

Consultation Response to Ofgem: Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing

Response from the Energy Poverty Research initiative and Common Weal
12th September 2019

Introduction

We are responding to this consultation as internationally recognised experts in fuel poverty and energy policy whose work is focussed on addressing the needs of vulnerable and isolated householders and communities, through developing and informing evidence-based policies and policymaking that put all of us first. As our responses make clear, we are strongly of the view that the numbers of householders who are now self-disconnecting or self-rationing their energy use is a direct consequence of lack of sufficient and appropriate regulation on the part of Ofgem, and we are far from convinced that the proposals outlined in this pre-consultation document are sufficient for tackling these problems. Whilst we acknowledge the roles and responsibilities for energy suppliers in identifying and supporting these vulnerable householders these are significantly lacking in definition and too open to interpretation, and we would urge Ofgem to address these problems as a matter of urgency as this consultation process moves forward.

The Energy Poverty Research initiative (www.energypovertyresearch.org) was founded in 2017 as a step towards establishing a cross-sector centre for knowledge exchange and excellence in research. The EPR team consists of a group of experts in aspects of fuel poverty and energy policy, ranging from large scale generation to small scale distributed generation, demand reduction, energy efficiency, and devolution; and with a particular interest in the socio-economic impacts of energy policy on fuel poor and otherwise vulnerable householders.

As academics and practitioners we share the view that in an energy rich nation it is not acceptable that such a large proportion of households suffer daily the deleterious effects of energy rationing, or that they are forced to manage debts just to maintain a reasonable modern standard of living. We believe we have a duty to continually question our understanding of this modern societal inequality, and the methods and approaches we take to identifying and tackling it.

Common Weal (www.commonweal.scot) is a Scottish ‘think and do tank’ which promotes thinking, practice and campaigning on social and economic equality, participative democracy, environmental sustainability, wellbeing, quality of life, peace, justice and culture and the arts.

The views that follow are those of the Energy Poverty Research initiative and Common Weal but do not necessarily represent the those of our host organisations. Our previous consultation responses are available from our websites.

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Responses to Questions

Question 1: Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

We agree that suppliers should be required to identify self-disconnectors, and householders where there is evidence (either from low energy meter readings or through information disclosed to the supplier) of self-rationing. However, whilst the appendices define a range of terms, the terms 'vulnerable' and 'vulnerable situation' are used frequently throughout the document, they are not defined. Our experience of evaluating fuel poverty programmes [1,2,3,4] and the needs of vulnerable householders leads us to conclude that the holistic data and information gathering necessary to capture all self-disconnectors and self-limiters, and particularly the most vulnerable and isolated householders, includes personal data (including on health) that private companies may be restricted from accessing and / or which customers may be unwilling to disclose to commercial enterprises. Our forthcoming policy paper on the case for a Scottish National Energy Service will set out how the data available to government and public sector organisations can better be used to identify and support all fuel poor and otherwise vulnerable householders [5].

We would note that this approach to react to the responses of vulnerable householders to existing policy does not acknowledge the complexity of fuel poverty [6]. There is a widely reported correlation between income and fuel spend but this is not a homogenous pattern with potentially hidden geographies yet to be described [7, 8]. A holistic policy approach would not only consider the effects of the existing policies but also how the vulnerable householders arrive at the point of intervention and look to prevent that direction of travel.

References

[1] Atterson, B., Restrick, S., Baker, K.J., Mould, R., Stewart, F., & Melone, H., 2018. Down to the Wire: Research into support and advice services for households in Scotland reliant on electric heating. Report for the Consumer Futures Unit, Citizens Advice Scotland.

[2] Baker, K.J., & Stewart, F., 2017. "Warm, friendly, reliable, and do what they say they do": An Evaluation of South Seeds' Energy Advocacy Services. Glasgow Caledonian University & Dr Fraser Stewart, December 2017.

[3] Maiden, T., Baker, K.J., & Faulk, A., 2016. Taking the Temperature: Review of Energy Efficiency and Fuel Poverty Programmes in Scotland. Report for Citizens Advice Scotland by CAG Consultants, Glasgow Caledonian University, and the Energy Agency. Available at: <http://www.cas.org.uk/publications/taking-temperature>

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[5] Baker, K.J., & Mould, R., 2019. An NHS for Fuel Poverty: The case for a Scottish National Energy Service. A Common Weal policy paper, late 2019.

[6] Baker, K.J., Mould, R., & Restrict, S., 2018. Rethink fuel poverty as a complex problem. *Nature Energy*, 2nd July 2018. DOI: <https://doi.org/10.1038/s41560-018-0204-2>

[7] Buzar, S., 2007. The 'hidden' geographies of energy poverty in post-socialism: Between institutions and households: *Geoforum*, 38 (2) 224-240,

[8] Mould, R., Baker, K.J., & Emmanuel, R., 2014. Behind the Definition of Fuel Poverty: Understanding differences between the Fuel Spend of Rural and Urban Homes. *Queens Political Review*, Vol. II, 2014, Issue 2, pp. 7-24.

