-disconnecting. In fact, one of our clients who was self-disconnecting due to the cost of heating her home was incorrectly informed by her supplier that she was ineligible for the Warm Home Discount. After cross-checking the benefits she received and her income, CSE found her eligible for the discount and helped her apply. Another client had accumulated a standing charge

debt for his electric PPM during his time in hospital and is now struggling to pay the debt recovery rate as this was set too high. The client's gas supply is capped due to previous debts, and he would have to pay to have it uncapped. Whilst the supplier, EDF, has taken no proactive step towards re-assessing the level of instalments, CSE is currently in the process of contacting EDF to get the debt repayment rate to be reduced. Yet a different case highlights the lack of supplier support for a customer with known health issues. Despite being of pensionable age and a wheelchair user in an all-electric property relying on a constant supply of electricity, the client was down to £1 on her PPM, putting her at the risk of self-disconnection. The supplier did not voluntarily reach out to the client offering to sign her up to the Priority Services Register or remove the PPM free of charge since it was no longer reasonable to use this method of payment. The evidence presented here indicates that currently outreach to and collaboration with consumers from the supplier side is rather limited, and a lot needs to be done in order to achieve a market where suppliers adopt a proactive approach to identifying PPM customers who may be at the risk of self-disconnection or self-rationing. To date, we have seen little sign that suppliers are making changes to be more proactive in their engagement with vulnerable customers, including those at risk of self-disconnection and self-rationing, which we would have hoped to see in response to the new principles based regulation.¹

Q3: We seek views of examples where PPM customers were at the 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.

As stated in response to Question 1, clients identified in our case studies self-disconnected or self-rationed due to a combination of risk factors including affordability, operational and forgetfulness (mental/psychological health issues). For instance, Miss W. was a social tenant referred to CSE for financial assistance as she was struggling to manage her bills. Additionally, she had outstanding rent and water bill debts. Her PIP was stopped which drastically reduced her income, although she was in the process of appealing the decision. Miss W. was on a PPM for both gas and electricity, spending £30 to £40 a week although she stated seldom having her heating on. She was worried about her bills and the lack of heating made her arthritis worse. We helped Miss W. apply for the Warm Home Discount which she was eligible for, and she was accepted onto the Restart Scheme with Wessex Water for a debt of £1,241. This meant that Wessex Water would clear her debt of £525 given that she continued her weekly repayments for two years.

Similarly, Miss C. was a social tenant referred on to us for financial assistance and help with heating her home. She was on a PPM because of her previous energy debt, which had been repaid, although she was still in debt with her water bills. Miss C. had a severe illness and was in receipt of ESA. She stated rarely turning the heating on because of the cost, to the point where she had problems with condensation and mould in her home. Moreover, her supplier incorrectly advised her that she was ineligible for the Warm Home Discount. We gave Miss C. advice on how to use her heating system more efficiently, saving her £130 annually, as well as helping her apply for the Warm Home Discount which she was eligible for. We further referred her to Homemaker South West for longer term support with benefits. This resulted in an increase to her weekly ESA with an additional £4,200

¹ <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/future-retail-market-regulation>

backdated. Homemaker South West successfully applied for PIP on behalf of Miss C., increasing her income by £77 per week and a further £1,230 backdated.

In addition to physical illnesses, some of our clients from the selected sample struggled with psychological or mental health conditions. Mr. B. was a social tenant suffering from alcoholism, and had had no gas for two years due to a build-up of debts. The client insisted that his gas had been capped two years ago, although the standing charge continued to increase. He also had a number of other debts, including council tax and water debt, which totalled to over £3,000. In addition to alcoholism, he suffered from arthritis and other health conditions, exacerbated by the lack of heating and hot water. He stated using a room heater and having to sleep in a sleeping bag in the front room as his bedroom was unbearably cold. CSE helped reduce his electricity bills by fitting LED light bulbs in his home, installed draught proofing measures such as thick curtains, applied for the Restart scheme to clear his water debt, and helped set up a repayment plan with E.ON. Additionally, WE Care and Repair donated a large oil-filled radiator and the council fixed the pipework and installed radiators for gas central heating in Mr. B.'s home.

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.

See response to Question 6.

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

Case studies selected here do not make reference to friendly or discretionary credit functions.

