



MABS Helpline
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Commission for Energy Regulation

Consultation

On

Customer Protection in the Deregulated Electricity Market

CER 10/241

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1. Introduction

The Money Advice and Budgeting Service (MABS) was established in 1992 to help people on a low income to cope with debts and take control of their own finances. It is a free, confidential and independent service. It currently comprises 53 MABS Services, located in over 60 offices nationwide. MABS is funded and supported by the Citizens Information Board.

MABS National Development Limited (MABSndI) was established in 2004 to further develop the MABS Service in Ireland. It provides training and technical support to MABS staff nationally. MABSndI also assists the MABS service in providing educational and informational supports as well as assisting in highlighting policy issues that arise in the course of the money advice work on behalf of clients. MABSndI has responsibility for the ongoing development of the MABS website www.mabs.ie and for providing the MABS national helpline service.

2. MABS Submission

Q1. *Respondents are invited to comment on the proposal to promote active customer switching in the deregulated market? Are you in favour of the proposal? Are there alternative options, communications channels that should be considered, or specific groups which should be targeted? Outline reasons for agreement or disagreement.*

A1. Confidence in the switching process is fundamental if consumers are to take full advantage. For this confidence to be established and maintained the characteristics of awareness, understanding, benefits and security as identified by Ofgem are essential. In our view some damage to confidence has resulted in the miss-selling of switching options by some suppliers. The Italian requirement to furnish the consumer with a checklist which highlights appropriate sales conduct has considerable merit in our view, subject to our response to question 4 below.

Consumers living on a low income are those who would most benefit from switching. As most on a low income are in receipt of some kind of social supports, working with the Department of Social Protection is therefore a communication channel that should be investigated. Press and particularly Radio and TV advertising are channels that will achieve the greatest penetration. NGO's catering for specific target groups should also be used in any public awareness campaign.

Q2. *Respondents are invited to comment on the proposal to facilitate the development of tariff comparison tools. Are you in favour of the proposal? What is the preferred model for delivery? Are there alternative options which should be considered? Outline reasons for agreement or disagreement.*

A2. The availability of a tariff comparison facility is important to facilitate switching. We have had concerns, as already indicated, that where there is not reliable unbiased accurate information decisions to switch may not always be in the best interest of the consumer given their particular circumstances. It is, therefore, imperative that an independent agency, such as the CER, produce an objective and easily accessible tool aimed at consumers which avoids, where possible, the use of “industry jargon”. The preferred model of delivery should be by internet and telephone and promoted through appropriate communication channels.

Q3. *Respondents are invited to comment on any additional measures which could be introduced to enhance the switching process, making it easier for consumers. Are there alternative options which should be considered? Outline reasons for agreement or disagreement.*

A3. Confidence in the switching process is essential for optimum switching. It is therefore important that the offers available to the consumer are comparable in every respect and are verified by an independent party. In our view this tariff comparison tool should be managed and be promoted by the Commission.

While enhancing the switching *process* is important, ensuring quality of service is more so. The provision of objective information, as outlined above, is critical to ensuring that consumers are availing of the most appropriate service to their individual circumstances. It was stated at the recent Working Group convened to discuss this Consultation Paper, that Ireland currently has a high rate of switching. Bearing in mind that choice in the energy market is a relatively new concept for Irish consumers, we would have concerns that the reason for this high rate is inappropriate switching due to lack of information.

We are further concerned that consumers who find themselves switching suppliers several times are leaving debts behind which remain to be paid. While this Consultation Paper does not address the issue of “debt blocking”, consideration must be given to this issue if a holistic approach to the consumer’s experience is to be ensured.

Q4. *Respondents are invited to comment on the proposal to develop a standard checklist that doorstep sellers would provide to customers, which would facilitate CER in monitoring good practice? Are you in favour of the proposal? What information should be included? Are there alternative options which should be considered? Outline reasons for agreement or disagreement.*

A4. We are in favour of the proposal to develop a standard checklist that doorstep sellers would provide customers. This would considerably enhance the establishment of good sales practice and protect the consumer. The Trading Standards Institute in the UK have, as one of their aims, the banning of energy

doorstep selling. While this may appear extreme it must be acknowledged that sales staff are primarily motivated by commission and fundamentally this compromises the wellbeing of the consumer. We note, under the European Communities (Cancellation of Contracts Negotiated Away from Business Premises) Regulations, 1989, consumers have 10 days to terminate a “doorstep contract” and would favour the inclusion of this provision in both the checklist (together with the relevant cancellation form provided for in Part II of the Regulations) and the guidelines.

Furthermore, any such checklist must be in plain English and must be easily understood by the consumer. Information advertisements, such as those produced by some consumer groups, would reinforce the message.

