



## **Welsh Government Response to the Ofgem proposals to improve outcomes for consumers who experience self-disconnection and self-rationing**

The Welsh Government welcomes the opportunity to respond to the consultation<sup>1</sup> on proposals for self-disconnection and self-rationing published on 23 August 2019. We are concerned, however, the timeframe of only four weeks allocated by Ofgem is too short to enable a meaningful consultation with stakeholders and imposes unrealistic limitations on organisations' capacity to respond constructively to the consultation on matters directly impacting on the lives of people struggling to meet the cost of their domestic energy.

The Welsh Government welcomes the stated over-arching policy objective Ofgem is seeking to achieve through these proposals, which is to reduce the number of bill payers self-disconnecting and self-rationing. Requiring industry to improve the identification of bill payers at risk of self-disconnection and self-rationing is an important measure to ensure people at risk of avoidable ill health or premature death from living in a cold home, or not being able to prepare meals is an important measure to safeguard peoples' health and wellbeing.

The reduction in the number of disconnections due to debt is also welcomed and whilst Ofgem acknowledges such disconnections are rare and should be considered by suppliers only as a last resort, the Welsh Government considers any disconnection resulting from payment arrears should not be permitted under any circumstances. On this basis, the Welsh Government recommends Ofgem reconsider the policy not to introduce a prohibition on all energy disconnections, similar to the prohibition applied to the water sector.

### **Question 1: Do you agree with our proposal to require suppliers to identify prepayment self-disconnection and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

The Welsh Government supports this proposal

Suppliers have access to historic data for properties and should be able to identify trends when expected energy consumption is significantly reduced, or increased. Regular

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<sup>1</sup> [https://www.ofgem.gov.uk/system/files/docs/2019/08/proposals\\_to\\_improve\\_consumer\\_outcomes\\_self-disconnection\\_and\\_self-rationing\\_1.pdf](https://www.ofgem.gov.uk/system/files/docs/2019/08/proposals_to_improve_consumer_outcomes_self-disconnection_and_self-rationing_1.pdf)

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

monitoring of prepayment customer account data can enable the identification of detrimental patterns of behaviour and their frequency. Processes should be in place to enable the effective identification of vulnerable 'at risk' consumers on both traditional and smart meters. Suppliers could be encouraged to be proactive and record the reasons for self-disconnection in order to help identify the most appropriate support for a consumer moving forward.

Introducing a requirement on suppliers to take all reasonable steps and have arrangements in place to identify bill payers who are at risk of disconnection or self-rationing must be accompanied by a duty to take action and support people when the information collected suggest action is required. Ofgem should provide suppliers with clear guidance in relation to how this obligation is to be met. The impact of any support offered should be recorded and reported to Ofgem. These requirements should apply also to bill payers suspected of self-rationing.

The concerns raised in 3.17 about confusing self-rationing with improved household efficiency may be allayed by effective data gathering by the energy companies. Improved household energy efficiency should be reflected in the EPC rating of the property (if available) and data on properties in receipt of ECO measures could be recorded as part of an information gathering exercise.

Welsh Government is supportive of Ofgem's proposal to facilitate the sharing of case studies of best practice where suppliers proactively and effectively monitor and act on self – disconnection.

Welsh Government would welcome further action from Ofgem to ensure delivery of the Energy UK Commission for Customers in Vulnerable Circumstances recommendation on monitoring and tackling self-disconnection (paragraph 3.29).

Welsh Government looks forward to the Ofgem decision on revisions to Social Obligations Reporting.

Welsh Government would welcome a geographic breakdown in order to monitor the number of self-disconnections in Wales which may inform future policy development.

**Question 2: Do you agree with our proposal to require suppliers to identify self-rationing and the associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

Yes.

Welsh Government would be supportive of Ofgem facilitating the sharing of case studies of best practice where suppliers proactively and effectively monitor and act on self –rationing. Welsh Government would welcome a geographic breakdown in order to monitor the number of households self-rationing in Wales which may inform our future policy development.

**Question 3a: Do you agree with our proposal to require suppliers to offer emergency and friendly credit functions for all customers? Question 3b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

The Welsh Government supports this proposal, but considers Ofgem could go further to support people struggling to meet the cost of their domestic energy needs.

The availability of emergency and friendly credit is not universally available, and where available, may not be consistently applied. Bill payers should be treated no less favourably by virtue of geographical location within which suppliers who do not offer this form of financial support are operating. The proposal to require all suppliers to make available emergency and friendly credit, to ensure consistency of practice across the UK is achieved, is welcomed.

