

Arina Cosac - Senior Manager
Vulnerability and Consumers Policy Team
Ofgem

August 2020,

Dear Ms Cosac,

The difficulties of the past few months have highlighted in stark terms the need for a robust system of protections for consumers at risk of self-disconnection from their energy supply and/or self-rationing their use.

We welcome Ofgem's proposals to improve outcomes from these consumers especially considering the comparatively high rates of fuel poverty found in Scotland (25%) combined with the higher rate of fuel poverty among prepayment meter (PPM) users in Scotland (31.9%) and the relatively lower number of Scottish consumers on the Priority Services Register.

We agree with Ofgem's conclusion that the industry overall is not doing enough to identify and monitor those at risk of self-disconnection and welcome the new proposal for suppliers to take all reasonable steps to identify those self-disconnecting. We would urge Ofgem to take a proactive approach to their ongoing monitoring of supplier behaviour so that they can be assured that suppliers are indeed taking all reasonable steps. We would suggest that details of how ongoing monitoring will be undertaken and what constitutes "all reasonable steps" should be published so suppliers know what to expect. We would also urge Ofgem to take firm action, when suppliers fail to live up to these new standards,

In addition, the proposals raise the potential for smart meter data to ease the process of monitoring consumer energy use to more accurately track self-disconnection. Scotland has seen much lower rates of smart meter installation and we have had reports from stakeholders that those with restricted meters (RMs) face significant difficulties as the RM must first be removed by the supplier and in many instances this is not happening. These

consumers use electricity for heat, and are therefore more likely to be fuel poor (43% of households using electricity as primary heating fuel were fuel poor in Scotland, in 2018).

We would also highlight that our lived experience research shows that many households in fuel poverty report that finding no benefit in smart meter technology and are resistant to their installation. We are also aware that they can facilitate self-rationing for those who are struggling to meet their energy costs. We are therefore concerned that suppliers may rely on the installation of smart meters to meet this licence condition which could, in effect, lead to their imposition on households that do not want them.

As such Scottish consumers may not see the benefits of this increased accuracy in usage tracking via smart meters. As such we would urge Ofgem to take account of the challenges facing Scottish consumers when considering the 'all reasonable steps' requirement

We are disappointed in the decision not to introduce a new licence condition around self-rationing as this leaves many consumers who are potentially under-heating their home at risk and it is unclear how Ofgem will monitor supplier action in this area. While we understand that smart meters may make it easier to track real time usage, for the reasons stated above we are concerned that this leaves those with legacy meters who do not want or cannot get a smart meter at risk. It is also unclear how smart meters will assist in the identification of self-rationing where this behaviour is sustained rather than adhoc.

We strongly support the proposal to make emergency and friendly credit mandatory for all suppliers. Whilst only a short-term solution, such credit can play a significant role in mitigating detriment for consumers and uptake of this credit can highlight consumers at risk of self-rationing/self-disconnection (as highlighted in the proposals document). Evidence from front-line advice bodies during the COVID-19 lockdown has seen significant variation in levels of credit between suppliers with some providing multiple offers of credit where required and others taking a more restrictive approach; in some extreme cases refusing any credit for gas usage, only electricity. Whilst we understand the rationale behind not setting minimum standards for this credit, we would stress the need for the levels of credit offered by suppliers to be closely monitored to prevent suppliers taking an excessively strict approach to credit that does little to mitigate short term consumer detriment.

We would also suggest that this information should be easily available to the consumer in the same way that is proposed for additional support credit - at all points of contact, including the registration process and in situations where a customer moves from a credit meter to a prepayment meter

In regards to the proposals to amend discretionary credit to Additional Support Credit and make other relevant changes in the license conditions to remove the reference to an interest-free loan. We would support this as a positive change to this function. We understand the need to balance the provision of this credit against the need to minimise consumer debt. It is vital then that, in cases where additional support credit is not seen as the best course of action, that referral or signposting to alternate sources of support is clear and accessible to all consumers and that suppliers take a proactive role in monitoring consumers after this signposting occurs to ensure that self-disconnection is averted and that any financial difficulties are addressed.

We would also strongly support the decision not to include a reference to limiting repeat credit in this requirement. Inclusion of such language could encourage some suppliers with a

history of poor customer service to limit credit to the minimum. Instead, we would encourage that suppliers provide this credit as far as possible and proactively work with consumers on repayment plans to limit final pressures to those in vulnerable circumstances.

We strongly believe the consumer should be informed of the terms and conditions of any credit arrangement, and therefore welcome the incorporation of the Ability to Pay principles into licence conditions. This could help prompt consumers who will have difficulties making repayments to seek an affordable arrangement rather than start a cycle of self-disconnections and/or self-rationing. We would propose that the updated principle should include signposting to energy advice as well as debt advice as energy advice can lead to long term reductions in ongoing energy costs. In Scotland, Home Energy Scotland are funded to provide this advice on a national basis and therefore Scottish consumers in difficulties should be signposted to their service.

Overall, the Scottish Government supports these proposals and we will endeavour to continue to work closely with Ofgem to support consumers struggling to pay energy bills in the future. I am happy to discuss any of the above further if useful.

Yours Sincerely

Peter Brearley
Senior Policy Advisor – Scottish Government.