

Society of St Vincent de Paul

Submission to the Commission for
Energy Regulation on Electricity and
Natural Gas Supplier Handbook.

SVP Social Justice and Policy Team
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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 the Electricity and Natural Gas Supplier Handbook. This submission expands on our previous submissions:

- *Customer Protection in the Deregulated Electricity Market* February 2011.
- *Electricity and Gas Codes of Practice Guidance for Suppliers* March 2010
- *Regulation on Pre-Payment Metering in the Electricity and Gas Markets* September 2011

This consultation arises out of the changing needs, demand and regulation of the energy market in Ireland. For the SVP the most significant changes in the energy market is the increasing cost of energy and, sadly, the increasing number of people experiencing financial hardship and energy poverty. A fact acknowledged by the CER in its last consultation on pre-payment metering:

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.

The SVP also notes further developments in the energy market that should be included in the handbook. In particular the announcement by 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 14th 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 600 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.(SVP Conference)

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)

SVP Response to this Consultation

Proposal 1 : Customer Charter

SVP welcomes the proposal for a 'minimum charter payment' as it gives the charter standing and strength in the eyes of the public. Two observations arise:

- The terminology of 'minimum charter payment' in the consultation document may be confusing to the public as alone it does not state who is paying the money (customer or company!). The term 'penalty' in the handbook may be an overly negative charge for the utilities themselves. Perhaps terms such as 'charter re-payment' or 'charter recompense' may assist in this regard.
- Neither the consultation nor the handbook state who oversees or adjudicates the charter guarantees. In the event that this is done by the companies and not by CER then annually published figures should be made mandatory.

Proposal. : Tariff Presentation

The proposal that there would be a standard presentation of tariffs is to be welcomed as this is an issue of perennial confusion. Inclusion of standing charges is most welcome. SVP observes:

- The proposal for standard presentation on company websites is welcome and should be done in any event by energy companies. A significant leap forward would be to present all companies charges together on a website such as is done for health insurance charges. This could be facilitated on the CER website. See <http://www.hia.ie/ci/health-insurance-comparison> for a guide to the Health Insurance Authority's comparison of health insurance products. A independently monitored cost comparison tool is available on the website www.bonkers.ie

Proposal 3a. & 3b: Customer Sign-Up

In our previous submissions SVP has noted:

CER recognises the issue of credit worthiness in relation to customer deposits. Our experience has been that marketing from new energy suppliers has not taken this into account. SVP notes that despite being commercial enterprises energy suppliers still have a responsibility to those who are vulnerable and to ensure people will be in a position to pay their bills and any outstanding arrears.

A standardised doorstep checklist must include the checks and balances that prove customers:

- *ability to pay*
- *ability to pay by the preferred payment method of the supplier*
- *awareness of costs such as deposits, late payments etc*
- *awareness of budgeting options provided by supplier*
- *sight of last bill from previous supplier.*

In the event of a customer being approached to change supplier information should be provided by the proposed new supplier on how their existing bill will be closed and that they understand arrears will be pursued by the previous supplier.

SVP welcomes some of the developments proposed in the handbook. The SVP would like to see the term 'budgeting options' referred to in the doorstep checklist (e.g. to be included on point h.)

Contact Times: In our previous submission (March 2011) SVP noted:

Permitted times to contact customer are listed outside the times regulated in the CCA 1995 and 8am seems very early considering obligations for work school runs etc. The permitted times for contact could be in line with CCA1995 S46.

Proposal 4: Tariffs and Prices

CER proposes that suppliers notify customers of tariff changes in a 30 day period to allow customers shop around. The SVP notes that a 30 day period should be agreed as long as it can be shown that a customer can viably close and open a new account within a 30 day period.

Proposal 5: Closing Accounts

SVP welcomes the CER proposal on account closing and assumes that advances in metering technology will overcome the delays and difficulties in meter readings as foreseen in the consultation document.

Proposal 6 : Disconnections without a registered account holder

SVP has no comment on this matter

Disconnections: The SVP Submission (March 2011) made many proposals on this matter. While some appear to have been adopted within the document we would welcome the response to our proposals.

Proposal 7, 8 & 9: Complaints

SVP welcomes the complaints definition and proposal to have an escalation process for handling complaints. This should be understood to include complaints on behalf of customers by third party agencies.

Proposal 10: Definition of Vulnerable Customers

In our previous submissions and meetings with CER SVP has consistently argued for the inclusion of financial vulnerability to be included on the Vulnerable Customers Register. The Society notes that the 'no winter disconnections' proposal by the Minister of Communications, Energy and Natural Resources will assist many households who are struggling with bills. Nonetheless SVP's points made in previous submissions remain valid:

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 disagrees with the proposal that Suppliers request evidence of eligibility from customers to be included on the present register. The register is limited to people with difficulties due to age or illness. The present self-referral process to the register already has the potential to act as brake to referrals. A requirement for someone due to age or infirmity to divulge personal medical records to utility companies will act as a further disincentive to the working of the register. The proposal does not address for example how an energy company can make a decision on a clinical diagnoses submitted by an individual as evidence of eligibility.

SVP proposes a widening of the register and improved access, rather than disincentives, to the use of the Vulnerable Customers Register.

Proposal 11: Pre-Payment Meters

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. SVP welcomes any proposal that mainstreams the understanding and knowledge of Pre-Payment meters and expounds a policy of PPMs for budgeting and not just debt reclamation.

Please see SVP Submission to CER (September 2011) for further details.

Proposal 12: Terms and Conditions of Supply

SVP welcomes the proposal that requirements set out in the Handbook are implemented by suppliers. SVP further suggests a provision that suppliers include information on their complaints process including the process facilitated by the CER for all energy customers.

New Developments

It is likely that this handbook will have to make provision for the announcement by the Minister for Communications Energy and Natural Resources on a no disconnections policy for the winter months. SVP, in welcoming the proposal, looks forward to seeing the detail of the policy in the weeks to come.

Conclusions

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.

Annex 1: SVP Press Release 14th 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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