



A grassroots campaign taking action against mammoth fuel bills and working towards an affordable, sustainable and democratic energy system

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Fuel Poverty Action response to Ofgem's Self-disconnection and self-rationing final proposals – statutory consultation

Executive Summary

In the Introduction we address the current health emergency. We say the time has come for a ban on people being cut off from what is in essence an essential public service. We note what has been achieved in Catalonia, where market priorities have been forced to give way to saving lives.

In Section 2, on self-disconnection and self-rationing, we support your proposals but press for a requirement to advertise available support, a requirement more effective and less intrusive than monitoring. We make a case for Prepayment Meters to always be voluntary. We emphasise the importance of data protection, we press for obligatory access to help via the telephone, and we take issue with the terminology of “self-disconnection”.

In Section 3, on emergency and friendly-hours credit we support your proposals and press for information about these facilities to be more widely promoted.

In Section 4, on additional support credit, we argue that additional support credit must continue to be provided until further support is in place that makes it possible for customers to cover their reasonable costs. We support demands for, for instance, providing tariffs with no standing charge for low-usage prepayment customers to prevent debt accruing during periods of self-disconnection, and automatic switching to suppliers' cheapest tariff.

In Section 5, on the principle of Ability to Pay, we support your proposals but query how the principle applies when debts are sold on. We call for suppliers to be required to take account of special circumstances created by dysfunctional heating systems or removal of cladding and insulation, and provide some case histories. We propose a draft of a license condition to reflect this requirement.

Introduction

Fuel Poverty Action is a grassroots organisation. Our direct experience largely relates to our work with tenants and residents on housing estates. Some have district heating that constantly breaks down, some have heat pumps that never manage to keep their flats warm, and some have inadequate insulation, or their insulation and cladding has been removed in the aftermath of Grenfell. Their experience is reflected in our response in section 5.

We have not taken part in this consultation process until now, and we are not in a position to comment on many of the specific policies and licensing provisions on which you have received evidence from large organisations with thousands of customers or clients. However, we want to support the general direction of the changes you are making, and to point out some potential gaps or problems.

A new calculation suggests that over 200,000 more households will be forced into fuel poverty as the economy struggles to recover from lockdown¹. We start from a baseline of 10,000 excess winter deaths a year due to cold homes. The advent of more frequent and more serious heatwaves now threatens the lives of many more people, particularly pensioners. Thousands in the UK are malnourished, to the point of hospitalisation.² Secure, warm, well maintained housing has become a dream for many, and many of those who have it are at risk of eviction. Many people who previously could consider themselves financially secure are now unemployed or precarious. Meanwhile, in the middle of a pandemic, energy is more essential than ever to our resilience, needed (often all day) for warmth, cooling, light, hot water, cooking, refrigeration, and charging what are now essential devices. The combination of these factors is clearly a recipe for disaster.

In this context, we believe people's survival needs must become an overriding priority. **Utilities, once public, must now be run as one of the essential services.** Whatever the ownership model may be, the market and competition must take second place to lives.

Fuel Poverty Action is currently investigating a major restructuring of energy pricing, which would provide energy free up to a certain amount, and would increase the tariff on energy used over and above that amount. This "Energy for All" proposal has widespread grassroots support, and we are working with others who are expert in these issues, to see whether and how it could work in practice. This would offer a new level of security in a time of both crisis and change.

At the same time, with many others, we are pressing for a step-change in commitment to retrofitting, not as a seven month programme but as an ongoing transformation of the UK's existing housing.

And we have endorsed pressure for government support, with crucial conditions.³

But in the meantime it is essential to ensure an end to disconnections for people who cannot afford to pay their bills, or who cannot afford to feed their prepayment meters. With the same

¹ [End Fuel Poverty Coalition](#) calculations

² There were [2,483 hospital admissions](#) of children and adults due to malnourishment between January and June this year (based on hospital trust responses to an FoI request.)

³ As members of the End Fuel Poverty Coalition we endorse their call ([press release](#) and [petition](#)) for Fuel Poverty Debt Relief -- "not deferral of payment" -- so that fewer people have to choose between eating or heating.

