
Warm, Safe, Connected?

*Priorities to protect households
in energy poverty –
Policy, Practice, and Regulation*



Society of St. Vincent de Paul

Produced by the Social
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March 2023

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Introduction

Context

SVP has a long history of supporting people experiencing energy poverty. This includes through the financial crisis when levels of energy disconnections reached approximately 10,000 domestic customers in 2011, in the context of 24.5% of people throughout Ireland living in enforced deprivation.¹

Over the last two years, soaring wholesale gas prices have pushed up domestic energy costs to unprecedented heights, and many people will have seen their electricity and gas bills double since prices began to rise in April 2021. An average electricity bill has risen from around €1000 in Spring 2020, to over €2100 now.²

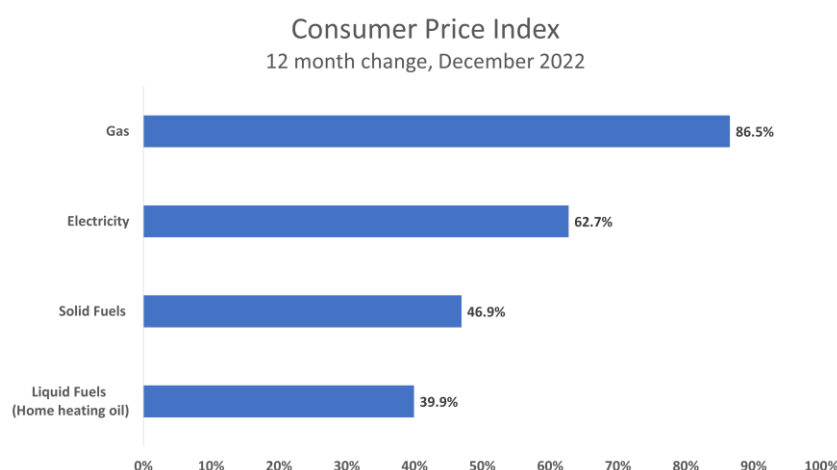


Figure 1: CPI increases in home energy (annual increases to December 2022)

Source: CSO (2022) 'Consumer Price Index December 2022'³

In Ireland almost 4/10 households use home heating oil for central heating⁴ and have experienced serious price volatility in recent years: while the year ended on an annual rate of inflation of 39.9%, if a household had bought a fill of oil in March 2022, they would have experienced an inflation rate of 126.6%. If they bought their oil for the winter in September 2022, they would have been paying 83.8% more than the previous year⁵. Households reliant

¹ NESc (2013) 'The Social Dimensions of the Crisis: The Evidence and its Implications' Available at:

http://files.nesc.ie/nesc_reports/en/NESC_134_The_Social_Dimensions_of_the_Crisis_Main_Report.pdf

² Money Guide Ireland. Available at: [How Much is the Average Electricity Bill in Ireland ? - Money Guide Ireland](https://www.moneyguideireland.ie/how-much-is-the-average-electricity-bill-in-ireland/)

³ Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-cpi/consumerpriceindexdecember2022/>

⁴ CSO (2021) 'Household Environmental Behaviours – Energy use' Available at:

<https://www.cso.ie/en/releasesandpublications/er/hebeu/householdenvironmentalbehaviours-energyusequarter32021/>

⁵ CSO Consumer Price Index, CPM16, Percentage Change over 12 months for Consumer Price Index, Liquid Fuels (home heating oil).

on solid fuels, either as their main heating source or as a backup, have seen the cost increase by almost half (46.9%) in the last year.⁶

This massive increase in the cost of energy has led to an acute level of need. SVP has seen energy poverty deepen amongst those who live on an income below the poverty line, and broaden to include households who might not have experienced difficulties before.

Requests for assistance to SVP

In 2022, SVP received 230,000 requests for assistance from members of the public. This was an increase of around 20% compared to the previous year. During our busiest time of the year the organisation received up to 1,200 requests per day.

There were significant increases in requests for help with energy (an increase of 40%) and requests from people needing help with more than one issue (an increase of 43% - most often this was a combination of help with food and energy).

We have heard from:

- Prepay customers using emergency credit, shocked at how little is left on the meter a few days after topping up
- The emotional and mental health impact of a rising tide of bills, or money on the meter feeling like its slipping through your fingers
- We hear about the interaction between energy and people's health: worry about the heating or electricity needed in cases where people have disabilities or ill health, and fear about the impacts on their health conditions (and concern for children) from living in a cold or damp home
- People having to cut back on minimum essentials: beyond heating, worrying about showers and using a cooker.

⁶ Ibid.

Case studies⁷

Neil lives with his partner and their three children. They pay for their gas on a prepay meter, and are now having to top up €10 or even more a day to cover their heating, hot water and cooking. They are having to choose between keeping the gas meter going or paying for food until Neil's pay comes through. Having to manage this trade-off is 'really hard' as there's just 'nothing spare'.

Maeve is a lone parent with two children aged 5 and 8. Her youngest has repeated respiratory infections and has been struggling to keep the home warm over winter. She received a gas bill of over 500 euro and contacted her supplier to see if they could offer support. She worked out a payment plan but "it's leaving me short on weekly food bills and my rent". Maeve says she doesn't want to go deeper into debt or risk being cut off but "her family budget is stretched to the maximum and it's making daily life impossible."

Rachel has a young child and a new baby and rents a house with central heating that runs on oil. She has been closely watching how much heating and hot water they are using to make the oil last, but she needs to keep her children warm and now the tank is empty. She has just received her electricity bill which she will not be able to pay in full, and is going to have to choose between paying as much as she can toward the electricity bill and finding money for oil.

⁷ These case studies illustrate some of the themes that arise when people seek assistance from SVP. They are based on composite examples and names and details have been changed.

National Picture

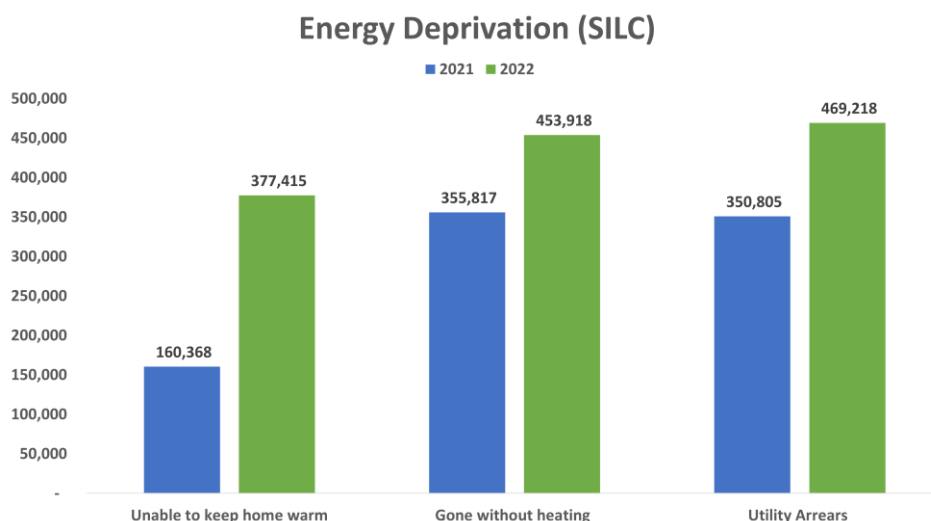


Figure 2: Numbers of people experiencing energy deprivation

Source: Survey on Income and Living Conditions (SILC): Enforced Deprivation 2022.

The latest data shows energy poverty accelerating, reflecting the experience of SVP. This is demonstrated through expenditure indicators – with the ESRI calculating at least 29% of people in energy poverty, which could now be up to 40%⁸ – and on deprivation indicators reported through SILC.

Official enforced deprivation statistics from 2022 show that the numbers of people unable to keep their home adequately warm more than doubled since 2021, rising to 377,000 people⁹. An additional 98,000 people went without heating – rising to almost 454,000 people, and an additional 118,000 people experienced arrears – 66,000 of these twice or more.

This paints the national picture, but the burden of energy poverty is not evenly distributed amongst households. This has been demonstrated many times, but SILC data shows this is also playing out throughout this energy crisis.

