

Arina Cosac
Senior Manager
Ofgem
10 South Colonnade
London
E14 4PU

Department: Environment

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Proposals to improve outcomes for consumers who experience self-disconnection and self-rationing
Response to the consultation from the Greater London Authority

Dear Arina,

The Greater London Authority is the strategic authority for London and this response is on behalf of the Mayor of London. Last year the Mayor published his London Environment Strategy which sets out his vision to make London the greenest global city. This includes making London a city that is zero carbon, zero waste and has a zero-emission transport network by 2050; and ensuring that over half of London is green (and blue).

The Mayor's plans to make London a zero-carbon city by 2050 include funding over 4 years for Energy for Londoners which is his programme to make London's homes warm, healthy and affordable, its workplaces more energy efficient, and to supply the capital with more local clean energy. It also sets out plans to use the Mayor's spatial planning powers to build zero carbon homes and commercial buildings in London and drive up solar installations, and ongoing support for low carbon heating solutions, including replacing inefficient boilers, and increasing district heating.

In addition, the Mayor has published a Fuel Poverty Action Plan with actions to help lift Londoners out of fuel poverty, and overcome the health effects of cold, damp, draughty living conditions. Actions include delivering our Warmer Homes heating and insulation programme, providing funding to support and create local advice and referral networks, establishing an energy supply company to offer fairer energy bills to Londoners, and a cross-sectoral Fuel Poverty Partnership (which Ofgem is a member) to coordinate action in London. We also highlighted self-disconnection and inconsistent supplier approaches to debt as areas where Ofgem should act.

Through our Warmer Homes Advice Service we have supported the expansion of existing fuel poverty advice and referral services to create a pan-London network. In the first phase during 2018/19 we reached over 2,500 vulnerable households and many of these were assisted with bill payment and debt problems.

This winter we will launch our own energy supplier, London Power. From the start this will promote smart meters and use them to monitor self-disconnection, offer emergency, friendly and discretionary credit from the start, offer a 'personal wallet' to prepayment meters users to reduce buildup of standing charges over the summer, and avoid switching vulnerable customers to prepayment where possible. We will also utilise Fuel Direct and proactively intervene to prevent customers from incurring significant debt.

Responses to questions

1. Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions?

Our estimate is that at least 78,000 London households self-disconnect each year, and this poses considerable risk to their physical and emotional wellbeing. We agree with the proposal and associated licence conditions however we are concerned about the pace of the smart meter rollout as smart meters would provide the most effective means of intervening on self-disconnection. We are concerned that the rollout is heavily delayed, running over budget, and that suppliers will not meet the 2020 deadline. With only just over one year to go, it is essential that BEIS, Ofgem and energy companies produce a credible plan which demonstrates how the rollout can overcome the technological, financial and social barriers hampering progress of the national Smart Metering Implementation Programme and ensure that benefits to consumers are maximised.

2. Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions?

We agree with the proposal and associated licence conditions.

3. Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all customers? Do you agree with our associated proposed licence conditions?

We agree with the proposal and associated licence conditions however we believe that Ofgem should set a minimum amount for emergency credit and friendly credit hours for all energy suppliers in order that these are not additional considerations for vulnerable consumers when switching supplier.

4. Do you agree with our proposal to require suppliers to offer discretionary credit for customers in vulnerable circumstances? Do you agree with our associated proposed licence conditions?

We agree with the proposal and associated licence conditions. Suppliers should have clear policies for circumstances in which they offer discretionary credit, and these should be available to both consumers and third-party advice providers.

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

We agree with the proposals.

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

We agree with the proposals as it is clear from Ofgem's own research into vulnerable customers and the experience of our own advice services that many new entrants to the market in particular are not abiding by the Ability to Pay principles and not intervening early enough with indebted consumers and not offering a sufficient range of repayment options at affordable rates. Fuel Direct has a role in addressing debt where prepayment meters are not appropriate however we have been told by our advice services that some suppliers are resistant to using Fuel Direct. Suppliers should be required to offer Fuel Direct as an alternative to prepayment meters.

The role of third-party advice providers should be formally recognised. In the consultation document Ofgem recognise that they have a role to play in supporting customers requiring support when self-disconnecting or self-rationing. Despite this advice provision is very inconsistent across the country and our advice services report that debt and billing cases are very labour-intensive. Suppliers should be required to fund fuel poverty advice and referral programmes in each English region and we would be happy to trial this in London by building on our Warmer Homes Advice Service.

We would welcome further discussion with Ofgem on any of these points.

Yours sincerely,

Shirley Rodrigues
Deputy Mayor for Environment and Energy

For any queries on this response please contact:

John Kolm-Murray
Principal Policy & Programme Officer

020 7983 4451

john.kolm-murray@london.gov.uk