We also endorse the [call by the People's Energy Company](#) for a government energy grant fund for people in financial distress. Such support, administered through the supplier and benefiting them, must be conditional on that supplier's consistent support for people in difficulties, *and* on action to reorient their business in response to the climate emergency, no tax avoidance and no dividends to shareholders, bonuses or disproportionate executive payouts. This is in line with the principle that government subsidies must build back better from the Covid-19 emergency.

issue being confronted all over the world, Catalonia has led the way with their Law 24/2015. This law not only bans disconnection but requires suppliers to sign cooperation agreements between local governments and energy corporations, obliging them to offer very significant discounts or assistance to families in debt, at the corporations' expense. The massive popular movement against "energy poverty" was given added impetus by the death of an 81 year old woman, Rosa PV, who died in a fire started by a candle after being illegally cut off from her supply⁴.

Five years on, after years of stalling, the agreements are currently being negotiated, with the Alliance against Energy Poverty, backed by the Catalan administration, insisting that debts accumulated in the meantime should be written off, since they result from the failure of suppliers to come to the table and make the adjustments necessary to ensure people that can pay their bills. Elsewhere in Spain the government has paid up to 40% of energy bills for people on very low incomes, a state subsidy that has not proved reliable in reaching many of the people who need it. But in Catalunya the responsibility has been placed on the supplier, (generally, Endesa). The result, so far, has been thousands of euros of unpaid bills, while customers continue to be supplied.

In the UK, too, the de facto solution to insoluble problems has sometimes been a tacit acceptance of unpayable debt. In our view, this is preferable to disconnection -- but debt write-offs and a fresh start would be better, particularly if accompanied by long term changes and support, for both credit and prepayment customers. However, the tacit acceptance of debt is not available to people on Prepayment Meters (PPMs), as debt payments are taken off at time of use, often at rates far exceeding their ability to pay.

In August 2019, at the previous stage of this consultation, Ofgem said, "At this stage, we are not proposing to introduce a prohibition on all disconnections, similar to one in the water sector, but we will consider this as one option in the future should this be required." Given the pandemic, and the dire economic prospects for the coming months and years, we believe that that future has arrived already. If Ofgem is not prepared to take this action now, we hope you will set out what conditions would be required to prompt it.

We respect efforts made through licensing conditions to deal with the reality that, in many cases, inability to pay is due not to a short term cash flow problem but to insufficient income, health crises and poor housing, combined with intrinsically unfair pricing. The challenge is to prevent disconnection while also ensuring deeper changes. In sections 4 and 5 we look at some immediate and long term measures that could do more than defer the crisis to another day.

2. Self-disconnection identification

Please note we are here continuing to use this terminology as it appears in your consultation, despite the fact that, as you have acknowledged, it can be the source of some confusion. We think it should be changed. Unless, for instance, their gas is capped, most people do not use the term "self-disconnection" or even "disconnection" when they're talking

⁴ This was one of a series of deaths from fires, with the firefighters union [exposing](#) how another elderly lady died after burning her espadrilles to keep warm. In a post-Grenfell UK, this must be a concern.

about not putting the heat on. In fact, some find the term “self-disconnection” offensive as it implies that it is something they do by choice.

2.29 - 2.34 We agree that a duty to take all reasonable steps to identify customers who are, in your terms, disconnecting from their supply could be life-saving in some circumstances, particularly where mental health problems, disability, or an accumulation of crises have prevented people from being proactive on their own account. However, as you note, there are huge variations in what information can be obtained from different kinds of meters. In addition, many people do not want to have their consumption or lack thereof monitored by any such technology.

In the light of this, we believe the emphasis should be on ensuring that help is reliably available, without obstacles, and *advertising* that fact. Suppliers should be required to put notices on bills stating that support is available, in plain English and other languages, and send SMS messages to PPM users (“Struggling to top up? no need to live without your supply, contact us to see what can be done”). For example, the energy supplier Bulb offers additional support when a customer signs up -- and issues monthly reminders that support is available. Suppliers, or indeed Ofgem, could organise adverts on tv or social media giving (real or fictional) examples of who has been helped and how. As well as letting people know about help available, seeing it publicly advertised would help remove the stigma or shame that prevents many from accessing help they desperately need. Such active engagement by customers in trouble would save far more lives than algorithms monitoring our usage.

