

Society of St Vincent de Paul

Submission to the Commission for  
Energy Regulation on Pre-Payment  
Metering in the Electricity and Gas  
Markets.

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Society of St Vincent de Paul

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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 Pre-Payment Metering in the Electricity and Gas Markets. This submission expands on our previous submissions in March 2010 on *Electricity and Gas Codes of Practice Guidance for Suppliers* and *Customer Protection in the Deregulated Electricity Market* in February 2011. Amongst SVP members Pre-Payment Metering is often seen as a practical solution for households who are dealing with arrears and who require budgeting mechanisms or options. This consultation arises at a time when unit costs of electricity and gas are on the rise and as the consultation document notes:

*The CER has acknowledged the effects the current economic climate is having on customer's ability to manage payment to their energy suppliers, a concern which has been emphasised to the CER by consumer organisations such as the [ Society of] St. Vincent de Paul and MABs. The CER is also aware of the resulting increasing bad debt levels being accumulated in the energy industry (p. 10-11).*

The Society would also like to take this opportunity to welcome the announcement of the Minister of Communications, Energy and Natural Resources, Pat Rabbitte T.D. that no homes will be disconnected during the winter of 2011/2012 provided they enter a pay plan or agree to the installation of a pay-as-you-go meter (see Annex 1 – SVP Press Release 14<sup>th</sup> September 2011)

## **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:

*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.*

In the first six months of 2011 requests for help with food vouchers accounted for 27% of all requests for help, while requests for help with the cost of fuel/energy accounted for 19% of requests.

## **SVP Experience of Vulnerable Customers**

It is the customer and household experience that is core to the mission of the Society of St. Vincent de Paul and our observations 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.

*There is great concern about the increases announced for both gas and electricity especially as it comes now at the start of the season when heating and lighting will be used more. There is the additional worry that we will have a cold winter again and people will not be able to cope with these additional costs. These increases plus cuts in fuel allowances especially for pensioners and those on disability allowances is very worrying.  
(SVP Waterford)*

#### *Vulnerable Customers Register*

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).

#### **SVP Energy Agreements**

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 'SVP Energy Agreements' with ESB Customer Supply, Bord Gáis, Flogas and Airtricity. 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 energy industry.

An essential part of these 'SVP Energy Agreements' are that suppliers provide budgeting mechanisms for customers. SVP members are keenly conscious of the need not only of helping people overcome debts but also to improve their budgeting for the future. The Society is also concerned that the Commission is mindful of customers ability to 'pay as you go' and this submission suggests that Pre-Payment Metering is monitored to establish if there is under use of energy.

*One of the big problems with pre-payment meters is that you need to disposable income to pay for your energy up front - my experience visiting families is that generally their problems stem from the fact that they don't have any disposable income. My concern is that people might agree to sign up to a meter to avoid disconnection- but not be able fund its use - now that' real fuel poverty. SVP Conference Kildare*

### **Pre-Payment Meters**

The SVP Submission to the Commission for Energy Regulation on Customer Protection in the Deregulated Electricity Market in February 2011 concluded that some customers were:

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

To this end the Society welcomes the promotion of Pre-Payment meters as outlined in the consultations document.

*When we are called in threatened disconnection case we discuss the realities of the situation, arrange for a [consent] form to be signed, contact head office who advocate [pre-payment] meters. They are usually the answer. Where meters are refused we address the need as per visitation. If the case isn't a long term visitation case meters have been successful [with] budgeting. Long term cases have resisted [meters] in our experience. (SVP Conference Cork)*

### *Pre-Payment Meters – a budgeting tool*

The SVP sees pre-payment meters as an opportunity to assist people out of arrears but feel they have a longer-term benefit in preventing future arrears scenarios. In certain situations SVP Conferences have come across cases where customers were given PPMs to deal with arrears, but since arrears were cleared the meters were removed and the household fell back into arrears.

*Our conference would like to see electricity and gas maters installed in as many homes as possible as soon as possible..... We have visited a number of houses where the bills have remained unopened in a drawer, presumably with the idea that if you can't see the bills they will go away! ... They simply become very distressed and the SVP ends up paying. Our conference spent in excess of €10,000 on energy last year. SVP Conference, Co. Dublin*

#### *Pre-Payment Meters – overcoming stigma*

If pre-payment meters are to become a regular and normalised feature of the energy payments system then a pro-active and positive advertising campaign will be required to reduce the stigma associated with such meters.

#### *Pre-Payment Meters – purchasing credit*

Easy availability of credit purchasing is essential to a successful roll-out and take-up of PPM's. In the present market gaps arise, in particular in rural locations, where there are no credit options within easy travelling distance. This can result in credit becoming over expensive as purchasing credit includes, private, public or taxi expenses. Payment methods, such as online payments, which gives the purchaser perceived anonymity will assist this task.

*I've only had experience with [named energy company] in relation to the energy agreement and found them very helpful. The only problem is that the tokens for the meters are not widely available which is a hindrance to people with no transport. Maybe an arrangement could be made with the Post Office to have these available nationwide? SVP Conference Co. Leitrim*

#### *Pre-Payment Meters – third party referrals*

Pre-payment meters will generally be promoted with households already in arrears. The experience of the SVP and indeed the energy providers is that such customers are slow to maintain contact with their creditor. It is essential for such families and support organisations that referrals for pre-payment meters are streamlined. Bearing in mind the reluctance of some customers to keep contact it is vital for advocates such as the SVP that dedicated contacts, such as 3<sup>rd</sup> party credit control teams, are provided by the energy companies to deal with 3<sup>rd</sup> party referrals.

