

CSE's response to Ofgem's self-disconnection and self-rationing final proposals



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Background

The Centre for Sustainable Energy (CSE) is an independent national UK charity working to tackle the threat of climate change and end the misery of cold homes. Established in 1979, CSE has a national reputation for excellence in fuel poverty research, energy policy analysis and community engagement in sustainable energy. Our cross-disciplinary team combines research, technical analysis, community engagement, insulation scheme management and home energy advice.

Our vision is a world where sustainability is second nature, carbon emissions have been cut to safe levels and fuel poverty has been replaced with energy justice. Our mission is to share our knowledge and practical experience to empower people to change the way they think and act about energy.

We have 70 staff working across three teams:

- Household Energy Services: supports disadvantaged households with home energy issues and operates a freephone telephone advice service Monday-Friday.
- Research and Analysis: delivers research for governments, utilities, cross-sector partners and has a significant policy impact.
- Local and Community Empowerment: supports groups and individuals to take action on climate change, and develops local projects, using the planning system and democratic rights. They manage grant programmes, develop engagement tools and run high-profile youth education programmes.

Since launching, we have provided support to around 350,000 people, including over 100,000 vulnerable and disadvantaged people. In the last financial year alone (April 2019 to March 2020) we supported 10,093 households with 15,646 separate enquiries, collectively saving them more than £1.875 million (an average of approximately £186 per household). The vast majority of these clients were either in fuel poverty or at risk of fuel poverty and a significant proportion had a listed health condition.

Based on comparative figures this year and the expected winter surge in demand due to the associated impacts of Covid-19, we estimate this will rise by 30%, whilst the increase in client complexity is already leading to advisors spending an estimated 40% more time on each client.

Summary of our response

CSE supports Ofgem's proposals to ensure all energy suppliers across Great Britain identify prepayment customers who run out of credit as a result of financial pressures and provide appropriate support to them, i.e. increased access to short-term credit. It is also essential that suppliers consider customers' ability to pay when engaging with customers in relation to debt issues. While our energy advisors see some good practice in the market, the range of responses varies significantly among suppliers and within them. The latter is often due to insufficient staff training or limited customer service experience among staff.

While the initial analysis on the impact of Covid-19 shown in the consultation document only identifies a brief spike in self-disconnection in March, we are concerned that the rate of self-

disconnection this winter will rise above the 14% reported for 2019¹. This is because the extensions to emergency credit that were put in place during lockdown are now being removed and the Coronavirus Job Retention Scheme closes at the end of October 2020. We would therefore hope that Ofgem ensure the necessary protections are in place before winter 2020. This will safeguard millions of consumers from the risks to health and well-being associated with cold homes this winter.

CSE agree with the consultation's proposal for suppliers to take all reasonable steps to identify all prepayment meter customers who are self-disconnecting and the associated licence conditions required to underpin that. However, as stated above, our experience of dealing with suppliers on behalf of our clients still shows a significant variation in the approach taken. To increase transparency and encourage good practice across the industry, we feel that suppliers should be required to report on the number of households identified as self-disconnecting. This analysis should be reported by Ofgem quarterly to ensure any poor practice can be rectified expediently.

Given the impact of Covid-19, we believe it may be necessary to make changes to the licence conditions regarding self-rationing before the winter of 2020, to require suppliers to take all reasonable steps to identify self-rationing in smart metered customers (i.e. where they have the data to quickly identify consumers who may be struggling to pay). These consumers should be offered support in terms of both budgeting/energy saving advice and additional credit.

During Covid-19 our advisors have distributed over two thousand prepayment meter vouchers to our clients². Our conversations with these clients have revealed that many of them are extremely vulnerable, on low incomes and suffering adverse mental health impacts due to the pandemic. The credit functions offered by prepayment meters are therefore extremely important, i.e. emergency credit, friendly credit, and additional support credit. However, the levels of emergency and friendly credit provided by suppliers and the ways they are offered and communicated vary significantly by supplier. We feel that a level playing field should be created for consumers where friendly credit should be universally 'levelled up' and all suppliers should offer a standardised minimum amount of emergency credit. To address some of the issues for legacy meters when offering additional credit functions, Ofgem should ensure that suppliers offer all prepayment customers with no technical means of accessing emergency credit a smart meter as a matter of urgency.

The ability to pay principles should be updated to reflect supplier performance and market conditions. CSE believes all six principles (as proposed in the consultation) should be fully integrated into the licence conditions. Our advisors deal with a range of energy suppliers and their experience aligns with Ofgem's consumer group analysis. In particular, we also feel that the smaller suppliers tend to require higher repayments from clients which is not based on them having a higher ability to repay or higher income levels. Ofgem needs to provide much more explicit guidance on fair repayment plans to all suppliers.

The consultation process has done an excellent job in reviewing the impacts of Covid-19 and consolidating them into the findings and recommendations. CSE anticipates unprecedented demand for our advice services this winter. It is therefore essential that these changes and reforms are implemented as quickly as possible (i.e. by the end of 2020).

Ofgem's proposals, if applied in full, with the additional recommendations listed here, should help reduce the number of self-disconnections and offer vulnerable consumers enhanced protection this winter. However, much more could be done to engage with the network of energy advice providers

¹ Ofgem 2020, Self-disconnection and self-rationing final proposals – statutory consultation

² Ranging from £50 to £150 in value.

who support vulnerable customers on a day-to-day basis. Ofgem's Energy Redress funded projects could be given additional funding to provide ongoing research in this area, for instance using standardised surveys to gather intelligence about supplier actions when a prepayment customer is self-disconnecting or in debt. Furthermore, Ofgem should establish a clear work programme to monitor and improve the protections set out as a result of this consultation.

Summary of recommendations

1. Ofgem should undertake all of the proposed changes to the licence and prioritise this work so that they can be implemented by the start of December 2020. This includes ensuring all six of the new ability to pay principles are adopted into the licence condition from the outset in full.
2. Ofgem should require suppliers to report the number of households identified as self-disconnecting on an ongoing quarterly basis in order to track the effectiveness of measures taken.
3. Ofgem should require all suppliers to 'level up' to a common minimum level of friendly and emergency credit.
4. Ofgem should instruct suppliers to offer all their legacy prepayment customers (with no technical means of accessing emergency credit) a smart meter as a matter of urgency. This should be built into suppliers' annual smart meter installation targets.
5. Ofgem should work with the industry to identify ways in which identifying self-rationing is practicable, and subsequently implement them in the electricity and gas supplier licence conditions. For example, electricity balances being drawn down at consistent levels while gas usage slows or stops could be an indication of self-rationing.
6. As the consultation document states that self-rationing is simpler to identify when the customer has a smart meter, Ofgem should alter the licence conditions to require suppliers to take all reasonable steps to identify self-rationing in smart metered customers.
7. Ofgem should continue to work to reduce self-disconnections, supplementing the proposed licence changes with:
 - Enhancing monitoring and reporting of the Priority Services Register (PSR) and ensuring financial vulnerability is captured in a systematic way by suppliers via the PSR.
 - Investigating the setting and recovery of costs within Fuel Direct repayments and standing charges, to ensure low income consumers that may only top up their prepayment meters rarely do not lose credit before they can access energy.
 - Encouraging suppliers to increase the use of money-matched repayment schemes and payment holidays.
 - Encouraging the uptake of Fuel Direct, both directly with households and through suppliers.
 - Working with BEIS to ensure that Warm Home Discount Industry Initiatives are extended and expanded. Ideally placing funds into a centralised pot so that access to funding is extended to the wider network of energy advice providers.

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