Clear requirements are essential to ensure that suppliers do not evade their responsibilities. In May, in the middle of the Covid crisis, and despite the Covid agreement between BEIS and suppliers, British Gas were putting off callers who told them they are unable to use their supply due to lack of funds A recorded voice referred them to their local authority for help. This was queried and has now been changed.

2.52 We are glad to learn (2.5.2) that another of your respondents made a point about **data protection**. In our view it must be guaranteed, with sanctions for any breach.

Many people are seriously concerned about their privacy and the risk of unwanted interference in their lives. Mothers, single mothers in particular, are hesitant to ask for help for fear that poverty will be interpreted as “neglect” and they could lose their children. This fear is very well founded.⁵ A right to confidentiality, and a guarantee that social services will only be involved at a customers’ own request, is essential and must be made explicit. This must apply both to the results of any monitoring, and when people contact their suppliers..

Even where the stakes are not so unbearably high, some people are afraid they will have little choice but to accept being put on fuel direct, when in fact they would rather go cold, leaving their energy debt unpaid, than see their families go hungry.

⁵ Examples of such unwarranted removals, and the devastating consequences of them, have been meticulously documented in [Suffer the Little Children and their Mothers. A dossier on the unjust separation of children from their mothers](#), Anne Neale and Nina Lopez for Legal Action for Women, 2017. They also cite other research on how Black families are particularly subject to traumatic removals of children from their families.

Another obstacle to people getting needed help is the failure of some suppliers to connect with their customers by telephone. We believe this should be obligatory, especially for people on PPMs.

2.35 Under the subhead, “Offer appropriate support”

We were glad to see you include “ensuring PPMs are still fit for purpose in line with the safe and reasonably practicable obligations”. We do not believe PPMs are fit for purpose where people cannot afford to keep them topped up, and we are aware of at least two suppliers, Bulb and Octopus, that are systematically replacing them with credit meters in these circumstances. Of course, some people want a PPM to help with budgeting. But we believe **PPMs should never be forced on customers, and people should have a right to have them removed as a first step to preventing disconnection** if they are unable to keep them in credit. Internationally, very few countries even *have* PPMs.

Many people are outraged that PPM users, who are likely to have least, are charged more than other customers, despite their payments being guaranteed, and being in effect an interest-free loan taken from people who may be going hungry. The cap has helped, but removing the remaining surcharge on PPM payments would help to prevent disconnections.

2.37 We were also glad to see that in line with their obligations of treating customers fairly under SLC 0, you also expect suppliers to consider if there are any other measures they can take to support customers in vulnerable circumstances. Please see below, 4.22, for “other measures”.

Self-rationing

In line with our comments under Self-disconnection, we agree with your proposal to not impose any further requirements to identify self-rationing. Again, making sure that help is available, reliable, publicised and promoted, and people are able to actively engage with their supplier on that basis, is more important than attempting to identify and define self-rationing.

2.59 We strongly support your decision not to define what is essential. Self rationing can take surprising forms. FPA knows of one west country customer who having virtually stopped using his heating, has now also decided to stay home whenever it's rainy, as he cannot afford to turn on the dehumidifier he uses to dry his wet clothes. We all would once have considered going out to be essential. Has that changed, now? And for whom? Another, sadly, writes that, aged 79 and a half, “Despite prolonged negotiations with my energy supplier, I just cannot afford to keep my flat warm. I could do with a little comfort and enjoyment in my twilight years. Christmas scares me because I know the heater will be on for a long time.” Is warmth at Christmas essential?

In our experience, most people ration their energy use to some degree, and a large proportion are weighing up how many hours a day they can allow themselves to put the heat on.

3. Emergency and friendly-hours credit

We support your proposals under this heading to make emergency and friendly-hours credit compulsory, and to apply other solutions where the technology does not allow this to be offered via the meter in the usual way. We further support the proposed amendment to terminology, and the removal of the reference to interest free loans.

