



Ofgem Consultation on Vulnerable Consumers Licence Conditions – draft based on discussions at Seminar The National Right to Fuel Campaign Response

Introduction

The National Right to Fuel Campaign is a membership organisation comprised of organisations and individuals from statutory, commercial and voluntary sectors. All its members have an interest in seeing the eradication of fuel poverty.

The Campaign welcomes the opportunity to respond to this consultation related to vulnerable consumers. Along with many other organisations, we would support the widening of the definition of “vulnerable” to both include additional criteria and to allow for a flexible approach to this concept.

Responses to questions in Chapter: Two

Question 1: Are the current licence requirements effective in ensuring that suppliers exercise their right to disconnect for non-payment only as a last resort?

The National Right to Fuel Campaign, since its beginning in 1975, has argued for a complete ban on disconnections as lack of fuel has the potential to be life threatening.

We support the comments in the NEA submission that the figures on the use of disconnections suggests that this is not used as a last resort and that the licence requirements should be strengthened. The responses to the following questions are linked in that increased pressure to monitor and limit the build up of debt, and clear maxima for debt repayment should encourage companies to reduce the numbers of customers owing them money in the first place.

Question 2: Could the licence obligation to have procedures to distinguish between "can't pay" and "won't pay" and to identify failures in repayment arrangements be removed?

We agree that the distinction between "can't pay" and "won't pay" is impracticable and should be removed.

Question 3: Should suppliers continue to be required to accept payment by Fuel Direct?

Question 4: On ability to repay debt should the licence condition include a more prescriptive formulation, e.g. not exceeding the weekly Fuel Direct rate for those on benefits unless they agree to pay more?

The requirement to continue to use Fuel Direct as a basis for setting repayment arrangements encourages suppliers to keep debt to a minimum, and links with the issues of regular meter readings, recalibration of meters after a price change and a cap on the recovery of sums through ppms.

We hope that continued regulation on all these issues will encourage the development of smart metering and related technology.

We believe that suppliers should be required to accept Fuel Direct as a payment method

In common with many other organisations, we would like to see this payment method extended in its use as it provides a standard figure for debt repayment, for all low income figures. We have a concern that there are households with income just about benefit eligibility who would have problems repaying higher amounts.

We also would like to see the use of the Fuel Direct figure used as the basis for debt repayment arrangements for other customers. As has been suggested by PUA, NEA and others, for example, using twice Fuel Direct amount as the maximum repayment possible.

However, we would also emphasise that debt repayment is supposed to be based on ability to pay and that there will be many cases where even the Fuel Direct deduction rate will not be affordable to the customer

We would also support the following points raised at the Ofgem seminar.

Suppliers should try to establish more about their customers and their financial circumstances in order to be able to offer more help and assistance.

The issue was raised about concerns that the companies are not always the best organisation to offer debt advice to their customers. This may not be possible to address through licence requirements but strong guidance on developing links with advice and support agencies would address this.

We would strongly support any pressure on suppliers to encourage consumers to transfer to more beneficial payment methods, rather than PPMs, as there is clear evidence that low income and vulnerable consumers have not benefited from the competitive market in fuel supply and often remain on a high tariff.

Question 5: Should the moratorium on disconnecting certain categories of customers in the winter be extended to cover any customers who would be particularly vulnerable to the consequences of loss of supply?

As a Campaign that believes there should be no disconnections at all, we would argue that, as a minimum, this moratorium should be extended to all vulnerable consumers and to whole year, as there is evidence that consumers disconnected in non-winter months are not necessarily reconnected for winter.

Question 6: Currently the licence requires provision of information on PPM's including their operation, their advantages and disadvantages, recalibration and removal - is this information seen as effective? (In particular we would welcome

evidence on any problems caused by delays in recalibrating or removing PPMs, and views on whether there should be a licence requirement referring to "timely recalibration").

There are many problems associated with the use of ppms, including access to top up points, which may be getting worse with local service points closing down, and delays in recalibration which mean that there should continue to be clear information about the use of ppms. Again, we would hope that licence requirements for ppms to be easily used would strengthen moves to the developments in smart metering to improve use of this payment method and other metering and payment issues.

Question 7: For PPM's should re-charging arrangements (and in particular distance to the nearest outlet for re-charging) be covered in the licence?

As mentioned above, we have concerns about the access to top up facilities, with indications that these are reducing with closures of local shopping facilities. We would therefore support a licence condition related to distance to top up points.

We support other submissions stating that there should be a maximum distance of 1 mile and that suppliers should be using other mechanisms similar to mobile phone top up options.

