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against
poverty

CAP

Self-disconnection & self rationing final proposals

CAP's official response to Ofgem's consultation

August 2020

always hope.

Executive summary

Christians Against Poverty (CAP) welcomes the proposals made in this important consultation. We have long been concerned about the prevalence of self-disconnection and self-rationing. We want to congratulate Ofgem on the substantial progress represented by this review and proposals.

Recent events in the UK and beyond have highlighted the financial knife edge on which many households live. With record numbers of customers suddenly facing uncertainty both in the short and long term, research suggests that between 16% and 22% of adults are struggling to pay their bills¹. The proposals made by Ofgem are timely, however CAP would like to hear from Ofgem on their intended timescales for implementation; given the immediate risks in the UK of potential further spikes in COVID-19, especially during the winter months. CAP would suggest that an early December launch for these measures would help protect customers during the coldest period of the year.

It is disappointing that the scope of the final proposals exclude self-rationing. This is a customer group that is at great risk of detriment, and should not be solely attributed to 'choice'. With many customers having cancelled Direct Debits during the recent crisis, we hope that Ofgem will return to this topic soon with additional guidance for suppliers.

CAP would like to highlight the need for industry level reporting of self-disconnection. Although this may prove difficult to achieve, it is vital that suppliers take more proactive steps to identify and support those in financial vulnerability, and the scale of the issue is monitored for awareness and policy purposes. Smart metering does present a great opportunity for this, and it is strongly felt that intelligent and appropriate data capture ahead of the full rollout should benefit customers, particularly for those using a prepayment meter (PPM). The roll-out of smart PPMs is an area Ofgem does need to give stronger consideration to, particularly as recent events have highlighted how they can reduce rates of self-disconnection in customers.

While the measures introduced across the industry provide a good level of support for customers, the question remains of whether more can be done and delivered for those in severe crisis. The measures proposed are short-term in nature and may not provide a lasting impact for those in chronic hardship. As we have seen with the recent lockdown, the financial consequences of this crisis are long-reaching and more work will be needed to ensure those in enduring hardship receive equally enduring assistance.

With the Ability to Pay guidelines to become rules, the consistency in debt collections practice should improve across the industry. However, this can only be most effective when tied into good customer experience. For far too many customers, fear and anxiety over their situation can lead to self-disengagement as well as self-disconnection. CAP would like to see more done to promote this

¹ Money and Pensions Service (2020), *Impacts of COVID-19 on financial wellbeing*.

re-engagement, particularly in those affordability conversations, which will be vital to protect customers from further hardship.

We hope that you will find our input helpful to refine the proposals to reduce self-disconnection and self-rationing. We recognise this consultation as an incredibly important piece of work and anticipate the improved outcomes it will bring. We welcome further engagement with Ofgem and are happy to provide any further explanation that would be useful.

Identifying self-disconnection and self-rationing

Self-rationing

It is disappointing that Ofgem has elected not to include in the scope of these proposals any additional protections for households who are self-rationing or at risk of doing so. Just under three in ten (29%) CAP clients have had to resort to regular rationing in the last two years²; this is regardless of payment method. More than half (57%) of CAP clients agreed with the statement that they ‘use less energy than they would like to cut costs’³. By taking this position Ofgem risks limiting the consumer group protected under these new proposals.

While it is recognised that the identification of these customers may be difficult, it is not something that should be dismissed because of the challenges presented in doing so, and there is a considerable risk of many customers in vulnerable circumstances being overlooked. In their final response it is hoped that Ofgem will set out their plans for addressing this area in more detail.

CAP would like to strongly encourage Ofgem to maintain an ongoing focus on this area, particularly in light of the COVID-19 pandemic. It would benefit all stakeholders to have these future work plans clearly set out to enable proactive thinking and to ensure this remains on the wider agenda.

Supplier obligations and monitoring

CAP agrees with Ofgem’s proposal to create an obligation on suppliers to take all reasonable steps to identify all prepayment meter (PPM) customers who are self-disconnecting. It has been the case for a long time that prepayment customers are significantly more at risk of having difficulties in staying on-supply, and the recent pandemic has only further highlighted this. There are, however, some areas that have not been referenced in Ofgem’s proposals that bear some consideration to ensure that these proposals present a material step forward for customers in vulnerable situations, which is outlined below.

