

Self-disconnection and self-rationing final proposals – statutory consultation

The final package of proposals by Ofgem consists of:

1. A new requirement on suppliers to take all reasonable steps to identify all PPM customers who are self-disconnecting and offer appropriate support in line with existing and new obligations.
2. New requirements on suppliers to offer emergency and friendly-hours credit to all PPM customers and to offer additional support credit to customers in vulnerable circumstances.
3. Enhanced requirements on suppliers with respect to providing support to all customers who are facing financial difficulties through the inclusion of new Ability to Pay principles in the supply licence. These will replace the existing principles which were introduced in 2010.

In addition, Ofgem will closely monitor the steps energy suppliers are taking to identify consumers in vulnerable circumstances who are self-rationing their energy use. This is to inform our assessment on whether further changes to the rules will be needed going forward. Taken together, we expect the effects of our proposals to bring a sustained reduction in the number of PPM customers who are self-disconnecting each year, as they are given short-term credit to enable them time to top-up their PPM, and to bring more consistency of support by suppliers to enable customers to pay their energy bills.

The People's Energy Response

The People's Energy (Supply) Company, hereafter referenced as People's Energy, are moving from being a Start Up to a medium supplier. As a Community Interest Company (CIC), People's Energy are an 'asset locked' entity created with the aim of ensuring that the organisation is, at all times, managed for the benefit of the wider community, focusing specifically on People's Energy members and others in the UK in fuel poverty.

Our reason for being and our strategy are different to all other energy companies and is fuelled by our desire for growth to:

- *make good on the profits back promise in the form of a member rebate as soon as possible*
- *deliver on our social responsibility objectives, i.e. end fuel poverty while respecting people and the planet, over and above our Industry Obligations*

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We have ambitious growth plans over the next 5 months to the year end. Our current focus is on the significant acquisition of pre-payment meter Members. People's Energy are strategically delivering a deliberately low margin, as we aim to provide one of the cheapest prepayment tariffs in the UK market. This will fulfil our aim of ending the traditional exploitation of prepayment customers through highly priced tariffs.

Our response is based on both adhering to our Industry obligations and delivering on our strategic goals.

The singular objective of our CIC Fund will be to alleviate fuel poverty. This is over and above all industry obligations in this area.

- *Beneficiaries will be anyone in GB in fuel poverty, not just our members*
- *The Fund will be used for initiatives fully aligned to our objective*
- *Resource within PE to administer a fund is limited so the aim is to deliver unique initiatives in partnership with carefully chosen charities*
- *A flexible approach will be taken and tactics reviewed depending on the level of finance raised*
- *As well as providing financial assistance, initiatives could include educational programmes. Research shows that the most vulnerable are the least able to access fairly priced energy*

Our goal is to ensure the most vulnerable consumers have access to energy therefore we are widely supportive of the proposed measures under this Consultation.

Identifying self-disconnection and self-rationing

Ofgem have outlined final proposals to improve outcomes for consumers who experience self-disconnection, by introducing a new licence condition for suppliers to identify customers who are self-disconnecting and provide support where needed. Ofgem also outline the final proposal for identification of self-rationing, to closely monitor suppliers' identification of vulnerable consumers who are self-rationing as part of existing obligations.

- ⚡ Despite being relatively new to pre-payment, People's Energy recognise that Members will self-disconnect as a result of forgetting or failing to see that their meter needed topping up or, as we are coming into Autumn, we could see individuals using more energy than expected. We are unsure of the next impact of COVID19, with a number of consumers coming off furlough with associated job losses, we also expect to see an increase in the number of individuals not having enough money to pay their energy bills.*
- ⚡ We expect to see a significant rise in the overall number of pre-payment customers falling into self-disconnection.*
- ⚡ People's Energy believe it is important to flag self-rationing as a warning for potential self-disconnection and identify instances of self-disconnection in a timely manner.*
- ⚡ People's Energy support a consistent approach to proactively identify self-rationing but would highlight that this should take into account the difference in processes across Suppliers.*
- ⚡ People's Energy support the proposal in the policy consultation document which requires suppliers to 'take all reasonable steps' to identify when a prepayment meter customer is self-disconnecting.*
- ⚡ People's Energy recognise that self-rationing is one factor that may indicate that a consumer is struggling financially and would propose that consumers should be advised of different organisations who can support through such experiences. Suppliers should be able to offer 'appropriate support' from an energy perspective whilst referring customers to other sources of financial advice.*
- ⚡ People's Energy recognise that SMART meters will provide greater visibility for self-disconnection however this may have significant Data Protection implications which each Suppliers would need to take into account within their own approach whilst meeting their obligations.*
- ⚡ People's Energy would prioritise any existing vulnerability where self-disconnection is identified.*
- ⚡ People's Energy believe that self-rationing may be an indication that a customer may be struggling or that a change of circumstance could lead to a reduction in energy use ie. a reduction in the number of consumers in the household leading to reduced consumption or the implementation of energy efficiency measures. We do not believe that any additional updates, beyond those proposed, to the wording of the License Conditions are required.*

Credit functions to reduce temporary self-disconnection and self-rationing: emergency and friendly-hours credit

- ⚡ People's Energy will continue to offer limited emergency credit for gas prepayment and offer emergency and friendly credit on electricity.*
- ⚡ The inability to pay for energy can be symptomatic of a wider financial issue. People's Energy is keen to support consumers through connections to relevant organisations.*
- ⚡ People's Energy strongly advise that the continuous use of emergency and friendly credit should not be used as a long solution to a lack of, or variation, in income. These should be offered as a support in immediate times of need. Any persistent use should result in advice and engagement with other support organisations who can provide wider support and advice.*
- ⚡ People's Energy have established an additional escalation route through the Extra Help Unit at Citizens Advice to support such cases.*
- ⚡ Ability to pay should be considered when determining the repayment plan in these instances therefore this should not be prescriptive.*
- ⚡ People's Energy believe that there should not be set guidelines, rather an overarching approach, where this will be on a case by case basis with a clear though structured conversation and enhanced training of agents.*
- ⚡ People's Energy would welcome an industry wide approach to consumer education specifically in this area of concern.*
- ⚡ People's Energy support the simplification of the definition of Additional Support Credit.*

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

- ⚡ People's Energy support early intervention to prevent a consumer falling in to debt and that contact should be made to discuss individual consumer circumstances.*
- ⚡ All repayment plans should be realistic.*
- ⚡ All communication should be tailored to each repayment scenario and detail the exact requirements of any prepayment arrangement.*
- ⚡ Any correspondence for Ability to Pay should provide clear guidance on the additional support that is available from external organisations.*
- ⚡ The inability to pay for energy can be symptomatic of a wider financial issue. People's Energy is keen to support consumers through connections to relevant organisations and do not believe the implementation of a mandatory requirement to use the Standard Financial Statement is appropriate at this time.*
- ⚡ People's Energy do not believe that, for Debt Collection, staff incentives should be linked to the value of payment rates. Repayment plans should take into account individual circumstances.*
- ⚡ Any instance of failure to continue with the repayment plan should be identified and acted upon. Plans should be flexible and consumers encouraged to advise of any change in circumstance early in the process to prevent any repayment plan compounding a debt situation.*