Related to the use of ppms, the Campaign has always been seriously concerned by the issue of self-disconnection and believes there should be a requirement for suppliers to monitor the rate of fuel use by customers using ppms, and to intervene if there is a considerable gap in usage. The problem is very likely to increase with the considerable rises in energy prices.

Responses to questions in Chapter Three

Question 1: Should the focus of requirements relating to the PSR remain on meeting the physical, safety, and communication needs of vulnerable customers or be extended to cover financial need?

In general we support the PSR concentrating on the present groups, as these are the main groups to need additional services or support for the use of their energy services. However, we are concerned that there are circumstances that may be temporary and that consumers may access to PSR services occasionally. Energywatch has argued that "vulnerability" is a dynamic concept and we also would support this approach.

We are also concerned that there are situations in which financial problems may demand additional support, so would argue that there is adequate protection against building up debt levels, limits of repayment levels, at Fuel Direct figures, and safeguards against disconnection. There is evidence that many households having financial difficulties suffer a range of problems and suppliers should be required to take account of these.

Question 2: What are your views on the options for the categories of customers suppliers should identify in their PSR (see paragraph 3.13), and are there any other options that we should consider?

The Campaign has had a long relation with Unison and would support the points raised in their response to this consultation, as they have provided detailed comments, highlighting some aspects of which both Ofgem and fuel suppliers have limited knowledge.

Question 5: Are the eligibility criteria for the additional services adequately targeted at those who really need protection?

In comments above, it is clear that we do not think that the PSR addresses a wide enough range of consumers and that this should be widened. We note and support NEA's points on this issue, including that suppliers should consider cases on an individual basis.

Question 6: Does the DDA provide an appropriate level of protection and is it an acceptable alternative to specific licence obligations (in particular those relating to blind and deaf customers)?

In common with many other responses, we do not believe that the DDA provides an adequate level of protection in terms of fuel supply.

We would also draw the attention of Ofgem to the points in the Unison submission relating to black and minority ethnic consumers. While this is not specifically addressed in the DDA, the issue of the range of needs of consumers as a principle for review and amending the licence conditions demands that these other needs be addressed.

Question 7: What comments do you have on the options for reflecting the DDA in the licence (see paragraph 3.24)?

Again, we refer to and support the points raised in the Unison response. We would also suggest that Ofgem works with the suppliers to strengthen service provision in this area as it is very complex and clearly needs more attention than has been given to date.

We would also support the PUA point that amendments to the licence conditions be amended to meet the "spirit" of the DDA.

Question 8: Do each of the additional services currently required under the PSR need to be included as a specific licence requirement?

We would support the basic list detailed in the consultation document.

Given our comments on the DDA, and those in the Unison response, it may be appropriate to cross check these, to ensure that there are no other common services which may be appropriate to be included in a required services list. We would also hope that any guidance related to this should be very strong on providing adequate and appropriate additional services.

Question 9: How far can the market be expected to deliver each of these services?

While we do not have a specific view on responsibility for these services, we strongly believe that energy supplies are a basic requirement which should be accessible to all and that adequate and appropriate additional services to ensure access to supply are a must. We would call on Ofgem to facilitate discussions in this area to ensure that these are provided.

There may be value in discussing a central PSR, administered by an independent agency. This would ensure separation from the suppliers, reducing conflict with their market concerns, ensure that eligible households knew exactly what are the eligibility criteria and services provided. Such an arrangement could then either offer at least some of those services and levy a charge on the companies or make sure that each company offered a consistent standard of service.

Referral to the PSR needs to be as simple as possible. Responsible agencies should be able to refer clients to the register easily.

Question 11: What comments do you have on the options for gas safety checks in paragraph 3.29, and are there any other options that we should consider?

A representative of the Campaign attended the London seminar held by Ofgem on this consultation and some of the following comments were raised in that forum and are supported by the Campaign.

We, and many organisations working with vulnerable consumers, are very concerned about the practice of the annual gas safety check. There is real worries about the situation where appliances are condemned with no further advice or support for mechanisms to replace. As one of our members put it, "They may have saved the householder from carbon monoxide poisoning but could leave them to die of hypothermia instead!!"

We would therefore support a preferred approach providing a **gas safety service**. This could include requirements to provide further advice, referral to another appropriate support agency and support for, at least, temporary replacement. As reported in the seminar notes, relating to the comment that some customers need more encouragement than others to take up the service as they worry that as their appliances are old and may be condemned, a service approach may remove some of these worries.

We are concerned by the points raised in respect of carbon monoxide poisoning and support comments about addressing monitoring for this.

Question 12: Should there be a specific requirement to provide information on the safe use of gas appliances?

The National Right to Fuel Campaign is in the process of producing a paper on the hazards of portable heating units, including gas heaters. It would be appropriate to include a requirement for information on safety as part of provision of other advice.

