

Citizens Advice Scotland's response to Ofgem's self-disconnection and self-rationing final proposals

August 2020

Who we are

Scotland's Citizens Advice network empowers people in every corner of Scotland through our local Bureaux, Helpline and Extra Help Unit by providing free, confidential and independent advice. We use people's real-life experiences to influence policy and drive positive change. We are on the side of people in Scotland who need help, and we change lives for the better.

Executive Summary

CAS welcomes Ofgem's ongoing work to improve the quality and consistency of the experience of financially vulnerable consumers in the domestic prepayment gas and electricity markets. In our response to Ofgem's Call for Evidence on prepayment self-disconnection and self-rationing¹, we noted the detrimental impact that self-disconnection and self-rationing can have on consumers' financial, physical, and mental health, and we highlighted the vital role of additional support such as discretionary credit to consumers in vulnerable situations. However, we also noted considerable inconsistency in the nature and level of support offered by suppliers to prepayment customers in payment difficulty. We do not consider the extent of this variability is in consumers' interests. In our response Ofgem's policy consultation on self-disconnection and self-rationing², we therefore highlighted several priority areas we believed required to be addressed in order to drive better and more consistent consumer outcomes. These included:

- Improvements to emergency credit provision
- The sub-national standardisation of friendly credit hours to allow for the maintenance of supply in a reasonable worst-case scenario, where technically feasible
- The removal of barriers to the effective provision of discretionary credit
- Enhanced use of smart meter credit mode switching as a means of maintaining supply, where appropriate
- The formalisation of Ofgem's Ability to Pay principles in the licence code
- The extension of emergency fuel voucher / fuel credit schemes
- Improvements to supplier communications with prepayment customers
- The maintenance of viable alternatives to prepayment for customers in payment difficulty

¹<https://www.cas.org.uk/publications/cas-response-prepayment-self-disconnection-and-self-rationing-call-evidence>

²<https://www.cas.org.uk/publications/cas-response-ofgem-self-disconnection-and-self-rationing-consultation>

The COVID-19 crisis has highlighted many of the challenges faced by vulnerable consumers in maintaining their prepayment gas and electricity supplies and has underlined the fluid nature and varying causes of consumer vulnerability. Though evidence from the Citizens Advice network in Scotland suggests that suppliers have generally responded well to the needs of their vulnerable prepayment customers during the coronavirus pandemic, we are aware that some suppliers have fallen short on occasion despite their agreement with BEIS on the approach to be adopted in support of energy consumers impacted by COVID-19³. We also note the findings of Ofgem's COVID-19 Request for Information, which reveal that some suppliers do not have processes in place to enable the identification of consumers who have self-disconnected.

CAS is therefore pleased to see a number of the issues we have previously raised addressed in Ofgem's self-disconnection and self-rationing final proposals. However, we are concerned that the drafting of the proposed licence conditions fails to deliver Ofgem's policy intentions regarding effective provision of information and the interaction of additional support credit with the ability to pay principles, and we are disappointed that the opportunity to formalise the provision of emergency fuel vouchers / fuel credits has not been taken at this time.

Identification of self-disconnection and self-rationing

CAS welcomes Ofgem's proposals to clarify the requirement on suppliers to take all reasonable steps to identify when a consumer is likely to have self-disconnected as part of their ongoing obligations under SLC28.1B. We agree with Ofgem's assessment that the current requirements are not being followed consistently, resulting in avoidable consumer detriment. Placing an explicit requirement on suppliers to take all reasonable steps to proactively identify consumers who are self-disconnecting using all available data, allied to enhanced minimum levels of support that must be made available to consumers who have self-disconnected, should therefore help to address this. Enhanced Priority Services Register and vend monitoring may have a role to play in this regard, but we agree that suppliers should have sufficient freedom to innovate to find new and better ways of delivering on this requirement. We would however hope that suppliers continue to share and learn from industry best practice, and that they are suitably encouraged by Ofgem to do so.