⁸ Irish Examiner (2022) 'Up to 40% of households now in energy poverty' Available at: <https://www.irishexaminer.com/news/arid-41018420.html>

⁹ CSO (2022) 'SILC: Enforced Deprivation 2022' Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-silced/surveyonincomeandlivingconditionssilcenforceddeprivation2022/>

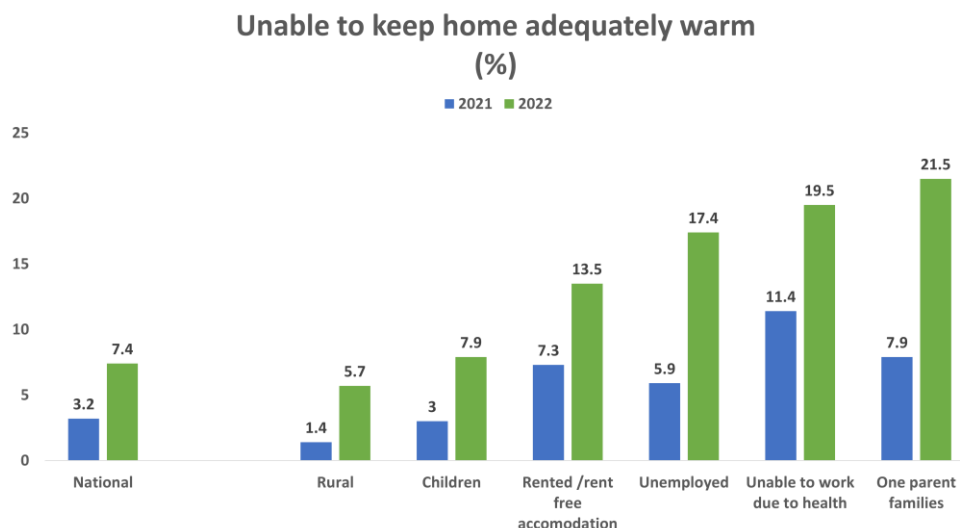


Figure 3: Unable to keep home adequately warm by demographic group.

Source: Survey on Income and Living Conditions (SILC): Enforced Deprivation 2022.

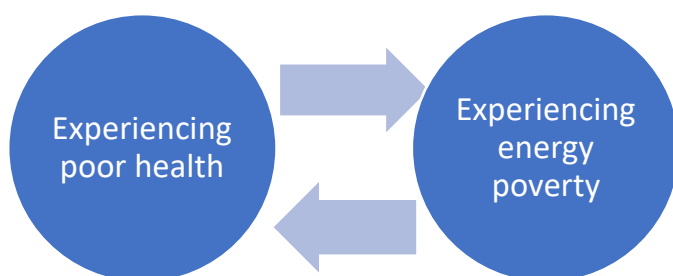
A concentrated crisis

Focussing on households who are not able to keep their home warm enough – which rose from 3.2% of people to 7.4% between 2021 and 2022 – the rate increased by more than 4 times for rural households, rising to 5.7 per cent. This was the most dramatic increase, however the highest rates of this deprivation experience are seen by one parent families, where more than 1 in 5 households couldn't keep their home warm enough (21.5% in 2022, rising from 7.9% in 2021), and those unable to work due to illness or disability with a very similar rate (19.5% in 2022, rising from 11.4% in 2021). We see similarly elevated rates for those who are unemployed, 17.4% weren't able to keep their home warm enough. Renters show a rate of 13.5%, almost double the previous year and almost three times the rate of owner occupiers (4.7%).

More widely, we know that energy poverty impacts some groups more than others: low-income households, one parent families, older households, children, people out of work due to ill health or disability, migrant and ethnic minority households, and members of the Traveller and Roma community.¹⁰

This concentration of hardship is something witnessed by SVP volunteers through visitation – it has been drastically exacerbated this year, but the patterns are not new.

¹⁰ Lawlor, D. and Visser, A. (2022) 'Energy Poverty in Ireland' Oireachtas Library Research Service. Available at: https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2022/2022-03-04_l-rs-note-energy-poverty-in-ireland_en.pdf



The health consequences of energy poverty

This increase in energy poverty should send warning signals about the consequences for people's health.

Research has shown that between 1984 and 2007, Ireland had high levels of excess winter deaths, with 'strong associations' with a household living in fuel poverty and links to class, geography and demography.¹¹

Energy poverty impacts on people's health through the direct impact of being cold on the body, as well as through deteriorating housing conditions such as living with damp and mould: 16.6% of the Irish population live in a house with a leaking roof, damp, or rot.¹² This leads to a range of health impacts associated with immune, respiratory and cardiovascular systems.¹³

Some health conditions and disabilities also necessitate increased energy expenditure leading to an unequal burden placed on these households: Indecon's landmark survey of the additional costs from living with a disability showed that in 2020, respondents were already paying on average an additional €635 for electricity costs and €828 for heating costs¹⁴.

Amongst children, research by SVP using the Growing up in Ireland study has also shown that the health impacts of energy poverty are also experienced by children, leading to increased risk of asthma (10% compared to 8%) and increased likelihood of having two or more courses of antibiotics in the last twelve months (38% compared to 24%).¹⁵

¹¹ Lawlor, D. and Visser, A. (2022) 'Energy Poverty in Ireland' Oireachtas Library Research Service. Available at: https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2022/2022-03-04_l-rs-note-energy-poverty-in-ireland_en.pdf

¹² EU SILC ilc_mdh001 2020

¹³ Lawlor, D. and Visser, A. (2022) 'Energy Poverty in Ireland' Oireachtas Library Research Service. Available at: https://data.oireachtas.ie/ie/oireachtas/libraryResearch/2022/2022-03-04_l-rs-note-energy-poverty-in-ireland_en.pdf

¹⁴ Indecon (2021) 'The Cost of Disability in Ireland' Available at: <https://www.gov.ie/pdf/?file=https://assets.gov.ie/206636/f8e1b2af-af48-442b-9ca0-aff9efd35bd7.pdf#page=null>

¹⁵ SVP (2019) 'Growing Up in the Cold' Available at: <https://www.svp.ie/wp-content/uploads/2022/09/Final-Energy-Poverty-Briefing-9-DEC.pdf>

There is also evidence of the link between energy poverty and poor mental health, including amongst parents living with the stress of unmanageable energy costs having an increased risk of depression¹⁶.

Action we welcome and what is needed now

Welcome progress

- There is a new Energy Poverty Action Plan, outlining the range of actions being taken to help households most at risk from rising energy prices.
- We have seen important new consumer protections that recognise a range of risks customers at risk of energy poverty face within the market (including disconnection moratoriums, moving hardship meter customers on the cheapest tariff, planned expansion of the definition of vulnerability and extending repayment periods).
- There has been an increasing recognition of financial vulnerability and increasing communication to the public about routes to access support.
- Once off payments delivered to households in Autumn and Winter 2022 temporarily eased the pressure on households who were dealing with the impact of a year of inflation, which for many had already resulted in debt and hardship.

Missed Opportunities

- In real terms, the Fuel Allowance and other social welfare payments have decreased in value, not keeping up with prices. This means households having to pay more from less. Particularly, we are concerned that households on the Working Family Payment, and those recently unemployed, have not been adequately recognised as needing support as they do not receive the Fuel Allowance
- There has been an overreliance on universal payments. While everyone has felt rising prices, it has not been a crisis for everyone. We haven't seen targeted price regulation through a social tariff, adequate income supports for those on low and fixed incomes or the introduction of new advice services.
- There is no energy poverty target, either statutory or otherwise. This reduces accountability of the Energy Poverty Action Plan, which lacks a long-term strategic focus.

¹⁶ Mohan, G. (2021) 'The impact of households energy poverty on the mental health of parents of young children' Available at: <https://www.esri.ie/publications/the-impact-of-household-energy-poverty-on-the-mental-health-of-parents-of-young>

What is needed now

- **STABILITY:** People in energy poverty are now living on lower real incomes, with prices set to remain high (including indications this could last until 2030¹⁷). Once off payments throughout this winter have helped, but they do not constitute a stable foundation for people on low incomes. Moving forward, supports need to provide a predictable, stable foundation for low-income households to manage their finances around.
- **INFRASTRUCTURE:** We need to focus on developing the necessary infrastructure to underpin medium- and long-term actions and make sure they have the most impact – infrastructure such as a new statutory consumer advocacy agency and introducing local community energy advisors.
- **VISIBILITY:** We need to make sure we have enough visibility of who is struggling, and how we can help them. This will be achieved through better data collection and monitoring and use of existing systems such as Vulnerable consumer protections, or who is in receipt of a means-tested Social Welfare payment.
- **EQUITY:** Longer term, retrofitting will reduce a significant contributor to energy poverty – the poor quality of too many people’s homes. However, there are serious concerns about the gaps in who will be reached, and how long measures will take to reach people. A commitment to targeting within all energy poverty responses, including retrofitting, means that we can reduce the gap in outcomes between households in energy poverty and those who are not.

Summary of recommendations

The next two parts of this briefing set out the policy, practice and regulatory priorities that we believe are needed to protect households in energy poverty.

Beginning with policy, we detail 6 areas for action for government:

1. Introducing a social energy tariff, targeted at households on means tested social welfare payments. This provides a medium-term solution that will bridge the gap between significant, but ad hoc, cash transfers from government, until the point at which households in energy poverty all live within retrofitted homes. A social tariff provides a targeted yet flexible mechanism to support households to access essential energy.
2. The adequacy of social welfare supports has been eroded throughout this period of inflation: we need to see the benchmarking of social welfare rates against what it costs to live a dignified life in Ireland, including accessing sufficient energy to stay

¹⁷ Irish Times (2023) ‘High Electricity bills set to last rest of this decade’. Available at: <https://www.irishtimes.com/business/2023/01/13/high-electricity-bills-set-to-last-rest-of-this-decade/>

warm at home. The rate of Fuel Allowance should be determined by a strong evidence base on the minimum energy needs of households. This is fundamental to addressing energy poverty.