Question 2: Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

We support all measures to identify self-rationing and self-disconnecting householders, and we agree that suppliers should play a role in this (particularly as regards self-disconnectors), self-rationing is a more complex problem that, even with smart meter readings, does not lend itself to simple measures of energy used versus expected (modelled) demand. The information and data necessary for identifying and supporting fuel poor and otherwise vulnerable householders who are rationing energy may include personal data that householders may not wish to disclose to private companies, and may only disclose this as part of seeking support for other needs. In 2016 we published the final report of our Speird Project [1], as part of which we were able to identify a number of householders who were engaging in self-rationing behaviours, but these still required confirmation by staff at the local project partner. Further evidence on how to deliver better support to such fuel poor and otherwise vulnerable householders is provided in our recent paper [2].

References

[1] Baker, K.J., Mould, R., & Restrict, S., 2016. Proiseact Spéird – The Spéird Project: Understanding influences on fuel poverty in rural and island Scotland. Final report for the Eaga Charitable Trust, November 2016. Available at: <https://www.eagacharitabletrust.org/the-speird-project/>

[2] Baker, K.J., Mould, R., Stewart, F., Restrict, S., Melone, H., & Atterson, B., 2019. Never try and face the journey alone: Exploring the face-to-face advocacy needs of fuel poor and vulnerable householders. *Energy Research and Social Science*, Vol. 59, (2019) pp. 210-219. Pre-pub version at: <https://drive.google.com/file/d/1YINs00kkijMf24ISe5iG53n75BBLpvNh/view?usp=sharing> Shareable link to published version: <https://authors.elsevier.com/a/1YhpP7tZ6ZjK7R>

Question 3a: Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all customers? Question 3b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

We are strongly of the view that Ofgem is using a very loose definition of 'require' here.

Section 4.21 states *“We are not proposing to set a minimum or maximum limit on the amount of emergency credit offered as we believe suppliers are best placed to assess this.”* Yet as a regulator, and having access to millions of household records from all regulated suppliers, this is exactly what Ofgem is better placed to assess this, and this is exactly what it should be doing.

As regards the significant variation in how information on emergency and friendly credit should be signposted to householders, it is well within the duties and powers of a regulator to standardise this and require all suppliers to comply. However, yet again, Ofgem is failing in its duties to act as a regulator.

Question 4a: Do you agree with our proposal to require suppliers to offer discretionary credit for customers in vulnerable circumstances? Question 4b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.

We strongly support the findings raised by Citizens Advice Scotland, particularly in light of the fact that Ofgem considers Economy 10 to be a ‘non-standard’ tariff, despite around one third of Scottish householders being on E10 tariffs.

Here again, Ofgem should be stepping in and using its powers as a regulatory to, at least, set minimum standards for levels of discretionary credit and repayment conditions. However, this inconsistency points to the real problem, which is that energy suppliers are not the ideal vehicle for dispensing discretionary credit in the first place (see previous comments on householder data). As some councils, such as Glasgow, already provide discretionary funds to vulnerable householders to help cover their essential needs, we are of the view that funding for discretionary credit would be better collected from the energy companies and distributed without prejudice to / by supplier through local authority support services and Citizens Advice Bureaux. This would also reduce the demands on suppliers as regards determining whether and how much discretionary funding should be issued.

Question 5: Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?

The very fact that the Ability to Pay principles were drafted in 2010 and have still yet to be incorporated into the licence conditions neatly illustrates how Ofgem continually steps back from taking basic regulatory actions, and so we are strongly of the view that this measure is long overdue. However, yet again, they include terms that are not adequately defined, such as the requirement that suppliers should not insist on ‘substantial’ upfront payments before reconnection. In this particular case there may well be a justification for allowing reconnection payments to vary by householder circumstances, but a regulator should define the circumstances and maximum allowable fees.

We could raise numerous examples of this throughout the principles, e.g. the lack of definition of ‘early’ contact with householders suspected of having repayment difficulties or the lack of definition of how householders should be better enabled to raise concerns.

Whilst these principles are fine as a general code of conduct, they are a very poor form of ‘regulation’.

Question 6: Do you agree with our proposal to update the Ability to Pay principles to reflect changes in supplier debt recovery practices? Are there other changes that we should implement?

See previous answers. Without sufficient definition of key terms it is impossible to conclude that any future changes will have an appreciable impact on householders. We strongly recommend that Ofgem defines all key terms and what the principles mean in practice before the next stage of this consultation process.

Further Comments

Whilst Ofgem, energy suppliers, and even support services continue to use the term 'customer' to describe fuel poor and otherwise vulnerable households they will forever fail to fully understand and empathise with the circumstances and needs of those householders. This may seem to be merely a semantic issue, but the words we use to describe people and social conditions fundamentally frame our understanding of them. This problem and its implications are explored in detail in our recent paper [1].

Reference

[1] Baker, K.J., Mould, R., Stewart, F., Restrick, S., Melone, H., & Atterson, B., 2019. Never try and face the journey alone: Exploring the face-to-face advocacy needs of fuel poor and vulnerable householders. *Energy Research and Social Science*, Vol. 59, (2019) pp. 210-219. Pre-pub version at: <https://drive.google.com/file/d/1YINs00kkijMf24lSe5iG53n75BBLpvNh/view?usp=sharing> Shareable link to published version: <https://authors.elsevier.com/a/1YhpP7tZ6ZjK7R>