Definition of self-disconnection

The proposed definition of self-disconnection is: ‘(a) customer experiencing an interruption to their supply due to their meter being empty or if credit is not accessible’. While this provides clarity, it is important that the severity of a customer’s situation is recognised; for some customers their period of self-disconnection could be very short; for others it could be chronic and long-standing, greatly increasing the severity of their situation and having a wider impact on their day-to-day quality of life. One in five (19%) CAP clients with a PPM have severely self-disconnected (having been without at least one household energy-dependent activity for two or more consecutive months)⁴.

With this in mind, CAP suggests that Ofgem considers provision of some best practice guidance around suppliers’ assessment of the severity of self-disconnection

² Christians Against Poverty (2020), A dark place

³ Christians Against Poverty (2020), A dark place

⁴ Christians Against Poverty (2020), A dark place

taking place. This will help to tailor their support of the customer and establish an emphasis on helping vulnerable customers that are chronically disconnected, as well as those in short-term crisis.

CAP would encourage Ofgem to share additional good practice from the industry around the methodology of measuring the scale and severity of self-disconnection, as well as key triggers to monitor, to ensure that all suppliers can report back appropriately and fairly. Further measures to consider could include data around vending patterns or sudden changes in usage behaviour. CAP would suggest Ofgem publishes these findings in their annual vulnerability report, and uses this forum to continually share best practice from suppliers around how they are identifying self-disconnection at key trigger points. This should serve to ensure that monitoring is also open to innovation as well as providing Ofgem an opportunity to assess whether the current methodology is effective in targeting customers in vulnerable circumstances.

Standing charges

Another area not mentioned in Ofgem's proposals are the problems relating to standing charge accrual, and the impact this has not only on self-disconnection but also on debt repayment. This is a particular problem during the summer months, where prepayment users will need to make less frequent top-ups but will be incurring daily standing charges on their meter. For many customers, this presents problems with topping-up appropriately when colder months arrive, and can lead to increased risk of self-disconnection. Suppliers need to pay particular attention to these situations and this does present an opportunity for proactive contact with customers to alert them to this.

Ofgem should consider this particularly in line with the monitoring element of their proposals, as well as the potential debt repayment problems it can present, and CAP would like to see this highlighted more in the final proposals as an area of concern.

Smart meter monitoring

CAP acknowledges that the monitoring of self-disconnection where customers have a smart meter is more effective and cost-effective for suppliers. However, the deadline for the roll-out is set for 2024, and the existing progress with PPM customers has been particularly poor. Ofgem have already acknowledged in the consultation that many suppliers have not been capturing data or reviewing it as yet. This should become a much higher priority in advance of the wider roll-out to ensure that trends and risks are identified earlier. Ideally, Ofgem should make guidance available to indicate the key areas they want suppliers to be monitoring, particularly for customers identified as being in vulnerable situations.

Credit functions to reduce temporary self-disconnection and self-rationing

Minimum expectations of support

It is positive that the provision of emergency and friendly-hours credit is to become mandatory. However, the majority of suppliers already offer this support. Therefore, to present a material improvement in support for customers, Ofgem should prescribe

minimum expectations of the level of credit provided. It is right that suppliers should consider if other support is needed to resolve the needs of the customer presenting for additional support credit, but credit should be provided in the first instance to resolve the crisis and facilitate these other conversations.

Further innovation

With the majority of suppliers already offering these provisions, especially through the events of 2020, there is an opportunity to look for further good practice in providing innovative means of credit. Some suppliers have offered additional information and troubleshooting guides, while others have extended additional forbearance to customers experiencing hardship. Ofgem should encourage further innovations and a wider range of options to help customers get back on supply quickly, not just as a response to the pandemic, but as a standard response to protecting customers in vulnerable situations.

Fear and anxiety

Many CAP clients interviewed have cited fear and anxiety around asking for help from their supplier. Just 13% of CAP clients surveyed would feel confident their energy supplier could help them with their bills if they self-disconnected. One focus group interviewee said they felt that, 'Energy companies don't seem to be bothered, they don't care as long as they get their profit at the end of the month. They don't care how they get it'.

Misconceptions are rife, with one client surveyed by CAP believing that emergency credit repayments were 'like a tax'. The feedback received in these interviews made it clear that clients had significant concerns about dipping into emergency credit, for fear of how they would pay this back when they were already financially stretched.

It is acknowledged that Ofgem has highlighted that suppliers should be having more conversations in this area with the Ability to Pay principles, however CAP feels strongly that communication about the support on offer must improve, and Ofgem should set further best practice around the way that support is presented to customers.