3. Ensuring households who have accumulated significant debts (including arrears on bills and on prepay meters) have access to sufficient support to avoid a long-term legacy of indebtedness and reduced financial resilience amongst the poorest households in Ireland.
4. We call for the introduction of a new statutory Consumer Advocacy Agency, who amplifies the needs of consumers in a rapidly changing energy market through dialogue with the regulator, policymakers and suppliers, the development of new knowledge about how the energy market interacts with different groups of consumers, and oversight of the function of the market.
5. On the ground, people need a new source of support when they are experiencing difficulties meeting their energy needs. A Community Energy Advice service would provide a local, tailored service to support people to access the financial advice they need, to install 'quick win' measures, and to apply for appropriate retrofitting grants.
6. Finally, we highlight the remaining gaps in retrofitting support. This includes the ongoing lack of strategic action to address poor energy efficiency in the private rented sector: we welcome announcements of future regulation, but a clear pathway is needed to ensure tenants see the benefits of improvements in housing quality.

The next section focuses on practice and regulation, where we set out our 6 areas of recommendations to energy suppliers and the energy Regulator. We call for:

1. A new consumer protection strategy from the Regulator that provides a multi-annual approach to increasing protections for customers in energy poverty and Vulnerable customers.
2. Improving measures to avoid disconnections for energy customers. Moratoria on disconnections in recent years have recognised that households having access to energy is an essential need: we need to make sure that during 'business as usual' practice is improving to protect customers from the threat of disconnection.
3. Offering affordable and sustainable repayment solutions for everyone in arrears, including greater monitoring of repayments plans.
4. Increased protections for prepay customers. At a time of rapidly rising energy prices, customers on prepay meters live with a much higher risk of disconnecting from their energy supply as they run out of credit on the meter. This requires clear direction and innovation from all actors, and should include provision of discretionary top ups, a targeted credit paid to hardship prepay gas customers, and to consider converting Emergency Credit debt into a waived credit.
5. A focus on supportive communications that enable engagement and recognise that households having difficulties meeting their energy costs might need additional assistance to engage.

6. Finally, there has been an increasing recognition that some customers are in a more vulnerable position within the energy market than others. This has resulted in an increased drive to publicise the 'Vulnerable Customer' registers, and a policy commitment to increase the eligibility for the registers: we need to continue to develop the service and protections provided to these customers.

Policy Priorities

This section of the report details our priorities for the policy developments needed to support households in energy poverty dealing with the impact, and legacy, of soaring energy prices. We welcome the launch of a new Energy Poverty Action Plan in December 2022, and look forward to the realization of commitments within the report.

Our intention for this briefing is that it will inform an iterative process for policy development that continues to respond to the changing needs of households in energy poverty.

1. Time to introduce a social energy tariff

Within a complex retail market, customers in energy poverty are often unable to access the most economic deals: direct debits, online billing and other features that lead to discounts are often not preferred by, or accessible to, households on a very low income who must manage their budgets minutely. This leads to a ‘poverty premium’ in the energy market.

Currently, the level of energy prices has necessitated multiple cash interventions from the government, some universal and some targeted. With the prospect of ongoing high energy costs, the main social protection payment, the Fuel Allowance, will remain devalued once the Government halts its transfer of lump sum payments to households. This will leave a dangerous gap for households in energy poverty.

This gap must be filled by introducing a social energy tariff targeted at households on means tested social welfare payments, funded through general taxation. This will provide a medium-term solution to bridge the gap between significant, but ad hoc, cash transfers from government and longer-term solutions to energy poverty such as retrofitting.

The benefits of a social energy tariff include:

- It is a targeted method of supporting those who need it most. Future financial support to households from government could then be focussed just on those who need support, rather than supplying universal supports due to administrative complexity of targeting. This will also mitigate the risk of any inflationary impact of a broad-based credit which includes many households (including second homes) who don’t need it.¹⁸
- It is flexible and could be adjusted as to how much support is provided. It would therefore balance the need of Government to respond to the wider economic

¹⁸ ESRI (2022) ‘Energy Poverty and Deprivation in Ireland’
<https://www.esri.ie/system/files/publications/RS144.pdf>

context whilst still providing a level of stability to households to plan their budget around.

A social tariff would represent a continuation of current policy and consumer protection:

- The extension of the definition of a Vulnerable consumer to include those who are financially vulnerable, based on their receipt of a means tested social welfare payment, extends important protections including from disconnection.¹⁹ However, it does not ensure energy affordability. Therefore, in the context of soaring prices, if a financially vulnerable family cannot meet their costs, arrears will continue to be built up, or, in the case of a prepayment meter, self-disconnections will continue. Recognising financial vulnerability within Vulnerable consumer protections is an important step from the government and leads to greater visibility of who needs the most help in the system. This increased visibility should be used to extend a greater, but flexible, level of support from government that ensures energy affordability.
- As part of extended consumer protections introduced in Autumn 2022, the CRU mandates suppliers move all 'hardship' prepay meter customers onto the most economic tariff available from that supplier. This recognised the value of ensuring those households who are struggling the most should not be paying a premium for their energy. This does not currently cover households in arrears who do not move to a prepay meter, but it does set a precedent to intervene in the tariff conditions of customers at risk of energy poverty.

Across the EU several members states have taken steps to target support to low-income households by funding reduced energy bills, including Belgium, Spain and Portugal.²⁰ Various these provide reduced rates for initial blocks of usage or reduction in overall bills. In the UK, Ofgem are now calling for 'a serious assessment of a social tariff'.²¹

In Ireland, we recommend that a social tariff should take the form of either a proportional reduction in overall bill cost or unit rate. This would allow the level of subsidy to reflect the energy need or requirement of the household (for example, a household using more energy due to household size or house efficiency), complementing the Fuel Allowance which is paid at one rate whether it is a one-person household or a six-person household, a small apartment or an older semi-detached house.

¹⁹ Note: we are yet to hear further detail on the extension of the Vulnerability protections including the timeline and process for sign up.

²⁰ Sgaravetti, G. et al (2023) 'National Fiscal Policy Responses to the Energy Crisis' Available at: <https://www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices#:~:text=On%2018%20June%202022%2C%20the,until%20the%20end%20of%202022.>

²¹ BBC News (2023) 'People Struggling could get lower energy bills' Available at: <https://www.bbc.com/news/business-64352962>

An alternate model would be to offer a discount on a set amount of units, which would reflect that energy use is an essential need.²²

2. An adequate income to meet energy needs

A household having insufficient income to meet their essential needs is a core factor in every experience of energy poverty. At the heart of addressing energy poverty therefore is the need to ensure income adequacy for people living on the lowest incomes: without this, meeting a decent standard of living will require people to continue to trade off between essentials like rent, energy bills, transport and food.



Adequacy levels of 214 social welfare urban test cases

Source: Vincentian MESL Research Centre (2022) 'Budget 2023 MESL Impact Briefing' Available at: https://www.budgeting.ie/download/pdf/budget_2023_mesl_impact_briefing_revised.pdf

During 2022 household energy prices increased by 60.8%, with annual prices rising in the double digits since May 2021. Households have also felt double digit increases in the cost of food (12.1%) and rent and mortgage interest (12.8%).²³

Unfortunately, the situation is deteriorating for low-income households and Budget 2023 did not do enough to protect the incomes of households reliant on social welfare. Analysis of social welfare 'test cases' by the Vincentian MESL Research Centre showed that the once off payments at the end of 2022 provided a buffer, with similar number of types of households experiencing adequate and inadequate incomes as earlier in the year, but by 2023 15 more types of households were living on an inadequate income.

Looking at just six urban household types, MESL analysis shows the one-off measures as part of Budget 2023 protected two from moving into energy poverty, though four still did. However, when calculated for 2023 after once off payments had passed, all six household

²²: Centre for Sustainable Energy (2015) 'Energy tariff options for consumers in vulnerable situations' Available at: <https://www.citizensadvice.org.uk/Global/CitizensAdvice/essential%20services%20publications/tariff-options-for-vulnerable-consumers-May2015.pdf>

²³ CSO (2022) 'Consumer Price Index December 2022'. Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-cpi/consumerpriceindexdecember2022/data/>

types have entered energy poverty. In the context of high inflation, every price increase whilst incomes remain steady means a real-life decision of what must be cut.