In our opinion, the examples extracted from our database illustrate that although vulnerable consumers often rely on the availability of emergency credit, topping up their PPM remains a struggle and the risk of self-disconnection or self-rationing remains unchanged. Where clients have mentioned using the emergency credit function, it was clear that they run out of credit before having a chance to top up their meters. One client stated being stressed about her finances, only having 19p left as emergency credit on her gas meter. The supplier would only top up the emergency credit once this has run out completely, leaving the client at a high risk of self-disconnecting or self-rationing. Another client said she had already received £5 emergency credit from SSE and had received money from the Crisis Prevention Fund, leaving her with no money to top up her PPM again. She stated being extremely anxious about her finances, and finding it difficult to cope with a cold home. There is therefore a need for a more generous amount of emergency credit available so as to allow more time for consumers to top up their meters and thereby reduce the risk of self-disconnection. It is unclear whether friendly or discretionary credit functions were unavailable to customers in our selected examples, or if clients were simply unaware of these functions.

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.

Although our selected case studies have not captured evidence of supplier good practice of sustainable support to PPM customers, we believe that a great support service involves inter-agency collaboration between suppliers and other organisations for customers to gain access to the right kind of support. This is particularly vital for consumers with numerous debts as well as those suffering from health issues. Moreover, sustainable support for PPM customers who self-disconnect or self-ration includes on-going support to help clear debts, advice on behavioural changes that customers can incorporate into their daily lives, and helping customers apply for funding and grants to improve the energy efficiency of their homes. The importance of inter-agency workings is illustrated in case studies of Miss W. and Miss C. (refer to question 3), whom CSE referred on to other organisations for support with water debts and benefits respectively. Likewise, Mr. D., who had been self-disconnecting his gas and not using the heating given his low income, was referred to CSE by Talking Money. He stated having to make use of emergency credit often and incurring debts because the standing charge built up during his time in hospital. Talking money helped clear his council tax debt of £753, and successfully helped him apply to a water scheme, clearing his debt of £1600. Talking Money also supported Mr. D. by applying to Santa Monica Trust for annuity of £25 per week over a period of 3 months whilst he was recovering from an operation. CSE provided further support by offering Mr. D. a home visit, giving him advice on cost-effective behavioural changes such as turning off the electric fan heater, and we are currently in the process of making a Trust Fund application to EDF as well as asking for his debt repayment to be reduced.

The importance of sustainable support is further highlighted in the case of one of our clients who had been self-disconnecting by turning off most radiators in the home, rarely making use of the boiler, and often having to use emergency credit. The client mentioned struggling to keep warm in her home and issues with damp. CSE provided sustainable support by helping her set up an account with her supplier and apply for the Warm Home Discount, enabling her to keep warm at home and manage her bills more effectively. CSE further advised the client on behavioural changes to reduce her energy bills, such as explaining the controls on her gas boiler, as well as making a referral to Evolve since she was eligible for loft insulation funding, and advising on a tariff comparison once she had received the Warm Home Discount.

CSE has an ongoing relationship with Ovo Energy to provide tailored energy efficiency advice to their customers by telephone. This provides an example of a partnership between an energy supplier and a leading third sector organisation to provide sustainable support to customers, including to PPM customers who self-disconnect and/or self-ration. A significant proportion of Ovo customers supported by CSE as part of this work are PPM customers – from a snapshot of customers supported in Feb 2018, 1/3rd were PPM users). As part of this collaboration, CSE has trained Ovo Energy CSAs to improve their ability to recognise signs of vulnerability. The aim of the training was to support Ovo Energy CSAs to pass on more complex enquiries that require significant knowledge to experienced CSE staff to address. However, even with this collaboration, clients sometimes need support that goes beyond the telephone support service paid for by Ovo. The case below exemplifies how a

vulnerable client who is self-rationing needing considerable further support in follow up to the telephone advice she received as a result of contacting Ovo's advice line:

Client S is in her early twenties and lives with her partner and baby in Southampton. She is an Ovo smart PPM customer who contacted Ovo's advice line in February about high electricity costs – she was self-rationing her use of electric appliances and was at risk of self-disconnecting. Her night storage heating was not working and she wasn't sure if she was on an Economy 7 tariff. She used minimal appliances but kept her immersion heater on all the time. She has a specific learning difficulty and was nervous to scroll through her IHD screens in case she 'messed things up'. A CSE advisor provided over the phone advice and made an onward referral to a local advice service, Southampton Healthy Homes (SHH) and to the council repair hotline. The SHH case worker conducted a further 10 phone calls, a home visit, undertook lengthy case work and made further onward referrals to address the issues faced by Client S. The support work undertaken by SHH was covered by public and charitable funding, not by Ovo. Client S not only received energy advice, but also had a new meter installed and was switched to an Economy 7 tariff by Ovo, was given a top-up voucher from a charitable fund, the council paid for repairs to her heating system and for a replacement immersion heater. Her call to the Ovo advice line was the initial trigger which enabled her to access this support, but it required the input of a number of bodies to achieve a sustainable solution to address the underlying causes of her self-rationing and risk of self-disconnection.

We have concentrated above on outlining what types of support are required in order to help the client avoid (on a sustained basis) future self-disconnection/rationing. Such support can only be considered genuinely 'sustainable' if there is a long-term and stable source of funding to sustain the activities. We find securing such funding is a constant challenge with no obvious source of funds to provide this level of support; in spite of our excellent track record in securing funds, we do not believe we have sufficient funds to meet the need. In addition, from our knowledge of what is available elsewhere in England, most parts of England do not have an agency like CSE able to orchestrate the funds to achieve even the level of service we deliver.

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.

Due to the understandable reluctance of some consumers to self-identify or contact their supplier when self-disconnecting, we believe that improved outreach from energy suppliers is a crucial step towards supporting customers who self-ration or self-disconnect. This includes changes to their customer management practices and training to work in a more joined up fashion and so that CSAs can spot vulnerable customers, as well as work in collaboration with other organisations. This could include signposting to welfare advice and other support agencies, regular re-assessments of debt repayment plans, availability and information on friendly and discretionary credit functions, offering tariffs without a standing charge or clearing standing charge debts for periods when the customer was away, and removing PPMs at no extra cost when this method of payment is no longer viable. Moreover, as illustrated as part of our response to Question 6, engaging critical stakeholders in inter-agency collaboration is vital to support customers on PPMs who self-disconnect or self-ration. This includes cooperation between debt advice agencies, energy and fuel poverty advice organisations, food banks, trust funds, as well as welfare and benefits organisations in order for

customers to be able to access specialist support. Referrals to such organisations play a central role in the process of support since customers who self-disconnect or self-ration are often affected by a multitude of factors compounding their vulnerable circumstances.

See also our response to Q6.

Other evidence for Ofgem's consideration

Below we include some further evidence we consider relevant to the call for evidence.

Emergency supply of fuel vouchers

In the absence of sustainable support from suppliers and limited or hard to access emergency support from their local authority, advice charities are increasingly resorting to playing an emergency role for vulnerable customers who cannot afford to top up their meter. Our experience of the arrangements for provision of fuel vouchers for extremely vulnerable customers is that they are cumbersome and fraught with difficulties, which can exacerbate risks for customers. This includes both supplier arrangements and services run by Charis which allow agencies to purchase and issue fuel vouchers for clients.

In a recent case, a vulnerable client could not afford to top up her meter. A CSE advisor contacted [British Gas](#) to apply for fuel vouchers on her behalf. The British Gas customer services agent (CSA) was initially unable to understand the enquiry until the CSE advisor rephrased the request as for 'emergency utility credit vouchers'. The advisor then provided details which the CSA noted down. The CSA was also unaware that it was possible to apply for two vouchers at the same time. Once these misunderstandings were overcome, the CSA sent the application internally to a specific individual within British Gas to forward to Charis to administer, send the voucher codes back to British Gas to in turn issue to the client. This process took more than a day to complete with proactive efforts by the CSE advisor. The customer then had to go to a Pay Point shop with their voucher code to get their PPM key topped up.

It is a lengthy cumbersome process. Vulnerable people who are stressed don't fully understand the process or what they need to do, PayPoint shop staff also don't always know what they need to do and there can be problems with the vouchers issued not working properly. This has been acknowledged by both suppliers and by Charis. Our experience of trying to support clients to access fuel vouchers from food banks has similarly been that it is cumbersome and slow and is only available from certain food banks. If fuel vouchers are to continue to form a part of the response to self-disconnection and self-rationing, then the process needs to be made much more straightforward, reliable and rapid. Training and better information would support this. However, we do not consider emergency supply of fuel vouchers to be a sustainable form of support for PPM customers at risk of self-disconnection.

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