

Society of St Vincent de Paul

Submission to the Commission for  
Energy Regulation on Customer  
Protection in the Deregulated  
Electricity Market.

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## Introduction

The Society of St Vincent de Paul (SVP) welcomes the opportunity to make this submission to the Commission for Energy Regulation on *Customer Protection in the Deregulated Electricity Market*. This submission expands on our previous submission in March 2010 on *Electricity and Gas Codes of Practice Guidance for Suppliers*. Amongst SVP members the CER codes of practice consultation in March 2010 was considered to have come at ‘an opportune time’ due to the ‘increased competition in both gas and electricity markets’, and to ensure that these utilities operate in a ‘fair, equal and consistent manner’. Nearly one year later there is a growing concern, and impatience, that domestic customers in both the electricity and gas markets are becoming more vulnerable and have been left without significant regulated protection.

## The experience of the Society of St Vincent de Paul (SVP)

SVP is the largest charity of social concern and action in Ireland, with a variety of services for households being provided by our 9,500 voluntary members and 500 staff across the country. At the core of our work is home visitation, where we assist families and individuals all around the country through social contact, advice and practical support. Many of the people we assist struggle to pay bills for essentials such as energy bills and sometimes have to make a choice between heat and food. One of the largest areas of SVP Conference (parish group) expenditure in our support of low income households is dealing with energy related debt and working with families to avoid disconnection. Examples of Conference experience are reflected in this submission.

In our previous submission in February 2010 we stated that:

*Requests for assistance with energy and fuel are made up of requests for assistance with electricity and gas bills, requests for bottled gas, bags of coal, and help with heating or fuel generally. SVP spends nearly €4million per annum on fuel assistance while a significant amount of direct assistance is toward fuel related costs.*

In the course of a year that amount increased by 40%. The Society’s annual report for 2010 shows that we spent €5.7million directly on energy costs for vulnerable households with an additional €17.3million on household and food costs. Undoubtedly the larger household costs figure indirectly includes the impact of energy costs on financially vulnerable families.

The increase of 40% for direct energy costs in 2010 concurs with the findings of our analysis of the increase in requests for assistance received by SVP regional offices. Requests for food and fuel (basic needs) amounted to between one-third and a half of all requested named assistance.

## 2010 Requests for food vouchers and fuel (Jan-Sept) and increases in calls for help (Jan-Jun).

	Number of requests analysed Jan – Sept 2010	% of requests which were for food vouchers and fuel (Jan-Sept 2010)	% increase of calls from Jan-Jun 2009 to Jan – June 2010
Dublin Region	10,500	37%	39%
Cork Region	1898	24%	53%
Galway Area	1304	57%	36%
Mid West	2900	33%	14%

### **SVP Experience of Vulnerable Customers and their need for Protection**

Energy costs and the (lack of) protection for financially vulnerable customers has been at the forefront of the SVP policy agenda for the last 5 years. During that period we have proactively and successfully made 'energy agreements' with ESB Customer Supply, Bord Gáis, Flogas and Airricity. The process of coming to these agreements has been of huge benefit to our understanding of the position and experience of energy suppliers and we hope likewise we have been able to influence our colleagues in the market.

It is the customer and household experience that is core to the mission of the Society of St. Vincent de Paul and our proposals below come from SVP Conference experience of engaging with financially vulnerable customers. The Society's work with financially vulnerable households is often initially reactive and as trust builds up following the initial request or need we seek to work with families to proactively improve their situation.

*Most of the requests for help received by our Conference will include [named energy supplier] arrears and we try to get them to negotiate instalments with the supplier. We also 'kick in' with a lot of help in terms of paying all or part of these bills. I would think that this and fuel (oil refills or coal & briquettes) would be our biggest outlay followed by vouchers for food.*

In relation to debts and creditors, and in particular energy arrears, it is all too frequent that households seek assistance very late in the arrears cycle or indeed too late, after disconnection. In such cases the Society seeks to assist households ensure continued supply by promoting interaction with energy providers and responsible usage.

*Many of our more responsible cases suffer a lot of angst when they are €100 or so in arrears. I myself had a case this evening. In all these cases we say to them to sign up for household budget or try and pay a bit off the arrears over and above the current bill. We tell them that if they get a threatening letter to ring the utility to discuss. We assure them that they will not get cut off if they do this. It would be nice to know that this advice is completely correct.*

SVP has analysed the energy bills and arrears brought to us over the last 24 months and our findings suggest a reduction in the average cost of electricity bills and arrears, but a sharp rise in the cost of gas arrears.

#### **Average Energy Arrears for Electricity and Gas 2009 / 2010**

	<b>November 2009</b>	<b>November 2010</b>	<b>Range November 2010</b>
Electricity	€548	€438	€32 to €3000
Gas	€455	€636	€60 to €3000

Average arrears in November 2010 equate to approximately 2-3 times basic weekly social welfare

The significance of this information to this consultation is that customers are:

- a) amassing large arrears
- b) that they are approaching organisations like SVP usually at a very late stage
- c) it implies that they are not in (or refusing) communication with their energy supplier.