Fuel Allowance

Budget 2023 saw a more generous means test for those who are on a qualifying payment to receive the Fuel Allowance, resulting in significant number of people becoming eligible for the first time. However, there was again a failure to extend the payment to households on the Working Family Payment. This means the full weight of rising energy costs falls on these family. This impacts 103,000 children living in households receiving WFP. SVP continue to call for this essential investment to prevent energy poverty in households with children.*

Source: Dáil Éireann Debate, Thursday - 14 July 2022, Available at: oireachtas.ie/en/debates/question/2022-07-14/104/

For households living on very low incomes, the Fuel Allowance is the primary route through which the government provides targeted, means tested support. In the last three years this payment has come into focus: during the pandemic, the 2020 Fuel Allowance season was extended by 4 weeks to its previous period of 32 weeks.²⁴ Last year, households received an additional €225 payment in two lump sums.²⁵ The current Fuel Allowance season has seen a further once off payment of €400 to be paid in November.²⁶

Extraordinarily, this has been accompanied by a freeze in Budget 2023 on the core value of the Fuel Allowance. Analysis by the Vincentian MESL research centre shows that in 2023, the Fuel Allowance will have decreased in value by €300. This retrenchment in the Fuel Allowance is concerning if prices are to remain high.

Whilst we welcome the government's move to use the Fuel Allowance as a flexible route to target support with additional payments, this should not come at the cost of protecting its core purchasing value. If an overreliance on once off, ad hoc payments become a more permanent feature of the Fuel Allowance scheme, the ability of households to plan ahead

²⁴ Department of Social Protection (2020) 'Press Release: Government announces four week extension to existing Fuel Allowance Season' Available at: <https://www.gov.ie/en/press-release/8d0be0-government-announces-four-week-extension-to-existing-fuel-allowance/>

²⁵ Money Guide Ireland (2023) 'Fuel Allowance 2023' Available at: <https://www.moneyguideireland.com/claiming-winter-fuel-allowance.html#:~:text=Extra%20Fuel%20Allowance%20Lump%20Sums%20in%202022&text=A%20second%20extra%20lump%20sum,%E2%82%AC400%20in%20November%202022> .

²⁶ Department of Social Protection (2022) 'Press release: Minister Humphreys launches Fuel Allowance Season' Available at: <https://www.gov.ie/en/press-release/d4b5a-minister-humphreys-launches-fuel-allowance-season/>

and budget for their needs throughout the heating season will be damaged. This will result in households on the lowest incomes having less financial resilience.

3. Avoiding a legacy of energy debt

At the end of this year's heating season, we can expect to see many households who have significant amounts of energy debt, who may have accrued other forms of debt, and who will have depleted any resources such as savings.

In a survey commissioned by SVP in January 2022, there were already warning signs that households with less financial resources were having to make more damaging cut backs. This included cutting back on essential heating and electricity, cutting back on other essentials such as food, and using savings or going into debt to pay bills.

These impacts were disproportionately experienced by those who were unemployed, local authority and private renters, and one parent families. Conversely, retired or working households were found to be more able to make use of constructive responses to price increases such as switching suppliers to make savings or making the home more energy efficient.

SVP (2022) 'The Cost of Surviving' Available at: <https://svp.ie/getattachment/5ca78a6d-af8a-4f3c-a713-09dcb3da5473/SVP-PBS-2023-The-Cost-of-Surviving.aspx>

The latest data on enforced deprivation shows that the numbers of people experiencing utility arrears was clearly rising earlier in 2022, with 9.2% of the population having been behind on bills at least once²⁷. Over a third (35.4%) of people experiencing deprivation had experienced arrears. High levels were experienced by one parent families (16.4%), and renters (15.7%), with sharp increases seen amongst 2 parent families (from 7.4% to 15.1%, and older single adults (from 3.6% to 7.2%).

Household energy debt resulting from the price crisis is a collective challenge beyond the control of any individual household. It is likely to be particularly concentrated in those who either require the most energy, or who have the least room in their budget to absorb any price increases. We therefore need to take collective responsibility for alleviating the resulting debt for these households.

²⁷ CSO (2022) 'SILC: Enforced Deprivation 2022' Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-silced/surveyonincomeandlivingconditionssilcenforceddeprivation2022/>

2021 Snapshot – CRU Data on Arrears

| | Short term arrears | Long term arrears | On payment plan |
|--------------------|--------------------|-------------------|-----------------|
| Electricity | 6.6% | 6% | 0.5% |
| Gas | 4.3% | 14% | 0.2% |

Data from 2021 provided by the CRU shows that despite 12.6% of electricity customers being in arrears, only 0.5% were on a payment plan. Similarly, 18.4% of gas customers were in arrears, and yet only 0.2% were on a payment plan. These are very low levels, and demonstrate the need for more information on the outcomes of customers experiencing arrears and how they can best be supported onto a suitable payment plan.

In addition, the CRU states that ‘On average more payment plans are completed by electricity and gas customers than broken (Electricity: 55% completed: 45% broken. Gas: 57% completed: 43% broken).’ While more payment plans are completed than broken, further research is required to understand why such a significant minority of payment plans do not last the agreed length.

Source: CRU (2021) ‘Energy and Water Monitoring Report for 2021’ Available at: <https://www.cru.ie/wp-content/uploads/2022/12/CRU2022987-Energy-and-Water-Monitoring-Report-for-2021.pdf>

The government must provide clear direction to the energy Regulator and suppliers regarding the outcomes it wishes to see for customers in debt, including the requirement that all arrangements reached with customers prioritises the customer being able to afford all their essential needs. This will require demonstration that repayment plans are negotiated to prioritise genuine affordability for the household’s circumstances, that debt write-down is implemented where feasible, and that there are arrangements for warm referrals to government financial assistance.

Within the government, the Additional Needs Payments Scheme needs to be accessible to those who require immediate assistance and paid at an adequate level to fully meet the need of the person seeking help.

For prepay customers, recent price rises have led to indications there are soaring levels of self-disconnection, with 49% of electricity customers and 66% of gas customers reporting they had used emergency credit in the last year.²⁸

The Energy Poverty Action Plan announced the introduction of a €10 million fund to support customers throughout the price crisis, including a focus on prepay customers. We now need

²⁸ CRU (2022) ‘Attitudes and Experiences in the Domestic and SME Electricity and Gas Markets in Ireland 2022’ Available at: <https://www.cru.ie/wp-content/uploads/2022/12/CRU2022986-CRU-Consumer-and-Business-Survey-Report-2022.pdf>

to see further details of this scheme, including how it will support prepay customers who are self-rationing and self-disconnecting: we see a clear need for a credit targeted at gas prepay customers, who rely on the oldest meters with limited technology, and therefore are at the highest risk of self-disconnection.

The measures required to protect prepay customers are laid out further on in this document.

Without early and adequate intervention, the impact of energy arrears will spill over into sustained food poverty, ongoing self-rationing of essential energy use, and even more essential expenditure put ‘on the long finger’. Households who are struggling need to be identified as early as possible, linked in with expert advice, and supported to access all avenues of financial assistance available to them.

4. Consumer advocacy in a changing market

The regulated energy market is the main conduit through which households in Ireland receive essential power to their homes and provide for their energy needs. However, for different groups of consumers there are vastly different experiences of the market.

Following subsequent crises impacting energy customers, we need to see greater dynamism in developing targeted and outcome-focussed consumer protections for the Irish energy market, both in anticipation of extraordinary events and to improve outcomes during ‘business as usual’.

We see a role for a new body that pushes forward regulation from a consumer’s point of view: a statutory consumer advocate, charged with representing consumers, and particularly those at risk of adverse impacts, to the Regulator and suppliers. This would be an additional function to the engagement that already exists, and work in dialogue, partnership and accountability with the regulator.

1. **DIALOGUE:** A new consumer advocate would be a conduit for consumer interests in the current energy market. It would work in dialogue and partnership with the Regulator, ensure direct and consistent feedback to the Regulator on the experiences and needs of consumers. For example, it could facilitate direct consumer voice through a consumer panel.
2. **DEVELOPMENT:** We would like to see proactive research, both qualitative and quantitative, that enables new and improved consumer protections, particularly targeted at those experiencing poor outcomes in the market.
3. **EXPERTISE:** The complexity of the energy market requires a sufficient level of technical expertise to ensure there is sufficient oversight and feedback from a consumer perspective.

As our response to the climate crisis now ramps up, there are increasingly areas where consumers' energy needs intersect with new functions and technologies in the energy market: use of heat pumps, retrofitting works, group heating schemes, etc.

The necessary regulation and consumer protections need to be anticipated and implemented ahead of time. Beyond the risk to individual energy users, there is a risk that climate action becomes associated with households in poverty seeing the worst outcomes first.

5. Community Energy Advisors

There is a notable gap in the advice that is available to households at risk of energy poverty who would benefit from tailored, wraparound support. This advice service would address immediate energy needs (for example, understanding bills and navigating tariffs), using energy efficiently (but to safe levels) at home, and onto longer term, preventative measures such as accessing retrofitting grants.

The current gap in available advice results in energy poor households:

- Not confident managing the energy market to get the most appropriate deal for them;
- Unaware if they might be eligible for payments such as an ANP, Household Benefits Package, etc;
- Missing out on easy measures such as lagging jackets for boilers, using heating controls or effectively, or other similar measures;
- Lacking awareness or confidence to apply for grants such as free Warmer Homes upgrades;
- Unsure about eligibility for different income supports that may be available.