Though we have previously supported proposals to enhance the requirements of suppliers regarding the identification of consumers who are self-rationing⁴, we also recognise the technical barriers to achieving this in a proportionate and non-intrusive manner – particularly where consumers continue to use traditional prepayment meters. We therefore welcome Ofgem's reminder to suppliers of their current obligations in this area under the Standards of Conduct, the intended use of the proposed additional support credit as a means to address avoidable self-rationing, and Ofgem's commitment to keep the issue of self-rationing under review as the smart meter rollout progresses.

³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/873960/Supplier_Agreement_19.3.2020.pdf

⁴<https://www.cas.org.uk/publications/cas-response-ofgem-self-disconnection-and-self-rationing-consultation>

Emergency credit, friendly hours credit and additional support credit

CAS warmly welcomes Ofgem's proposal to formalise the provision of emergency credit and friendly hours credit within the licence code, where the provision of such support is technically feasible. We also welcome clarification of the minimum requirements for both friendly hours credit and the alternative support suppliers should be capable of providing where either or both of these functions cannot be delivered due to circumstances beyond suppliers' reasonable control. However, we would highlight that suppliers must be sufficiently aware of the different bank holiday dates that apply in Scotland for these provisions to consistently deliver the intended level of support to all prepayment gas and electricity consumers in GB.

Nevertheless, while we agree that suppliers should be allowed sufficient freedom to decide upon the value, frequency and repayment rate of additional support credit on a case-by-case basis, we do not believe that the current drafting of the proposed SLC27A.6 adequately delivers on Ofgem's policy intention. As currently written, the draft licence condition appears to allow suppliers to link the value of any additional support credit offered to a consumer's ability to repay that amount over an undefined period of time. This potentially allows suppliers to limit the amount of additional support credit offered to a consumer through nothing more than the arbitrary application of a time limit by which they expect as a matter of company policy any such credit to be fully repaid, irrespective of the individual circumstances of the customer in payment difficulty. This falls considerably short of our expectations in this area and in our view provides neither the level of support required by prepayment customers in payment difficulty nor suitably clear guidance for suppliers as to the minimum standards expected of them.

In addition, where suppliers use the technical constraints of certain traditional prepayment meter types as a means to engage consumers in the benefits of smart meters, they must ensure that any such conversations competently accommodate the needs of those with non-Economy 7 restricted meters, for which the majority of suppliers currently have no smart equivalent. The Citizens Advice network in Scotland already sees evidence of significant consumer detriment where suppliers have provided inappropriate smart metering equipment in properties where a twin element or 5-terminal electricity meter is required. While we acknowledge the potential benefits of smart meters to prepayment consumers in payment difficulty and support suppliers' reasonable efforts to engage such consumers with smart meters, it is nonetheless essential that such conversations take proper account of all of the facts of a given case. Though outwith the immediate scope of the proposed licence code modifications, we nevertheless feel this point is worth emphasising in any supplier guidance given the significant level of harm that can arise when well-meaning policies fail to accommodate the specific needs of individual consumers.

Provision of information

CAS strongly agrees that consumers will be placed at reduced risk of detriment if they are provided with suitable information regarding the provision of and means of access to the proposed emergency credit,

friendly hours credit and additional support credit functions. We therefore welcome Ofgem's inclusion of an information provision requirement as a central part of its final proposals. However, the current drafting of the proposed SLC27A.8 refers only to a single point in time at which this information should be provided, and it does not provide any guidance as to the form that such communication should take. We believe this wording could be improved were it to mirror the language used in relation to the provision of other forms of information such as that relating to the signposting of consumers to appropriate sources of advice and information (SLC31G), which stipulates that suppliers must provide such information "in a form and at a frequency that is sufficient to allow that Domestic Consumer to quickly and easily understand" the specified provisions.