*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.*

#### *Pre-Payment Metering – Monitoring Use*

A natural benefit of pre-payment meters is that it will promote more conscientious and energy efficient use of electricity and gas. However, a valid concern of SVP is that increased use of pre-payment meters may reduce people's energy use below what they personally require. The SVP propose that a monitoring system of pre-payment usage is commissioned in order to establish with the expertise of the energy providers potential under use and the dangers thereof.

*Card meters for gas and electricity should be fitted where required at no cost to the tenant so that huge bills would not be run up. At the same time there would need to be some form of monitoring of this to ensure that the elderly and young children were not suffering from lack of warmth. (SVP Co. Mayo).*

## Responding to the Consultation Paper Proposals in on Pre-Payment Metering in the Electricity and Gas Markets

### Proposal 1 – Question 1: *Choosing between Option A and Option B*

**Proposal 1 – The CER is seeking industry views on the following options for the treatment of PPM customers who are repaying of debt within the change of suppliers' process in the electricity and gas markets;**

**A) maintain the current arrangements whereby a PPM customer ceases repaying a debt to their old supplier upon switching to an alternative supplier and the original supplier pursues the customer separately for the recovery of the debt.**

**B) introduce a change to the current PPM solution in the gas market and the proposed PPM solution for the electricity market whereby a PPM customer repaying a debt can switch supplier but must continue to pay off their outstanding arrears after they switch.**

**Q1. Respondents are invited to comment on Option A and Option B as outlined in this section. Are you in favour of either of these proposals? Outline reasons for agreement or disagreement.**

### Proposal 1 – Question 1: *Choosing between Option A and Option B*

SVP recognises the importance of responsible energy use and the customer's responsibility in paying for such use. Option B gives the customer the opportunity of switching supplier (with the potential benefit of lower energy costs) and a mechanism to overcome arrears to a former energy company. Furthermore in finding a way to deal with such arrears it reduces the psychological stress on the customer of threatened, pending or actual court proceedings.

However, it is incumbent on energy providers to ensure that the marketing of energy products includes an acknowledgment of the customer's previous arrears and ensures that they are aware that any arrears will follow them to the new provider.

### Proposal 2 - Question 2: The amount of 'top-up' assigned to arrears

***The CER has outlined a number of additional aspects which would need to be considered or reviewed subsequent to the approval of Option B. [CER seeks views on limiting the proportion of a customer's credit which is allocated for debt repayment every time the customer 'tops up' to a maximum of 30%. This would leave a minimum of 70% of a customer's top up to cover actual energy consumption]. Respondents are invited to comment on the considerations and highlight any additional points which would need to be reviewed if the CER decided to approve Option B.***

Deciding, or proposing, the amount of amount of 'top-up' assigned to arrears needs to factor in three elements:

- The energy needs of the household
- The disposable income available in the household
- The need to manage and pay-off arrears.

SVP does not propose a fixed amount for debt repayment but proposes that the energy companies and customers negotiate a % amount that ensures that customers have sufficient funds for their on-going energy needs within their income. Information to the energy company such as previous or estimated usage dependent on family type and household type should be included in these calculations. It should be noted however that it is not in the interest of either the customer nor energy supplier to fix arrears repayment at such a rate that acts as a disincentive for actual energy use.

### **Conclusions**

This consultation on Pre-Payment Metering in the Electricity and Gas Markets coincides with a difficult time for many Irish households. 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. The Society welcomes the introduction of widely available Pre-Payment Meters and sees their advantages as a budgeting mechanism as much as debt collection tool. The Society proposes active monitoring of Pre-Payment Meter to establish whether there are dangers of energy under-use in certain households.



## **Annex 1: SVP Press Release 14<sup>th</sup> September, 2011**

### **Promise of no disconnections welcomed by St Vincent de Paul.**

The Society of St. Vincent de Paul (SVP) welcomes the statement by Pat Rabbitte T.D., Minister for Communications Energy and Natural Resources, that electricity and gas customers experiencing financial hardship will not be disconnected this winter provided they enter a pay plan or agree to the installation of a pay-as-you-go meter.

SVP assists households across Ireland with the rising cost of energy and works with people experiencing fuel poverty to help them avoid gas and electricity disconnections by assisting in negotiations with the energy utilities. "In 2009 we spent almost €6 million in keeping the lights on and the homes heated of people struggling with their bills". said SVP National President, Mairead Bushnell.

"For the last two winters we have all experienced periods of very low temperatures. This is a challenge for all of us, but for people on low income, in poor health or with limited mobility, as well as those in housing of low energy efficiency, such winters are particularly stressful and in certain cases life threatening. The spectre of disconnection has been an added burden on already pressurised households and has added to the desperation that many feel in trying to address mounting and often multiple debts", she said.

SVP believes that people should be able to have access to pre-payment meters as a budgeting tool rather than waiting for debts to accumulate. Up to now, people who needed and requested such meters were often denied them as they were instructed that their energy debt was still currently 'too low' as to deem them ineligible for a pre-payment meter. Households need to be able to have meters installed before arrears mount to assist customers keep control over their income.

" Disposable income is required to pay for domestic energy up front on a pay as you go meter. In the Society's experience of visiting families, generally their problems stem from the fact that they have little or no disposable income. A concern we have is that people might agree to sign up to a meter to avoid disconnection but not be able fund its use. The Society is proposing a system of monitoring Pre-Payment Meter usage in order to establish if customer's energy use falls below what they personally require. That is real fuel poverty", said Mairead Bushnell.

The SVP says that it agrees with the Minister that there are many other aspects to fuel poverty. It says that it awaits the launch of the wider strategy to tackle fuel poverty in the next couple of weeks.

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