This gap has been highlighted this winter, with other services having to try and provide appropriate energy advice to people in energy poverty without sufficient infrastructure.

The service, which could be hosted by local authorities, would be linked in with the relevant local and national state partners, such as housing bodies, SEAI, MABS, Credit Unions, Intreo services, and utility suppliers themselves.

Research by UCC for MABS found that of survey participants, 59% qualified for free energy upgrades due to being in receipt of a relevant social welfare payment, but only 9% had actually used the supports, and of those it was mostly for shallow measures such as lagging jackets, light bulbs, and attic insulation.

Source: UCC (2021) 'ENERGISE: Enhancing the transition to energy citizenship: Connecting households with low disposable incomes.' Available at:

<https://www.ucc.ie/en/media/research/iss21/ENERGISEpolicybriefingpdf.pdf>

6. Providing warm housing for all

Retrofitting housing is the cornerstone of the long-term strategy to address energy poverty: rightly, the government has committed significant resources over the next decade to improve the quality and energy efficiency of Ireland's housing stock. This includes funding the upgrade the homes of households on a low incomes, and recent Budgets have bought increasing funding to both free energy upgrades for low-income homeowners, and for local authority upgrades.

However, with clear evidence which groups in society are most at risk of energy poverty, we are concerned that stark gaps remain in the current approach with many people not accounted for within retrofitting plans. Without clear strategy and action now, this will lead to:

- Increasing inequality in housing, financial and health outcomes as some groups within society can access retrofitting and others cannot, leading to an ever-increasing gap in housing quality
- Inequitable mitigation of the impacts of the carbon tax, as measures to offset the costs through retrofitting are not reaching all those at risk – through policy design (eligibility criteria) and practice (roll out and waiting times).

These issues must be addressed by ensuring retrofitting funding reaches all those who need it most. This includes clarity over the timelines for when we might expect all targeted households to be reached, and greater momentum in finding policy solutions for those currently left out.

With the rapid ramping up retrofitting throughout this decade, gaps and inequities in retrofitting policy need to be addressed without further delay.

Conclusion

The legacy of this energy crisis must not be households in energy poverty living with even less financial resilience and dealing with the related physical and mental health impacts.

It must instead be a stronger framework of support where we have a more targeted, more effective toolkit of interventions so that people can always access the energy they need.

No one should have to make impossible decisions about where the cutbacks must fall in their weekly budgets. Instead, we can collectively step in and provide a buffer, ensuring all households have the energy need to stay warm and healthy.

Regulation and Practice: Consumer protection during a price crisis

Introduction

This part of the document sets out our recommendations to the energy Regulator and energy suppliers to support customers during this time of extraordinary energy prices. It reflects on the experience on the measures taken to protect customers during the COVID-19 pandemic and the energy crisis to bring together the key learnings and charts a pathway forward for suppliers and the Regulators.

In June and September of 2022 SVP convened joint discussions with energy suppliers on how best to support customers at risk of energy poverty through the energy price crisis. These discussions were based on sharing the experience of SVP and suppliers when working with people in energy poverty, hearing about measures that have already been implemented by suppliers, and discussions of potential further actions that suppliers could take. In addition to these conversations, SVP has drawn on our experience supporting households as well as wider research, to develop the following recommendations.

We detail a number of priorities for the Regulator and suppliers, including:

1. The introduction of a new consumer protection strategy focussed on creating better and more equal outcomes in the energy market.
2. Intervening early to prevent disconnections.
3. Agreeing sustainable repayment plans.
4. Protecting prepay customers.
5. Developing supportive communications to encourage engagement.
6. Recognising and supporting Vulnerable customers.

1. A new consumer protection strategy

Recent years have brought consecutive crises impacting energy customers, and the Regulator has taken important action to protect customers in energy poverty and Vulnerable customers²⁹. This has included significant measures such as moratorium on

²⁹ Note: Important critiques of the use of the term 'Vulnerable' include that many people do not identify as vulnerable and therefore do not know the protections could apply to them. It can also imply an individualisation that does not highlight the structures that put people in a vulnerable position. We therefore attempt to only use it when referring to the statutory terminology of Vulnerability, and how these protections can be of use to consumers.

disconnections, moving all ‘hardship’ prepay meter customers onto the cheapest tariff and reducing the amount of arrears repaid with each prepay top up.³⁰

SVP believe this rapid reactive development in consumer protections needs to be harnessed and move towards proactively planning to improve outcomes in the market for those most at risk.

For customers in energy poverty, we believe the priority outcomes throughout the price crisis should be:

- *Customers are able to use the energy they need for their health and wellbeing.*
- *Customers are able to manage their energy costs sustainably. This includes not having to cut back on essential energy expenditure or spending on other essential needs.*
- *Customers receive support when they need it in a way that works best for them.*

We recognise that developing this approach will require significant resources, however on the back of successive crisis we believe this is needed - not only to increase the market’s resilience should another unexpected event occur, but to create increasingly equal outcomes during ‘business as usual’.

We recommend that the Regulator:

- Provides sufficient resources for a proactive research programme to explore both who is experiencing poorer outcomes, what their experience is (through both qualitative and quantitative research), and best practice to protect them; it should also include increased market monitoring and stakeholder engagement.
- Introduces a new, multi-annual strategy to protect customers in energy poverty and Vulnerable customers. This should encompass but go beyond statutory (permanent and temporary) definitions of vulnerability.³¹
- Focussed on increasing our understanding and data on groups who are most at risk of poor outcomes within the energy market. This should include data, insights and supports for prepay customers, financially Vulnerable customers and customers eligible for Vulnerable customer protections who are not signed up.
- Centres the experience and voice of customers, for example through a consumer panel.

³⁰ CRU (2022) ‘Customer Protection Measures for Household Electricity and Gas Customers’ Available at: https://www.cru.ie/document_group/customer-protection-measures-for-household-electricity-and-gas-customers/

³¹ Note: Currently, a Vulnerable customer is defined as those who are either ‘critically dependent on electrically powered equipment. This includes (but is not limited to) life protecting devices, assistive technologies to support independent living and medical equipment’ or who is ‘particularly vulnerable to disconnection during winter months for reasons of advanced age or physical, sensory, intellectual or mental health’ (CRU). The Energy Poverty Action Plan 2022 commits to amending legislation to extend these protections to financially vulnerable households for this winter and next winter.

- Enables transparency and accountability for the market through making relevant market monitoring data publicly available in good time³², and through the publication of annual progress reports.
- Provides best practice examples that illustrate the Regulator's expectations from suppliers, and other actors in the market, to accompany regulation and documents such as the Supplier Handbook. This would make it clear the sorts of actions and innovation the Regulator expects and seeks from suppliers in seeking better outcomes for customers.

Importantly, this strategy should set an agenda that seeks improvements in the market in 'business as usual' times, as well as anticipating potential responses to extraordinary events such as those in recent years.

2. Avoiding Disconnection

Energy is an essential service, and during a disconnection people cannot access their basic needs of heat, light, and energy. Receiving energy supply through the retail market is, for the vast majority of people, the only way of accessing this essential service.

Customers who have fallen into arrears and receive repayment reminders or notices in advance of disconnection often feel threatened. In the experience of SVP, at this stage people are often experiencing difficulty in more than one area: struggling with rent costs, facing an unexpected expense, or a sudden loss of income. This means people will be navigating complex situations including being a part of other peoples' timelines such as support services (statutory or voluntary), landlords, etc.

SVP welcomes the decrease in disconnections since the pandemic and the introduction of periodic moratoriums to prevent disconnections at times of high risk for customers. We hope the decrease in disconnections continues throughout this winter, and signals changed use of disconnection from suppliers.

Currently, for all customers on standard meters there is an extended disconnection moratorium for three months over Christmas 2022, rather than one, as well as the usual winter moratorium for Special Services customers, and the all-year moratorium for Priority customers. (These moratoriums do not apply to prepay customers due to the functionality of the meters: once credit on prepay meters has run out, the energy supply disconnects – the steps that can be taken to prevent this are detailed elsewhere in this briefing.)

As we prepare to exit the disconnection moratorium it is important to learn lessons from previous moratoriums, and suppliers and the Regulator should consider what constructive and informative communications can smooth the pathway out for customers in arrears,

³² For example, see Ofgem's data dashboard: <https://www.ofgem.gov.uk/publications/debt-and-arrears-indicators>

including early signposting and referrals, and proactive offering of financial support and repayment arrangements. This early or preventative intervention is an important mitigation against future disconnections once the moratorium has lifted.

Recommendation to suppliers

The focus of suppliers should be on explicitly informing and reassuring customers that there are multiple routes they can take to avoid disconnection; make sure the different pathways and timelines are clearly explained; and that people are supported to take an easily actionable next step.

Additional costs associated with disconnection, such as reconnection fees or requiring a deposit, present an extra burden for already struggling households and we urge suppliers to waive these payments.