We also agree with your proposal to require suppliers to take all reasonable steps to ascertain the customer's ability to pay and take this into account when calculating repayment instalments should the customer be identified as being in financial difficulty.

Information about emergency and friendly-hours credit should be explained when a meter is installed, and then made available through billing, and on the suppliers' website. It is also essential for call centre staff to be able and ready to supply this information. In addition, customer service league tables and comparison websites should include it in their assessments so that customers (and their advisers) are fully informed when considering switching providers.

4. Additional support credit

4.4 Additional support credit *should* be widely advertised, and suppliers should be required to inform their customers of it.

4.18 We support the proposal that suppliers should be required to offer additional support credit in the situations proposed, and the change of language to make clear that this support is not "discretionary".

4.20 - 4.22 "alternative support"

You are rightly concerned about customers getting into unsustainable levels of debt, and you propose "to clarify, by adding a new condition, that should the supplier deem the additional support credit is not in the customer's best interest, they are not required to provide this credit and alternative support should be provided instead as part of suppliers existing obligations."

We agree that often much more is required than a temporary fix. But additional credit should be available while outside help is being accessed or while more substantial changes (eg to energy efficiency) are being made. **We believe that additional credit support must continue to be provided until further support is in place that makes it possible for customers to cover their reasonable costs.** This will also provide an incentive to suppliers to ensure that other measures are implemented, to provide in-house advice, and if necessary help with applications. People must not be cut off from support in the name of protecting their "best interests".

You suggest relief from energy efficiency measures (clearly the most effective and important solution), and Warm Home Discount, free debt advice, trust funds and non-repayable grants. But there are other steps that could be taken, some of which are relatively quick and are in the gift of the suppliers themselves.

We agree with Christians Against Poverty, who in their Sept 2019 submission to Ofgem consultation suggested:

- *"Providing tariffs with no standing charge for low-usage prepayment customers to prevent debt accruing during periods of self-disconnection. . ."*
- *"Automatically write off arrears that consist entirely of standing charges or load this debt at the back of the meter instead of the front."*

We are disappointed that there is no reference to standing charges in your proposals, as they are a major obstacle to people accessing supply. Those who are frequently forced to stop using their heat or power are constantly being clobbered with the standing charge when they go back on supply, and often cannot find the money needed. The longer they leave it, the worse it gets.

Christians Against Poverty also had other useful suggestions including:

- *"Fast-track Warm Home Discount payments to prepayment meter customers who need the credit up-front to keep on supply."*
- *"Payment matching schemes, like those offered by some water companies, where the supplier matches payments made towards debt or consumption."*
- *"Automatically switching the customer to the supplier's cheapest tariff and waiving exit fees where a customer has not made a proactive choice."*

We are sorry that your proposals do not seem to obligate suppliers to even consider these measures.

4.25 We support your proposal not to limit repeated requests for additional support credit. . Repeated requests are a clear sign of an intolerable situation that must not be made worse by refusal of help.

5. Ability to pay

We absolutely support your proposal to incorporate updated Ability to Pay principles in licence conditions. We believe these principles should be advertised, and enforced.

It should also be clear whether and how they apply to third party debt collectors. Do they apply? We believe they should. We are concerned about situations where debt is sold on - and that such sales of debt may increase if suppliers seek to avoid the new Ability to Pay principles. Customers and their advisers need to know who they can turn to to get these principles enforced.

We are glad to see your commitment to conversations with the customer which take into account the severity of each situation and each customer's ability to pay. We ask that you explicitly include in this people who are in situations where far more heat is required than normal because of their housing situation. They are not included in many people's conception of "vulnerability" (based on health, age and financial situation), but they do fit Ofgem's definition, which includes "circumstances" which can make a customer more likely to suffer detriment. They require specific consideration and support.