Other evidence coming from SVP Conferences shows that:

- SVP members are concerned about debt-hopping
- Perceived sharp practice in relation to encouraging customers to switch
- Significant differences in the quality of care for financially vulnerable customers
- Deposit requirements and direct debits pushing customers into arrears
- Need to promote and provide access to Pre-Payment meters
- Placing new energy providers on the Household Budget Scheme

SVP conferences are concerned for, and assist, financially vulnerable households based on promoting responsible practices at both customer and provider level in order to bring about efficient and economically sustainable energy use.

### **Responding to the Consultation Paper Proposals in *Customer Protection in the Deregulated Electricity Market***

#### **Proposal 1 – Question 1: *Customer Education Campaign***

SVP recognises the importance of consumer education and promotes active education of energy awareness at a local level. Notwithstanding the rights of customers to access information on competitive markets and switching SVP is concerned that campaigns targeted at switching run the risk of promoting the financial gains of switching but fail to alert customers to their responsibilities to previous suppliers.

SVP recognises that there are also advantages of not switching where a customer's present supplier provides better protection for financially vulnerable customers. These issues need to be made clear, particularly in the absence of a market wide protocol or ethos of protecting financially vulnerable customers.

#### **Proposal 2 - Question 2:**

##### *Price Comparison Tools*

The Society looks favourably on this development. Price comparison however will be best understood by customers in line with usage comparison tools (as proposed in Proposal 4: Annual Usage Statement). This will promote better use of energy and create a better understanding of consumption needs versus use. Furthermore such a model will give customers in receipt of free units under the Household Benefits Package a better appreciation of the use and value of the units they receive.

#### **Proposal 2 - Question 3:**

##### *Switching Processes & Debt Blocking*

The consultation question asks are there 'any additional measures which could be introduced to enhance the switching process?' While the opportunity to switch suppliers gives customers the possibility of reduced bills, there is a responsibility on both customers and suppliers to ensure switching is in the best interests of both the customer and previous suppliers.

For customers the incentives for switching are made attractive, however, they can also be dependent on alternative billing methods which may not suit the customer (such as direct debit and /or e-mail billing) and may consequently find themselves subject to arrears and late payment charges. Furthermore the new provider may not provide a range of budgeting options which may suit the low-income household.

*[named energy supplier]... their whole system does not facilitate the typical SVP client they want to operate payments by direct debit on a bi-monthly basis which is very difficult for people on weekly social welfare to manage. Their sales people are selling [named energy supplier] very aggressively & our clients are very tempted to sign up for two reasons. One it promises cheaper electricity & two it allows them to move from their existing supplier possibly leaving a bill outstanding.*

Switching presents the danger and cost of 'debt hopping' for suppliers. Customers who use switching options to avoid debt responsibilities not only present additional costs of debt recovery but also face the possibility of running out of options in a small, albeit deregulated, market. When customers have exhausted all potential energy suppliers they will invariably turn to charitable organisations requesting assistance with settling their accumulated debt (often significant) in order that they may be re-connected.

*We had a case last week where a single young mother with a small baby was disconnected from [named energy supplier] with a bill of about €700 which included a deposit. When we arrived at her door the day after our meeting she had already been connected by [named energy supplier] with no mention of what she owed [previous named energy supplier].*

The SVP while acknowledging the advantages of switching understands the necessity for some level of debt blocking as part of the suite of actions undertaken by suppliers to prevent debt-hopping and providing budgeting options of customers. Debt blocking disallows a customer from switching if they have a certain amount of arrears arising from their last bill. SVP notes that *Ofgem* have debt blocking protocols in place and a cap of £200 for non-disputed bills which complies with EU legislation/Directives. Such a protocol restricts the possibility of customers accumulating unsustainable arrears by frequently switching energy suppliers.

#### **Proposal 3 - Question 4: Doorstep Checklist**

In our previous submission SVP noted:

*CER recognises the issue of credit worthiness in relation to customer deposits. Our experience has been that marketing from new energy suppliers has not taken this into account. SVP notes that despite being commercial enterprises energy suppliers still have a responsibility to those who are vulnerable and to ensure people will be in a position to pay their bills and any outstanding arrears.*

A standardised doorstep checklist must include the checks and balances that prove a customers:

- ability to pay
- ability to pay by the preferred payment method of the supplier
- awareness of costs such as deposits, late payments etc

- awareness of budgeting options provided by supplier
- sight of last bill from previous supplier.

In the event of a customer being approached to change supplier information should be provided by the proposed new supplier on how their existing bill will be closed and that they understand arrears will be pursued by the previous supplier.

**Proposal 4 – Question 5 (Customer Billing): *Annual Statement of Usage***

This proposal is to be welcomed and may indeed prove to be a useful tool for households in tandem with BER certificates for home energy efficiency.