We would also submit that energy sales people be obliged, by Codes of Practice / Regulation, to ensure that the consumer has understood the checklist before proceeding with the sales pitch and to provide their individual contact details / ID number for identification and verification purposes.

‘As a money adviser my greatest concern around this issue is the accuracy of the information provided by sales representatives on the doorsteps. More than one client this year has told me that the sales rep gave them misleading information about payment methods (direct debit etc). For those on social welfare, paying by direct debit can be very difficult.’

Q5. *Respondents are invited to comment on the proposal to develop an industry standard annual statement to price and consumption data? Are you in favour of the proposal? Are there alternative options which could facilitate customers to manage their consumption and assess competing offers? Outline reasons for agreement or disagreement.*

A5. This proposal would enhance consumer information and facilitate switching. However, in some instances, an annual statement may appear, to the consumer, to be another bill and may confuse the consumer. We would suggest that this information be provided on the bill as a “running total” of usage for a 12 month period starting from the date the contract was commenced with the supplier.

Assessment of competing offers must be made as simple as possible for consumers, and we again refer to our response to Question 3 above. A tool developed which not only looks at average consumer, but does so with reference to accommodation types (apartment, terraced house, semi-detached) would be of benefit.

- Q6.** Respondents are invited to comment on the proposal to require all licensed suppliers to adopt the principles of Universal Design in all communications with customers? Are you in favour of the proposal? Are there alternative options which should be considered? Outline reasons for agreement or disagreement.
- A6.** The concept of Universal Design is an important foundation for addressing communication with consumers.
- Q7.** Respondents are invited to comment on the proposal to expand the definition of vulnerable customers? Are you in favour of the proposal? Are there alternative options which should be considered? Outline reasons for agreement or disagreement.
- A7.** While we welcome the expansion of the definition of vulnerability we are of the view that it is not sufficient to cater for the duties of the CER to take account of the needs of the disadvantaged consumers particularly those on a low income. We are aware of no sufficient reason why vulnerability should be defined in this jurisdiction in a narrower fashion than that used in the UK and elsewhere. In our view any definition should address the consumer rather than the customer as the consumer (i.e. family member of the contracting party) may be the vulnerable party.

As we referred to in our submission to the Commission in January 2010 (see attached) the EU Commission in its document 'Towards a European Charter on the Rights of Energy Consumers' (5.7.2007) states that energy is of the greatest importance in ensuring social and territorial cohesion, economic stability and sustainable development. In developed economies, individuals are cut off from society if they do not have access to electricity. Adequate energy provision therefore constitutes one of the key elements towards achieving citizens' successful participation in social and economic life.

"European energy consumers (with special needs caused by impairments or in a poor financial situation) should benefit from essential energy services specific prices for vulnerable consumers to maintain their physical and mental health and well-being, at reasonable prices or, where necessary, free of charge"¹.

We are of the view that a definition of vulnerability should reflect this consumer rather than customer focus. As the supply of energy is a most basic human requirement any definition should be as comprehensive as that proposed, for example, by the Central Bank of Ireland in their consultation paper revising the Consumer Protection Code²

¹ http://ec.europa.eu/energy/energy_policy/consumers/doc/2007_07_05_comm_386_en.pdf

² Review of Consumer Protection Code Consultation Paper CP 47 – www.centralbank.ie

Furthermore, where the consumer is a child, we would refer the Commission to the definition of “neglect” set out in the Children First Guidelines and submit that the disconnection of energy from a home with children would contribute to this state:

*“Neglect can be defined in terms of an omission, where the child suffers significant harm or impairment of development by being deprived of food, clothing, **warmth**, hygiene, intellectual stimulation, supervision and safety, attachment to and affection from adults, medical care.”*

Finally, we are concerned that suppliers at the recent Working Group on this Consultation Paper were of the view that expanding the definition of “vulnerable consumer” would amount to providing free energy to a larger proportion of the population and would submit that, just because someone belongs to a protected category does not mean they will abuse that protection.

- Q8.** *Respondents are invited to comment on the proposal to require all licensed to offer registered Vulnerable Customers a tariff which is no higher than the standard tariff available from that supplier for that domestic customer category. Are you in favour of the proposal? Are there alternative options that might be appropriate? Outline reasons for agreement or disagreement.*
- A8.** In our view all vulnerable consumers, including financially vulnerable consumers, should have available to them the lowest tariff available in the absence of a social tariff.

3. Conclusion

The Commission will appreciate that in a deregulated market there is a requirement for an increasingly sophisticated level of understanding in relation to choices and how best to avail of the most appropriate service/supply type. As market competition has increased, MABS has experience of an increasing cohort of its client group who have contracted for supply/payment types unsuited to their needs. MABS is of the strong view that a greater resourcing of consumer education (not just information) is required as market deregulation occurs.