Recommendation to the Regulator

We recommend the Regulator provides clear direction to suppliers regarding the communications they expect to see with customers during a moratorium, to encourage and facilitate engagement to find a solution that is suitable for the customer.

We encourage the Regulator to increase monitoring, including gathering data on the stage at which customers are reaching when in arrears (ie. numbers receiving initial repayment notice through to numbers notice of disconnection) to prove a more detailed picture of customers' experience of disconnection. This should be used to inform suppliers of best practice on reaching early resolutions and avoiding distress.

3. Sustainable repayments

In SVP's experience, arrears repayment, either via prepayment meters or repayment plans, can be onerous and present a barrier to meeting essential energy use as well as essential spending in other areas. Currently – unless a third party is involved – the supplier relies on the customer to offer or agree to an amount. As being on an agreed repayment plan is a condition of the Energy Engage code to prevent disconnection, as well as the understandable urge to settle an amount, we believe there should be more structures in place to ensure the amounts agreed to are fair.

We welcome recent CRU developments in this regard, including extended repayment periods and reduced arrears repayments on hardship prepay meters. However, this still does not fully incorporate evidence over what is affordable for different customers, especially as the value of arrears across the market increases.

This will be an important area of development and accountability throughout this period of high prices, otherwise there is a risk of unsustainable arrears repayments that are detrimental to people's wellbeing.

Payment Plans

Prompt questions for suppliers:

*What information **do suppliers need** to suggest a sustainable repayment amount?*

*What information does **the customer need** to agree a sustainable repayment amount?*

*What **affordability checks** does the supplier have in place?*

At a time of very high prices, there is a danger that repayment amounts for arrears are set at a rate that causes hardship to customers who must cut back on essential spending in other areas to meet their repayment commitments.

The recently introduced measure from the CRU that payment plans have to be offered at a 24-month period if the customer wishes recognises that at a time of high prices there is a risk of onerous repayment amounts being set. While we welcome this as a rapid response, longer term we see a requirement for a more informed approach across the market, and more robust monitoring of repayment.

Market reports from the CRU should flag serious cause for concern regarding payment plans: survey data from 2021 indicates the significant minority who did not feel consulted with the repayment amount,³³ and market monitoring shows the very small number of customers in arrears who are on payment plans.³⁴ We also know that high proportions of payment plans are broken (45% of electricity plans are broken, and 43% of gas plans are broken)³⁵. Beyond this however, there is little visibility of the state of repayment plans within the market.

We have heard from suppliers that it is difficult to ascertain affordability beyond what the customer volunteers or agrees to. However, there are resources that are available that suppliers should use to set guidelines that indicate what may be affordable – or onerous – to customers on low incomes. For example, the Minimum Income Standards Calculator, developed by the Vincentian MESL Research Centre, can calculate the minimum energy expenditure needed for different household types in a range of circumstances.³⁶ This can

³³ CRU (2021) 'CRU Residential Electricity and Gas Market Survey Results 2021 (Quantitative Research)' Available at: <https://www.cru.ie/wp-content/uploads/2022/02/CRU202224a-Domestic-gas-and-electricity-markets-survey-2021.pdf>

³⁴ CRU (2022) 'Energy and Water Monitoring Report for 2021' Available at: <https://www.cru.ie/wp-content/uploads/2022/12/CRU2022987-Energy-and-Water-Monitoring-Report-for-2021.pdf>

³⁵ *ibid.*

³⁶ Minimum Income Standard Calculator – available at: <http://misc.ie/home>

reveal the potential of a customer to meet repayment alongside other essential expenditure.

We note that in Supplier Licences issued by Ofgem¹ in Britain, clear ability to pay principles are included (27.8A) which require suppliers to provide training for staff on assessing ability to pay; only using default amounts when there is a lack of information given (and default amounts must be ‘reasonable’).

There are significant monitoring requirements stipulated by Ofgem including: failed repayments; use of prepayment meters; approach of staff to negotiating rates including call listening; monitoring repayment rates and periods and analysing trends.

Domestic Gas and Electricity Market Survey 2021

The CRU’s Domestic Gas and Electricity Market Survey from 2021 found that almost a third of customers on payment plans reported that while most commonly repayment amounts were arrived at ‘by [the] supplier but in consultation with [the customer]’, the repayment amount was arrived at ‘by [the] supplier without consultation with [the customer]’ in a significant number of instances (28% for electricity customers, 31% for gas customers). (1)

This question does not appear in the 2022 Market Survey, reducing the potential for more recent analysis. (2)

This is based on a very small sample (Electricity n=43, Gas n=119) and therefore warrants further research. it indicates that a significant minority of customers do not feel their views on affordability were included in the agreement. This should be of great concern to the Regulator.

(1) <https://www.cru.ie/wp-content/uploads/2022/02/CRU202224a-Domestic-gas-and-electricity-markets-survey-2021.pdf>

(2) <https://www.cru.ie/wp-content/uploads/2022/12/CRU2022986a-CRU-Consumer-Survey-Residential-Customer-Results-2022.pdf>

Recommendation to Suppliers

Suppliers must train staff that negotiate repayments with genuinely affordable guideline amounts for people on low incomes. This would ensure suppliers are adhering to the supplier handbook instruction to:

5.3.3 A supplier should take account of the customer’s ability to pay when agreeing any repayment arrangement, by credit or prepayment meter and confirm with the customer that arrangements are manageable.

5.3.49 Suppliers are required to implement a clear, transparent and fair policy to ensure that the customer’s ability to pay is taken into account when setting debt payment arrangements, including the debt recovery rate for PAYG meters.

And

5.3.5d.

d. Repayment arrangements based on the customer's ability to pay I. Reasonable and affordable debt recovery arrangements which take into account the customer's circumstances; II. Upfront payments are presented as an option not as an obligation

Recommendation to the Regulator

The Regulator should, considering the ambiguity of the above wording, issue guidance that illustrates expectations and best practice for suppliers to follow when negotiating amounts.

It is vital that the monitoring in this area is increased. This needs to include the amount of repayments being agreed to and made and the length of repayment plans agreed to. This will be important in assessing the impact on recent guidance that plans of at least 24 months must be offered.

Discretionary assistance – Hardship Funds

Over the last two years, several suppliers have set up Hardship Funds through which they offer discretionary support to customers experiencing difficulties, often in partnership with other organisations including SVP. This is a pragmatic way to offer assistance to people who have built up significant arrears or are struggling to top up their prepay meter.

For customers in a financial situation where energy costs have risen to the extent that there is no affordable level of repayment alongside their ongoing costs that can be negotiated, we recommend as an outcome to aim for:

Stay connected, stay engaged.

This prioritises meeting ongoing costs to the greatest extent possible including giving 'breathing space' on arrears – and therefore keeping the door open to contact and support from suppliers and other organisations.

We would encourage suppliers that can offer discretionary reductions in arrears to do so. This targeted assistance will prevent hardship and is a proactive and customer-focussed response to a situation beyond the customer's control.

Once-off and upfront payments

There are instances where lump sums are requested or required by suppliers; as a deposit in the absence of a direct debit; to reconnect supply; as an option when entering repayment arrangements.

It is SVP's experience that these payments are often entirely beyond the means of low-income households and act as a barrier to keeping up with their energy costs. For instance, a €200 deposit to open a gas account is almost the entirety of a week's social welfare payment for a single adult. In every possible instance these fees should be waived for customers for whom they will cause difficulty.

When agreeing a repayment plan with a supplier, in some instances a customer may choose an upfront payment to reduce their debt repayment but the Supplier handbook requires upfront payments to be 'presented as an option not as an obligation'. This is unfortunately open to interpretation.

Recommendation to Suppliers

While suppliers should enable customers to choose a lump sum repayment if they wish, attaching incentives to this, or using it as a required part of a repayment offer, removes the optional nature of any upfront payment. Any reference, written and verbal, to lump sums must be checked from the point of view of the customer to ensure this is clear, and there should be monitoring of their use in terms of the process by which they are agreed, and the trends in their use and take up.

Tariffs and billing

A customer on a low income is working with finite resources in the face of spiralling costs. The most efficient use of a low-income customer's money is to spend it on the most affordable tariff available. To policy makers, SVP advocates for the introduction of a government-subsidised social tariff.

Recommendation to Suppliers and the Regulator

To suppliers, we recommend moving all customers in arrears onto the cheapest available tariff, and that this becomes a permanent measure mandated by the CRU to protect customers. This would enable customers to get the most energy for their spend and would follow the recent introduction of this measure from the CRU for 'hardship' prepay meter customers and provide parity between these two groups of customers.

4. Protecting prepay customers

As prices rise, prepay customers are especially at risk of going without essential energy as there is no lag between energy use and payment – when there is no more money to top up, there is no energy.

SVP members frequently see customers rationing their energy use beneath safe and healthy levels and regularly self-disconnecting. SVP has encouraged the suppliers and the regulator to look into how the levels of rationing and disconnection can be monitored to understand how best to help.