**Proposal 5 – Question 6: *Communication with Customers***

Cognisant of the complexity of some factors of energy provision it is very welcome that CER recognize the general principle of ensuring accessible information for customers, whether it relates to billing, complaints, disconnection, marketing, customer charter or other areas, is presented in plain and simple English. Utility companies may also consider the provision of other widely used languages. SVP's previous submission on customer billing also advised the following:

- *The presentation of standard information on natural gas bills:* Information should be presented in a standard way so customers, particularly those who have difficulty in reading and understanding such information, can clearly find and identify information when needed for billing and switching purposes. E.g. Terms such as 'balancing gas' need to be explained to the customer. There needs to be a clear statement of standing charge amounts owed by the customer.
- *Annual Meter Reading:* All efforts must be made to ensure that customers receive a metered bill at least once a year.
- *Location of Meter:* Supplier should indicate clearly where the meter is located in the premises and how it is opened (external boxes if applicable) and read.
- *Revised Bill:* Every effort should be made for a speedy revised bill in the event of meter reading affecting the outcome of arrears or proposed disconnection.
- *Billing Options:* Where a customer wishes to switch back to paper billing this will be facilitated in a simple process at no cost to the customer.
- *Additional Charges:* There should be no additional charges to cover the cost of a particular payment method. Suppliers may choose to provide reductions/enticements for particular payment methods.
- *Information on Bill:* Bills should indicate clearly the credit control contact details and hours of operation. A formula of words to encourage people experiencing difficulty paying bills may also be considered.

#### **Proposal 6 – Question 7: Vulnerable Customers**

There is an obvious divergence in the Irish and the UK Market on the understanding of vulnerability. It appears that the nub of this issue is the difference between understanding vulnerability as being vulnerable due to loss or interruption of supply (age related / physical / intellectual vulnerability) and vulnerability causing loss of supply (financial vulnerability).

SVP notes that financial hardship, despite being explicitly mentioned by Ofgem and the Northern Irish Utility regulator, does not warrant inclusion in relation to vulnerable customers in Ireland. Vulnerability only refers to the non-disconnection of older people and people with other special requirements. There are many other customers that could be included as vulnerable, in particular those that actually experience loss of supply.

In the absence of agreement on this key question it is clear that there is a requirement for:

- Research to ascertain the customers who are *actually* in arrears or disconnected in order to improve the knowledge of what constitutes a vulnerable customer.
- A provision for extenuating circumstances such as extended periods of cold weather or specific instances of financial vulnerability.
- The creation of a separate code for financial vulnerability which promotes certain practices as soon as someone become vulnerable (i.e. customers on certain income thresholds or customers with persistent long term arrears, 1.5 - 2 bills).

#### **Proposal 7 – Question 8: Social Tariff and the Need for Flexible Payment Options**

SVP notes that despite the CER's consultation findings on the Roadmap to Deregulations that 'some stakeholders considered that any social tariff that provides low cost energy to people on social welfare has merit' that the social tariff proposed is solely for those that are eligible and registered as vulnerable customers – which excludes people on low incomes such as people on social welfare.

SVP welcomes the proposed minimum tariffs for some vulnerable customers but in the absence of a social tariff for people on a low income that payment methods are increasingly important.

*The client was paying regularly through An Post bank and was never in difficulty. When Post bank closed in July she rang [named energy supplier] and they said they would send out a form. She continued her payments weekly and was up to date but [named energy supplier] started billing her for €300 on top of her bill because she was not paying through a bank. By the time she contacted us in November they were threatening disconnection.*

*One of the men had been with the [named energy supplier]. He had a large outstanding bill, but we set him up on the Home Budget Scheme and he was doing nicely until [named energy company] took him on. We had told him specifically not to go with them, because several families we visit had been hoodwinked by their marketing. He was then disconnected by [named energy supplier], but as he only came to us again after that happened, we don't know what contact there had been with [named energy supplier] prior to disconnection.*

SVP strongly urges households to maintain a relationship with their energy providers. It is important therefore that when SVP encourages contact that the service provided by energy companies is flexible and preferably uniform. Such payment options include:

- Pre-Payment Meters - This option should be available for all domestic electricity and / or gas customers in arrears, and all energy suppliers should be obliged to provide pre-payment meters should they be requested by customers in the above categories. This payment facility should be available free of charge to customers (where appropriate) who wish to use them.
- Budgeting via the Household Budget Scheme (presently only available with ESB and Bord Gáis) should be a uniform requirement of energy companies.
- Suppliers must seek permission from CER in conjunction with Dept. of Social Protection for bond value approval.

### **Conclusions**

This consultation on customer protections coincides with a difficult time for many Irish households. There is an irony that at a time of reducing energy costs that more and more households are vulnerable to fuel poverty. The Society of St. Vincent de Paul, through its work on the ground has extensive experience of the harsh reality of families sitting around tables with a series of bills they cannot pay. A flexible and understanding attitude is required for households experiencing financial hardship which would be best recognised by their vulnerability being acknowledged explicitly.

However, SVP also has long experience of working with established energy suppliers and acknowledges their efforts to assist the financially vulnerable and their responsiveness in doing so. Our role is often to encourage and support the customer to establish and honour payment plans which is done through weekly family visitation, advice and financial assistance. Our experience of the financially vulnerable has informed our suggestions in this consultation.