It is common for people's need for heat and power to be increased by poor energy efficiency in their homes. Common causes include the fabric of the building, poor state of repair, and inefficient heating systems, for example old gas boilers. While some of these problems can be relatively easy to resolve, there are certain less common situations which can add to and compound this additional need. Fuel Poverty Action are in touch with residents of housing estates who can do nothing about their **exceptionally high costs due to, for instance, malfunctioning heat networks, heat pumps that are unsuitable for the property, or cladding and insulation on tower blocks being removed post-Grenfell and not yet replaced. We believe this should be acknowledged by suppliers and special allowance should be made.**

To ensure that the costs can be covered for power supplied, and to avoid having to carry debts caused by the failings of others, electricity suppliers should also be ready to back up residents who are seeking to get action from their heat provider or landlord.

We ask you to consider the following situations that affect people's ability to pay off debts, and their ability to put on heating:

- It is widely acknowledged that while district heating can be very beneficial, some such systems break down repeatedly, often for long periods, forcing people to rely on direct electric space and/or water heating. This can be completely unaffordable. District heating is unregulated, and only a minority of schemes provide compensation for the extra costs; even in these schemes compensation can be very hard to obtain. Many people go without both heat and hot water entirely, for hours, days, weeks or even months. While the heat supply is not regulated and will not be for some time, these customers' electric supply of course does come under Ofgem. Note that in some cases the power supplier and heat provider may be the same company (eg Eon).
- Heat pumps are commonly installed in properties that do not have sufficient insulation. When the heat pump cannot meet the need for heat, a back-up kicks in and the system employs electricity directly, causing costs to soar; again, many people disconnect as a result. There is also an issue of heat pumps being badly installed or commissioned; in many cases this could in fact be resolved but there is no one with the power to press for the necessary optimisation when customers cannot pay.
- The removal of cladding and insulation has left many tower blocks denuded, often over a winter season, or seasons. While 215 buildings have had ACM cladding removed, only 158 have completed remediation, and there are 2,000 blocks where dangerous cladding is still on the building. The lack of insulation and water protection on high buildings which are very exposed to the elements, including wind and driving rain, can make it simply impossible to keep warm, even if heating is left on 24 hours a day.

In a health emergency people are less able to absorb unreasonable costs, more likely to be home running up high bills, and need to protect their health and resilience. Pat Edmonds, from a Residents Association in Southwark had this question for the council during lockdown in March 2020:

“One question I get asked almost daily from tenants/residents of Wyndham & Comber Estate especially those on district heating is, “is enough work being done to safeguard the district heating?” It failed last weekend. Everyone was freezing. Lots of people have young children who they now cannot take out to their grandparents for warmth and most of whom cannot afford the cost of putting on electric fires. Many seniors are having to augment their electricity bills by paying extra money.

One Southwark resident whose district heating keeps failing is a mother on benefits who is caring for her disabled daughter. She told FPA,

I received a warm home discount but this is all used up. I have put £20 on my prepayment meter. People on small incomes, we can not afford to stock up on food so we have to go out more. Shops are doubling their prices for food which leave less money for fuel. I am using all my food money on the prepayment meter.

And a Salford resident in a Pendleton Together estate says of his NIBE heat pump:

“When I moved into one of the refurbished flats there wasn’t any choice about it. NIBE was installed. We don’t know if they were put in correctly.

I heard of people putting £60-70 a week or more. I don’t put the heating on at all. It costs me around £1000 a year just for washing pots and having a shower. People went to Pendleton Together from the start. They’d send someone round, but nothing was ever done. After years of getting no answers and no help some of us have just given up and go without heating.

With the cladding finally coming off, for who knows how long, the winter is a real worry, especially with leaky windows.”

Households in these situations cannot be expected to pay the costs resulting from the failures of their heating systems and housing. These costs are simply unaffordable.

It would be important to recognise these issues in the license conditions, eg,

“Understanding individual customers’ ability to pay” (c, under your point 5.3.5) could include **taking account of any situations which create unavoidable needs for heat or power above and beyond what is normally expected. Such situations include:**

- **Medical needs for power**
- **Heating systems which are subject to frequent or prolonged outages, or require exceptional use of electricity to bring temperatures up to an acceptable level (eg some district heating networks or heat pumps)**
- **Removal of cladding and insulation following the Grenfell fire”.**

Our views are not confidential and may be published on your website.

24 August 2020