In the Irish energy market, there are two routes to using a prepayment meter: referred to as 'lifestyle' prepay meters and 'hardship' prepay meters.

'Lifestyle' meters are generally installed as a budgeting preference and have specific tariffs with additional charges (however, it should be noted that in rented accommodation a prepay meter can come pre-installed, and so there will be many 'lifestyle' customers for whom the prepay meter is not their choice).

'Hardship' meters are offered to customers in financial difficulty to pay back arrears. Under recent CRU direction these customers must be put on the cheapest tariff available from their supplier. As part of each top-up, customers with debt on the meter will have a proportion of their credit directed towards their arrears.

With estimated annual bills now reaching double the level from previous years, the risk posed by prepay meters has multiplied, as essential energy usage levels are objectively unaffordable for more and more people. While self-rationing and self-disconnection have always been a risk, that risk is now of a different magnitude. This has been recognised by policymakers and the regulator with the introduction of important measures, however these measures do not yet adequately mitigate the risk to people's health and wellbeing from extraordinary energy prices that must be paid through a prepay meter.

In December 2022, the CRU published survey data showing the increasingly precarious position of prepay customers, who are accessing emergency credit at much higher rates than in previous years.

There is significant cause for concern as the survey indicates an increase in prepay customers needing to avail of emergency credit up from 17% in 2020 to 49% in 2022 for electricity, and 25% in 2020 to 66% in 2022 for gas³⁷.

³⁷ CRU (2022) 'CRU Residential Electricity and Gas Market Survey Results 2022 (Quantitative Research)' Available at: <https://www.cru.ie/wp-content/uploads/2022/12/CRU2022986a-CRU-Consumer-Survey-Residential-Customer-Results-2022.pdf>

Further detail shows that for 5% of electricity customers, and 15% of gas customers, disconnections had lasted more than 24 hours³⁸. Data on reasons for not topping up are limited by small sample size but the results indication for gas customers, the most common reason for disconnection was being short of money to pay for credit.³⁹

| | 2020 | 2021 | 2022 |
|--------------------|------|------|------|
| Electricity | 17% | 37% | 49% |
| Gas | 25% | 60% | 66% |

Survey respondents who have used emergency credit

Source of table: CRU (2022) 'Attitudes and Experiences in the Domestic SME Electricity and Gas Markets in Ireland 2022) Available at: <https://www.cru.ie/wp-content/uploads/2022/12/CRU2022986-CRU-Consumer-and-Business-Survey-Report-2022.pdf>

Recommendation to the Regulator

The limited data provides some indication of the experiences of prepay customers and increasing reliance of emergency credit, but further in-depth research is urgently needed into who is experiencing this most often, why, and how they can best be supported⁴⁰

Identifying prepay customers in difficulty

As yet, it appears that monitoring data directly from the prepay meters does not yield clear indications of patterns or trends in rationing or self-disconnection, meaning survey data – such as that referenced above – must be relied upon. Unfortunately, while this signals a significant issue, it cannot pinpoint which customers need help.

Prompt question for suppliers:

What is the 'best case' customer journey for a prepay customer who cannot keep up with their payments and is having to ration and self-disconnect from their energy supply?

What actions can suppliers take to move customers towards this 'best case' journey?

Recommendation to suppliers and the regulator

We urge suppliers and the regulator to continue to explore the potential of the administrative data to provide insights and alongside this to commission surveys and

³⁸ CRU (2022) 'Attitudes and Experiences in the Domestic SME Electricity and Gas Markets in Ireland 2022) Available at: <https://www.cru.ie/wp-content/uploads/2022/12/CRU2022986-CRU-Consumer-and-Business-Survey-Report-2022.pdf>

³⁹ Ibid.

⁴⁰ Ibid.

qualitative research to better understand the patterns, trends, and risks for different groups for rationing and self-disconnection. A potential avenue could be looking at lengths of disconnections, in addition to frequency, as mentioned in an Ofgem example of supplier best practice⁴¹.

Installing prepay meters

While SVP recognises the choice of many customers to use prepay meters due to the budgeting benefits it can bring, the installation of a ‘hardship’ meter must always be a **voluntary opt-in** measure subject to existing safeguards outlined in the CRU’s Supplier Handbook.

‘Hardship’ meters being a voluntary, opt-in measure is of paramount importance considering that:

- For customers considering a ‘hardship’ meter, we already know they are at risk of not being able to afford energy as they have either accrued arrears or struggled with energy costs, so there is an increased likelihood they may at times struggle to meet their costs.
- Prepay customers may have a different relationship to their supplier than billpay customers without the regular communication of receiving bills. This means prepay customers may not access the same level of support from their suppliers, such as negotiating repayments and being referred onwards to other services.
- The capabilities of some meters limits the options for suppliers to offer timely discretionary assistance
- The high repayment rates for recouping emergency credit means customers do not receive their full-top up in these instances.
- In a context of rapidly increasing energy prices, customers are signing up for a product they cannot be sure they can afford if prices rise further. While this is true of all energy customers (of different incomes, and signing up to different energy contracts), customers on prepay meters have no time lag or buffer, and will feel the immediate impact of not being able to keep up.
- Opting-in to a prepay meter voluntarily provides a safeguard to customers who may be Vulnerable including those who may not have disclosed or made the supplier aware of this.

To mitigate these factors, SVP recommends suppliers:

Ensure (through active monitoring) that meters are only installed when suitable, and are entirely opt-in. Suppliers should always undertake an assessment as to whether the installation of a pre-pay meter is safe and appropriate for the personal circumstances of a

⁴¹ Ofgem (2021) ‘Consumer Protection Report: Autumn 2021’ Available at: https://www.ofgem.gov.uk/sites/default/files/2021-10/Ofgem%20Consumer%20Protection%20Report%20Autumn%202021_Final.pdf

customer: at a time of high prices, customers on a low income are at a higher risk of rationing and self-disconnection. This has potential serious health (physical and mental) and wellbeing impacts. A prepay meter should only be installed if a supplier is fully satisfied it is the best option for the customer and there is no indication of Vulnerability within the household.⁴²

To support customers as they manage high prices on a prepay meter, we also recommend suppliers:

- Discretionary top ups should be offered when needed, and when a customer is in financial difficulty they are signposted or referred on to support services to access broader support.
- Suppliers should consider temporarily reducing standing charges on gas meters to free customers' top ups for ongoing usage and consider converting emergency credit 'debt' to a waived credit where discretionary, remote top-ups are not possible on older gas prepay meters. Prepay gas meters are now outdated and limit what options can be taken to support these customers. Updating these meters should be prioritised.
- Customers with 'lifestyle' meters should also be engaged with and if they are in financial difficulty should be offered 'hardship' meter rates by removing the pre-pay service charge. By definition there is more limited understanding of which 'lifestyle' prepay customers are struggling financially as there is no visibility of them accruing arrears. This should be seen as an area to research.

Recommendation to the Regulator

Protecting prepay customers is a challenge that requires innovation as prepay meters sit within complex networks of organisations and technologies. We recommend the Regulator closely monitors the process through which prepay meters are chosen by the customer and whether, across the market, these processes are of the expected standard to ensure customers stay on supply.

5. Communications and encouraging engagement

When a customer experiences difficulty meeting their energy costs, early engagement with their supplier (either directly or through a representative) along with the support of other services can enable customers to find an appropriate solution until they are back on track.

⁴² Citizens Advice have offered guidance to UK suppliers on the wraparound support suppliers should offer prepay customers: Citizens Advice (2017) 'Good Practice Guide' Available at: <https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Good%20practice%20guide%20-%20holistic%20support%20for%20PPM%20users%20FINAL.pdf>

The Energy Engage code was introduced in 2014 as a voluntary commitment by suppliers to never knowingly disconnect an engaging customer. This was an important development and remains a solid foundation to protect customers from disconnection.

SVP have seen the positive impacts on customers in difficulty since the introduction of the Energy Engage code. However, there are multiple barriers to engagement for customers struggling with energy costs, from the practical (call centre waiting times) to the personal.

Eight years after the introduction of the Energy Engage code, we urge industry to push the agenda further and continue with innovation of voluntary measures, including recognising the barriers to engagement people can face. As we experience a cost-of-living crisis, it seems an appropriate time to reconvene around a set of principles and commitments that go beyond the original code.

Recommendations to suppliers:

1. Suppliers should have a nuanced approach to what counts as engagement.

The definition of engagement can be open to interpretation, between a customer who is meeting every repayment commitment and proactively communicating and a customer who might only be making sporadic repayments. Throughout this period, we urge suppliers to count each and every proactive action from customers as engagement, and an opportunity to invite a constructive next step. Partial or irregular payments, on arrears or ongoing usage, could be a flag that a customer is struggling financially and should be seen as an opportunity to offer additional support, signposting and referrals.

2. Customer communication should be assessed from the point of view of customers, taking into account the range of circumstances customers may be in.