Ability to pay principles

CAS warmly welcomes Ofgem's proposals to formalise the ability to pay principles in the licence code, and to embed these principles in the repayment of the proposed emergency credit, friendly hours credit and additional support credit. Given the anticipated increase in the number of consumers falling into regulated energy debt as a consequence of the COVID-19 pandemic and the resulting recession, these proposals are particularly timely and should ensure that all domestic gas and electricity consumers are better protected from unsustainable levels of debt recovery, regardless of the future of suppliers' current agreement with BEIS⁵. However, clarity as to whether suppliers will be expected to consider suspending the recovery of energy debt from prepayment consumers until such time as their circumstances improve in cases where their ability to pay can be identified as being chronically restricted by temporary circumstances would be helpful. As noted above, we are also concerned that the current drafting of the proposed SLC27A.6 could be interpreted in such a way as to limit the amount of support made available to consumers based on an arbitrary application of repayment time limits.

Emergency fuel vouchers / fuel credits

CAS is a strong advocate of the provision of emergency fuel vouchers / fuel credits to those consumers in greatest need. For example, in November 2018 we held a round-table summit on this subject with the 'Big Six' suppliers with the aim of encouraging those who offer emergency fuel vouchers / fuel credits to share best practice and lessons learned, and to encourage those suppliers who did not offer such support to introduce their own fuel voucher / fuel credit schemes. A follow-up summit at which Ofgem was represented was also held in May 2019.

We continue to advocate for the use of emergency fuel vouchers / fuel credits as a means of crisis support for prepayment gas and electricity consumers. Evidence from the Citizens Advice network in Scotland shows that support in this form can act as a lifeline for consumers in the most vulnerable situations, removing the burden of energy debt and in many cases allowing valuable breathing space during which the underlying causes of crisis can be addressed. However, until recently emergency fuel

⁵https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/873960/Supplier_Agreement_19.3.2020.pdf

voucher / fuel credit provision was reliant on a patchwork of charitable support and suppliers' individual emergency fuel voucher / fuel credit policies.

Since Scheme Year 8, obligated electricity suppliers and Scheme Gas Suppliers have been permitted to use Warm Home Discount (WHD) Industry Initiatives funding in the provision of emergency fuel voucher / fuel credit projects⁶. However, Ofgem's rules on the allocation of this funding mean that consumers are asked to sign a waiver before an emergency fuel voucher / fuel credit can be issued, stating that they have not received, nor do they intend to apply for, a WHD rebate within the same Scheme Year. Among its recommendations, our 2020 report *Mind the Fuel Poverty Gap*⁷ calls on Ofgem to review this restriction as we do not believe it is consistent with the spirit of the WHD scheme. Consumers should not be asked to choose between receiving short-term support in a crisis, or the prospect of a potentially larger rebate in the longer term, particularly when Scheme rules do not place similar restrictions on the use of Industry Initiatives funding for those seeking non-emergency debt relief.

In our response to Ofgem's policy consultation on self-disconnection and self-rationing⁸, we called for the provision of emergency fuel vouchers / fuel credits to be extended further, allowing for the adoption of a more coordinated approach to their delivery. We highlighted the Energy Redress Scheme as a potential source of funding for this and we therefore welcomed the emergency fuel voucher / fuel credit funding that has subsequently been made available through the Redress Scheme in response to the COVID-19 crisis. Though outwith immediate scope of the proposed licence code modifications, a permanent scheme in this mould would enable a more consistent and fair provision of this essential form of support, rooted in communities and offering an invaluable safety net to prepayment gas and electricity consumers in crisis during the longer-term economic impact of the COVID-19 crisis and beyond.

⁶https://www.ofgem.gov.uk/system/files/docs/2018/08/warm_home_discount_whd_guidance_for_suppliers_-_version_6.1.pdf

⁷<https://www.cas.org.uk/publications/mind-fuel-poverty-gap-warm-home-discount-scottish-context>

⁸<https://www.cas.org.uk/publications/cas-response-ofgem-self-disconnection-and-self-rationing-consultation>