Question 13: What different types of special controls and adaptors for appliances or meters are suppliers currently providing and is this an appropriate role for suppliers to fill?

We support comments calling for more consultation on the needs for additional support services to ensure that all consumers have access to the use of fuel supplies.

The issue of payment for additional services was raised and we do not support the introduction of charges to any vulnerable or low income households.

Question 14: What further information is available on the cost of meter moves, and the circumstances in which they are provided?

Question 15: Are special quarterly reads and effective alternative to meter moves?

We have commented above on the need for suppliers to reduce the build up of debt. There is also the problem of customers receiving unexpectedly high bills after a meter reading, which they may be able to pay but may mean that they have to reduce other expenditure.

There must be adequate provision for people to be able to monitor their energy use, by whatever means.

PPMs must be easily accessible for use.;

Question 16: What are your views on the marketing of special services for vulnerable customers (see paragraph 3.46)?

There are indications that suppliers use a very wide range of terminology for the PSR, vulnerable criteria and availability. These are confusing to consumers and may be off putting.

We would argue for greater clarity, the use of some common terms and wider publicity of special services.

We would, again, draw attention to the additional needs of BME groups, such as language barriers. These are set out in greater detail in the Unison response.

Responses to questions in Chapter Four

Question 1: What comments do you have on the following options where it is concluded that there is a need for an enforceable regulatory requirement?

We concur with the view that self-regulation is unlikely to be relied upon, that there is mistrust of energy companies, so that consumer protections need to be clear and robust.

We believe that there should be a set of clear basic requirements, as implied by Option 1, to ensure minimum standards for energy supply. However, these minimums should address all the areas of concern addressed above.

We also support the suggestion that there are additional areas where further guidance would be appropriate. We concur with the NEA view that regulatory requirements do not inhibit suppliers from providing additional services. There is clearly an argument for some of these additional services to be included in the Licence conditions, such as the extension of the moratorium on disconnections which we, and others, are calling for.

Question 4: What are your views on the following proposal in paragraph 4.26 for communication of a code or policy statement?

Consumers should always have access to clear and detailed information about the conditions to which suppliers have to meet in the provision of fuel.

This should be provided both by consumer organisations, such as Ofgem, and by the suppliers themselves.

Question 5: Given our proposal to retain the information gathering powers under SLC26(3), what are your views on removing licence obligations requiring suppliers to keep a record of their performance and provide an annual report?

Whatever arrangements are finally agreed, we are concerned that there should be adequate information gathering and monitoring to check the provision of services to low income and vulnerable households effectively.

Responses to questions in Chapter Five

Question 1: Do competitive pressures, energywatch and the proposed Ombudsman scheme result in sufficient commercial incentives for suppliers to provide a complaint handling service such that regulation is no longer required?

In our view, there should be the maximum pressure to ensure that complaints are successfully investigated and resolved. The mechanisms for these need to be clear and easily accessed by both consumers and their advisors.

Question 2: What are your views on the options for payment methods which suppliers should be obliged to offer (see paragraph 5.9), and are there any other options that we should consider?

There should be a wide range of payments, including frequent cash payment options to ensure that all households can pay for their fuel in the most appropriate way. Low income households may budget very tightly and need to be able to make regular and frequent payments.

We also believe that suppliers would rather receive payments in small amounts than none at all and the need to go through debt collection processes.

Question 4: If SLC45 on security deposits was changed, so the only requirement was the provision of a PPM as an alternative to a security deposit with a backstop provision for Ofgem to determine disputes, would this cause any problems for vulnerable customers given the falling numbers of security deposits and that some protection already exists under the Unfair Terms in Consumer Contracts Regulations 1999?

We support the retention of the requirement to offer a ppm and for Ofgem to determine disputes. Again, this must be made clear in information about the supply conditions to consumers and their advisors.

General comments

Many advice and support organisations have raised the problem of contacting the correct person at the supplier and negotiating on behalf of their clients.

Our Administrator has looked at some of the suppliers' websites for information relating to their PSR or similar services and has found little or no information.

We would hope that there is a way to address this in the amendments to the licence conditions, although it is not clear where this could be addressed.

As we have supported a mix of basic regulation with additional guidance, it may be possible to require clear information on communications and websites, with guidance related to links with advice and support agencies, possibly providing dedicated phone lines for these.

These points were raised at the seminar and the Campaign supports the concerns and need for these to be addressed.

Likely changes to consumer representation, important to ensure protection for customers is robust, especially for those on low incomes or who are vulnerable, needing extra support

Number of concerns voiced by consumer reps acting on behalf of customers and how they will be affected by the review of consumer representation.

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