



## **Statutory Consultation “Extending protections for non-E7 restricted meter customers (SLC 22G)”**

### **Energy Action Scotland Response**

Energy Action Scotland is the national organisation campaigning to end fuel poverty. Since its inception in 1983, Energy Action Scotland has worked with partners across public and private sectors to change policy as well as delivering many practical and research projects to tackle the problem of cold, damp homes

Energy Action Scotland works with both the Scottish and the Westminster Governments on energy efficiency programme design and implementation. We welcome the opportunity to respond to this consultation.

Energy Action Scotland’s response focuses primarily on those areas that it considers may impact most on fuel poor and vulnerable energy consumers. We are deeply concerned about the health impacts of living in fuel poverty and that resulting respiratory conditions. These, along with high blood pressure, are exacerbated by living in a cold, damp home and constitute a high proportion of Scotland’s excess winter deaths, which are directly linked to living in fuel poverty.

A household is considered fuel poor in Scotland if the household’s fuel costs are more than 10% of its income and what is remaining is not enough to maintain an acceptable standard of living.<sup>1</sup> Fuel poverty has four main drivers, these being high energy costs, low disposable incomes, poor energy efficiency of homes and how energy is used in the home i.e. whether energy used at home is optimised or wasted.

Levels of fuel poverty among households using electricity as primary heating fuel have remained among the highest, at 43% in Scotland. We believe that those consumers with restricted meters face significant detriment through a lack of options.<sup>2</sup> . Extending the protections is welcomed but we believe that to provide a fair deal to consumers and fuel poor consumers in particular that this should go further.

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<sup>1</sup> Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019

<sup>2</sup> [https://new.theclaymoreproject.com/uploads/entities/1230/files/Publications/down\\_to\\_the\\_wire\\_-\\_technical\\_report\\_-\\_eas\\_gcu\\_dr\\_fraser\\_stewart.pdf](https://new.theclaymoreproject.com/uploads/entities/1230/files/Publications/down_to_the_wire_-_technical_report_-_eas_gcu_dr_fraser_stewart.pdf)

## Restricted meter remedy

We supported the introduction of the Restricted Meter Remedy at the time of the CMA market assessment as it was clear there was significant market failure. Consumers with restricted meters in Scotland had limited access to the wider energy market and were effectively forced to remain with incumbent suppliers.

Previous findings from Ofgem have shown that consumers on Total Heat Total Control and Comfortplus Control tariffs (tariffs supplied by the incumbent suppliers) are particularly disadvantaged and tend overall to pay more for their fuel. There are few suitable alternatives and the long-term lack of options has led to persistent disengagement from the energy market. This has been exacerbated by the inability to make like-for-like comparisons, since restricted meter tariffs are not available on comparison websites.

The experience of our members is that credit consumers still struggle significantly to switch suppliers when they are on a restricted tariff despite the licencing conditions supposedly enabling it, and our view is that the remedy although well intended has failed to deliver the anticipated outcomes. For prepayment meter customers, one of the impacts of being unable to switch to an alternative viable and cheaper tariff is that consumers are forced to self-disconnect or self-ration their energy purchase. This denies them the levels of comfort established in the definition of Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act 2019.

In addition, the prepayment protections that were used as an argument to deny the remedy applying to prepayment restricted meters have now all but disappeared. Although Ofgem recently announced that the Default Tariff Cap would continue to protect default prepayment meter customers (after the CMA Prepayment Meter Price Cap expires), this is an empty gesture because:

- The Price Cap is now (and consistently) much higher than the cheapest available tariffs
- Price Caps often discourage the most vulnerable customers from switching (giving the impression that they are on the best deal)
- It is unclear what provisions will be made beyond end March 2021 when the current cap level extension ends<sup>3</sup>

We understand that there was a belief that the successful rollout out of SMART meters would provide greater choice and ease for customers by now. However, the original date of end December 2020 for the completion of the rollout is not going to be achieved. This has necessitated an extension to end December 2024. COVID-19 will bring its own impact to that timescale which will potentially delay this even further. As it stands SMART meters are not a mandated change for customers which reduces the rate of take-up. There remain significant technical challenges for many parts of Scotland where the mobile phone signals, that determine the effectiveness of SMART meter recording, are far from comprehensive.

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<sup>3</sup> [https://www.ofgem.gov.uk/system/files/docs/2020/08/prepayment\\_meter\\_cap\\_level\\_-\\_letter\\_1.pdf](https://www.ofgem.gov.uk/system/files/docs/2020/08/prepayment_meter_cap_level_-_letter_1.pdf)

From information circulated by the Scottish Government in recent months householders, particularly those in fuel poverty, remain to be convinced by the benefit of smart meters to them despite the obvious need to update the way that energy consumption is metered.

We are disappointed that this consultation does not fully recognise the market failures impacting on prepayment customers or offer any consideration about how prepayment restricted meter customers can access the broader energy market.

## **CONCLUSION**

The intent of the Remedy was clear but the implementation of it, and the practise of suppliers has been poor. If the remedy is to be extended additional promotion of it will be essential, as will stringent enforcement of licencing conditions on energy companies

There needs to be an enhanced focus on consumer information and consumer protection for the remedy to have its intended effect.

We:

- Strongly support the continuation of the measure till 2025
- Recommend that there is a readily accessible list of all energy companies with more than 50,000 customers maintained and published by Ofgem
- Support enhanced communication and guidance to consumers about their switching options
- Support enhanced communication from Ofgem to suppliers reminding them of their obligations
- Recommend that suppliers are obligated to record when the remedy is used for non E7 switches
- Urge that the protections are extended to prepayment restricted meter customers, as they have limited protection and cannot switch easily
- Support the continuing role of Citizens Advice Scotland as the lead body in Scotland to coordinate the gathering of evidence from consumers
- Recommend annual performance reporting of the remedy
- Provision of specific advice about using time of use tariffs for both heating and for appliance use as this is often the cause of elevated electricity bills.
- Once smart meter products that allow time of use flexibility are available, that public education on how to optimise is a condition of the licence.

Submitted by

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