Ofgem could do more. The Welsh Government would welcome further proposals to offer further support to people at risk of self-disconnection or self-rationing, including

- More access to non-repayable grants to lower income families unable to meet the cost of energy who are further burdened with the cost of payment of arrears;
- Support to lower income families to help reduce their demand for energy to maintain a safe and comfortable home environment by installing energy efficiency measures.

There would appear to be evidence for a cycle of people constantly triggering the loan function turning a short-term situation into a long-term problem. A focus would therefore be welcomed on providing more support for people who pass a trigger point for the number of credit loans they receive or request.

Welsh Government would support the promotion of a universal approach to the application of credit functions by suppliers, and an ease of access to credit functions by bill payers, providing repayments are affordable. A clear communication plan on credit functions for the customer would be a valuable tool for their on-going support.

**Question 4a: Do you agree with our proposal to require suppliers to offer discretionary credit for customers in vulnerable circumstances? Question 4b: Do you agree with our associated proposed licence conditions? Please refer to Appendix 1 for the draft licence conditions.**

The Welsh Government welcomes proposals to make discretionary credit more widely available.

Some suppliers opt to write off discretionary credit as a good will gesture. On the basis of the evidence outlined, Welsh Government would support a universal approach to the application of discretionary credit with no limit on applications.

In line with the issue around the level of support raised by Citizens Advice Scotland and considering the impact on the household of the stresses of the scenario outlined in 4.37, Welsh Government would welcome Ofgem promoting a deeper intervention by the energy company. Beyond setting up a prepayment plan to ensure a sustainable outcome for the consumer, this could include tariff advice, benefit checks and links to home energy efficiency improvement schemes.

The consultation document states the total amount of emergency credit being used by customers is decreasing year on year for both fuel types (4.11). However, an increase in requests by customers for discretionary credit year on year, has been reported, with credit provided in 75% of cases (4.30). Welsh Government would like to understand whether the decrease / increase is linked to more households identified as vulnerable moving between the eligibility criteria for emergency / discretionary credit.

**Question 5: Do you agree with our proposal to incorporate the Ability to Pay principles in the supply licence?**

The Welsh Government supports incorporation of the ability to pay principle.

It is crucial to protect consumers in financial difficulty from further detriment. Ofgem should clearly set out how the requirement imposed on energy suppliers to assess the bill payer's ability to pay will be monitored and reported. A degree of transparency, enabled by the public accessibility to the relevant policies and guidelines, would be welcome.

**Question 6: Do you agree with our proposal to update the Ability to Pay principles to reflect changes in supplier debt recovery practices? Are there other changes that we should implement?**

Yes.

Welsh Government agrees each consumer must be dealt with on a case by case basis, with the supplier implementing appropriate policies and guidelines. A level of good communication with the consumer should be maintained, enabling the customer's understanding of the process and outcomes.

Welsh Government would support transparency in the publication of appropriate policies. This would enable suppliers to be accountable for their progress in achieving the reasonable expectation of appropriate support in preventing self-disconnection and self-rationing.

For customers repaying a debt via a prepayment meter, the Ability to Pay principles could go further to support consumers in arrears. There is a concern over the ability of the consumer to manage any arrears whilst enabling them to maintain a warm and safe environment, if their total energy consumption is not reduced. A deeper intervention by the energy company beyond setting up a prepayment plan may be needed to ensure a sustainable outcome for the consumer. This could include tariff advice, benefit checks and links to home energy efficiency improvement schemes. Consumers repaying debt on prepayment meters should be placed on the lowest tariff, not the highest tariff.

This view links to Section 5 and the promotion of good practice across industry, which outlines positive action across the sector. The establishment of partnerships between suppliers and third sector bodies is positive but maintaining and managing the depth of intervention and support is equally important. As the provider, the supplier needs to be held responsible for maintaining a direct contact with the consumer in order to prevent self-disconnection / rationing. Any third party intervention needs to be managed and monitored to ensure the desired impact for the consumer is achieved.

The Welsh Government would support further action to promote an awareness of standing charge accrual. It is clearly an issue from the evidence gathered by Ofgem. Our understanding is there are 58 active domestic energy suppliers in the UK supplying gas. Ofgem research suggests around five suppliers have attempted to tackle standing charge accrual by the use of summer awareness campaigns, and one supplier with an initiative to encourage customers to save for their winter bills. This represents roughly 8% of suppliers being proactive in aiding consumers, a significant and disappointingly low number.