Longevity of support measures

Those in chronic self-disconnection situations are less likely to feel the benefit of the proposed measures and long-term support could be required. Unfortunately, Ofgem's current proposals do not provide any minimum standard around this long-term assistance and appear focused primarily on crisis-management support. CAP would like to see further publications from Ofgem on this in the future, as well as greater engagement with organisations that are more geared towards this long-term support.

Provision of information

Another issue that the pandemic has highlighted is the disparate nature of the support on offer to customers. Suppliers are encouraged to craft their own solutions to customer problems. It is important to recognise that this can create positive outcomes, however customer experience can vary greatly between suppliers due to the different levels of generosity on offer and the varied criteria for acceptance. Such

is the variety of help on offer, various charities and support networks have had to spend time and effort navigating the different assistance packages on offer.

CAP would like to see Ofgem promote a centralised publication of customer support offerings that is kept accurate and up-to-date in a location easily accessible for customers and third parties, including detailed information on the amount of emergency credit offered by suppliers.

Ability to Pay principles to reduce ongoing self-disconnection and self-rationing

Consistency in practice

Broadly speaking, CAP welcomes the Ability to Pay principles becoming rules. Consistency in debt collection practice is always welcome, and we would encourage all suppliers to learn good practice from both one another and those beyond the energy industry. A greater emphasis on affordability is vital to ensure good outcomes for both suppliers and customers, and the Ability to Pay principles do a suitable job of maintaining this consistency. CAP feels strongly that significant changes to the principles are not required to turn them into rules at this stage, especially given Ofgem's comments regarding the quality and consistency of service provided by many suppliers.

Of particular concern to CAP is the language relating to where 'insufficient information is available', as this does potentially provide suppliers with an escape clause if they have attempted contact but not established it, which does not seem in the spirit of the proposed rules. Further guidance should be made available by Ofgem relating to scenarios where information is lacking and the steps suppliers are expected to take to attain this information.

Looking beyond the industry

Although the Ability to Pay principles do set out guidance around the conversations required at the support-giving stage, more can be done to innovate how assistance is made available to customers in vulnerable situations. The energy industry can look beyond itself for these ideas; for example, the payment-matching approach in the water industry. This creates incentives for good customer service and the potential for better outcomes for those in financial vulnerability.

Enforcement and remote switching

As more customers move onto smart meters, one area of concern is the use of forcible payment type switching from credit to prepay mode. CAP would like to see Ofgem take further steps to protect customers in vulnerable circumstances where the move to smart technology has reduced the opportunity for direct customer interaction. With the reduced requirement for a home visit to conduct a remote switch, greater emphasis must be placed on these affordability questions and information-gathering. Ofgem should consider monitoring ongoing levels of remote switching and also how this affects customers in vulnerable situations and the quality of care they receive post-switch.

Customer service failings

Finally, CAP would like to see greater strides forward in the customer experience of affordability conversations. As highlighted on previous occasions, customer confidence across the energy industry is typically very low, especially for those in vulnerable circumstances. Call centre staff need to be properly trained and equipped for these conversations, which are often very sensitive. Of CAP clients suffering with mental ill-health, just 22% were able to state that they felt confident their supplier would help them with energy problems. One focus group participant felt particularly let down by the contact they had, saying, 'I've had to phone them up multiple times ... [they say], "We'll get someone to call you". Not heard anything off them, they just keep running me through circles'. To this end, further recognition should be given to the training needs of suppliers' call handlers. Ofgem should emphasise the promotion of suitable training across suppliers to facilitate these conversations, either through best practice or partnering with appropriate third parties.

Requests for further information

This response has been written by Paul Walmsley, Energy Relationship Manager for Christians Against Poverty (CAP), with contributions from:

Robyn Wright, External Affairs Manager
Rachel Gregory, Social Policy Manager
Jim Goodchild, Debt Advisor

To discuss any queries and to request further information, please contact:

Paul Walmsley
Energy Relationship Manager
externalaffairs@capuk.org
01274 761961

Christians Against Poverty (CAP) is a nationally recognised charity that works with almost 600 churches to help the most vulnerable out of poverty across the UK. The services provided offer both practical and emotional support, are completely free and are available to all, regardless of age, gender, faith or background.

Through a network of almost 300 CAP Debt Centres, CAP offers a free face-to-face debt counselling service, with advice and ongoing support provided from head office.

CAP has also expanded to tackle more causes of poverty. To this end, CAP now operates Job Clubs, Fresh Start groups to tackle life-controlling dependencies, and Life Skills groups to empower members with the essential skills and support they need to live on a low income.