For all customers seeking to contact their supplier at a time of difficulty, their experience of different points of contact will impact their future decisions and inclinations of where to turn for help. Call centre routes and waiting times (ie. how long it takes to get through, and whether the team reached can help), alternative modes of contact such as web chat or email, and the actual solutions offered once people get through, should all be assessed from the point of view of a customer who is seeking support.

For example, when seeking overdue payments, suppliers should ensure that their communications present the customer with options and information, as customers may believe that to avoid disconnection, they have to repay all or most of their arrears in a lump sum. The CRU's Retail Market Survey in 2020 found that 49% of electricity and 50% of gas

customers were not aware of the potential to make a payment arrangement with suppliers⁴³. Setting this option out clearly could encourage customers to engage earlier.

For some customers, there are additional barriers to contact with suppliers. Research commissioned by Citizens Advice in the UK found that customers with mental health problems can go through periods of disengagement with their supplier where they find it very difficult to proactively communicate with suppliers, 'even when the cost of inaction is high'.⁴⁴ Suppliers should seek to understand and reduce the barriers to engagement for different customers in different circumstances, and engage with a wide range of customer representatives, and customers themselves, to do so.

Prompt questions for suppliers:

Have communication points been checked (and especially those targeted towards people having difficulty paying) with customer advocates, and customers themselves? From each communication, will a customer understand:

'What now? Where next?'

Have communication points been checked for:

- *A reassuring tone that invites engagement*
- *A clear point of action the customer can take next, including:*
- *An easy route to engage with the supplier, and information about what they can expect when they do.*

Note: *Does this invitation to engage imply the customers may need to repay the whole amount immediately? This will put customers off engaging if they know they don't have the funds to do so. Customers should be reassured that they will benefit from engaging even if (and especially if) they cannot repay the whole amount.*

- *A clear invitation to engage with an independent source of support (and a specific route to do so).*

How can the referral be strengthened? Can we signpost to multiple options (customers may have already tried one pathway, or have preferences for another)?

- *Have we used this opportunity to check and assess whether the customer could be eligible for Vulnerable customer protections?*

Recommendation to the Regulator

The Regulator should monitor ongoing development – in both content and capacity - in communications, including:

- the content of written materials

⁴³ CRU (2020) 'CRU Residential Electricity and Gas Market Survey Results 2020' Available at: <https://www.cru.ie/wp-content/uploads/2021/03/CRU21027-CRU-Residential-Electricity-and-Gas-Market-Survey-Results-2020.pdf>

⁴⁴ Britain Thinks (2018) 'The Energy Market for People with Mental Health Problems' Available at: [https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/The%20Energy%20Market%20and%20people%20with%20mental%20health%20problems_CitizensAdviceBritainThinksFINAL%20\(1\).pdf](https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/The%20Energy%20Market%20and%20people%20with%20mental%20health%20problems_CitizensAdviceBritainThinksFINAL%20(1).pdf)

- the ability of customers to engage over the phone and through other channels with a contact who has the expertise to support them if they are in difficulty

This capacity and expertise should be considered part of the resilience of the organisation when preparing for unexpected events, as well as a route to improve outcomes during 'business as usual'.

Learning from Ofgem research

In 2021, the energy Regulator for Britain, Ofgem, [published the results of qualitative research](#) 'to understand how consumer engagement, attitudes, and comprehension are impacted by alternative messaging approaches in energy supplier debt communications.' Overall, the research found that **compassion and information** should be the focus of communications.

Their findings included:

Tone and wording

- While the majority of respondents would get in touch with their supplier anyway, an 'empathetic' letter led customers to believe the supplier would 'work with them to find a resolution', ie. the repayment would be affordable and a lump sum full repayment wouldn't be demanded
- Words that indicated this included 'work together' 'affordable' 'finding a solution'
- 'Harshly' phrased letters meant customers felt 'threatened' or 'scared'. The result of this meant some participants in the research said they would 'leave the letter until they felt brave enough to deal with the consequences or disregard it altogether'.
- Letters worked well that referred to the wider cause and context of payment difficulty, which removed a sense of blame

Structure of letter

- Research participants responded better to letters that led with offering assistance, rather than leading with request to pay.

Source: Ofgem (2021) 'Debt Communications Messaging: Evidence from customer and behavioural insights' Available at: <https://www.ofgem.gov.uk/publications/debt-communications-messaging-evidence-customer-and-behavioural-insights>

6. Recognising Vulnerability

The energy price crisis has brought an increasingly nuanced understanding of what it means to be more ‘vulnerable’ within the energy market, with a new focus on understanding aspects of financial vulnerability. It has also highlighted the lack of visibility of who needs extra support within the market: the coverage of current ‘Vulnerable customer’ registers and who is eligible is currently developing.

The official definition of a ‘Vulnerable customer’ is based on a statutory description that considers a customer’s age or health. This has, in practice, been recognised through two registers: the Priority service register which protects customers reliant on electrically powered medical equipment, and the Special service register which protects customers particularly vulnerable to disconnection due to their health (mental or physical) or age. The additional protections offered to customers registered on the Priority or Special Service registers include protection from disconnection and being moved to the most economic tariff for the customer’s payment type: both increasingly important as prices rise.

The CRU’s 2022 retail market survey showed that participants who would be eligible for ‘Vulnerable Customer’ protections currently experience poor outcomes on a range of measures: they are more likely to have experienced arrears and delayed or partial payments. They also find it more difficult to compare and switch suppliers and understand their bill despite these customers being more likely to read their bill in detail. Notably, more Vulnerable gas customers receive bills on paper, which is itself a barrier to some tariff discounts.

Source: CRU (2022) ‘CRU Residential Electricity and Gas Market Survey Results 2022’ Available at: <https://www.cru.ie/wp-content/uploads/2022/12/CRU2022986a-CRU-Consumer-Survey-Residential-Customer-Results-2022.pdf>

Coverage of current registers

In practice, the uptake of these protections has been low as it is reliant on a customer voluntarily completing the forms and returning them to their supplier.

The CRU’s 2022 retail market survey showed that there is very low general awareness of the registers, and amongst customers who were considered part of the Vulnerable sample, awareness was low considering how essential the protections are:

| | Electricity | Gas |
|-------------------|-------------|-----|
| Priority Services | 52% | NA |
| Special Services | 30% | 48% |

Eligible respondents’ awareness of Registers

Source: CRU (2022) ‘CRU Residential Electricity and Gas Market Survey Results 2022’ Available at: <https://www.cru.ie/wp-content/uploads/2022/12/CRU2022986a-CRU-Consumer-Survey-Residential-Customer-Results-2022.pdf>

We therefore commend action (across suppliers, the regulator, and government) taken since prices have risen (and since the survey noted above) to raise the profile of the Priority and Special Services Registers: the CRU recently stating that registrations are reported to have increased in the region of a third.⁴⁵

Eligibility for protections

The decision announced in the Energy Poverty Action Plan to include financially Vulnerable households in receipt of a mean tested social welfare payments within these protections is also very welcome: though temporary (lasting for two years), this demonstrates a recognition of the increased support needed for those facing additional barriers to access essential energy use through the market. We await the legislative amendments needed to action this important change.

SVP are concerned about the situation for:

- Those customers who are eligible for protections but not registered under the relevant registers, which may be due to not knowing about them, not understanding the criteria may apply to them, or not wishing to declare their eligibility, as well as;
- Customers who are not eligible for statutory protections (under the existing or new definitions), but we can also understand to be vulnerable within the energy market due to external factors (such as very high prices), or personal circumstances (such as those highlighted in the below recommendations to suppliers).

Recommendation to the Regulator

We believe additional customer protections for Vulnerable households is an essential area of consumer protection within the retail energy market and urge the Regulator to make this a priority in coming years. This should include furthering coverage of the Priority and Special Service registers; extending our understanding of wider vulnerabilities within the energy market; and taking action to protect customers who are vulnerable in the market beyond registration of these customers.

This should include proactive research into the customer experience. The CRU's existing annual market survey yields important insights, but the relevant sample size for Vulnerable customers are very small (including the dedicated online sample). This should flag the need for more in depth research.

⁴⁵ Joint Committee on Environment and Climate Action Debate, 31 Jan 2023, Engagement with the Commission for Regulation of Utilities. Transcript available at: https://www.oireachtas.ie/en/debates/debate/joint_committee_on_environment_and_climate_action/2023-01-31/2/

We encourage suppliers to:

- Ensure customer service staff are aware of flags for different forms of vulnerability. This includes situations where someone who is informed of the Vulnerable customer register and protections doesn't proactively sign up, but might have disclosed an indication that they could be eligible.
- To note where there are wider aspects of vulnerability in the household, such as: being on a very low income (eg. on a means tested social welfare payment), having children or babies in the household, a change in household make up, experiencing a bereavement, job loss or sudden income change, recent illness, having caring responsibilities.
- To engage with specialist organisations and advocacy groups for customers with specific needs within the energy market, both to understand how they can better communicate the existence of the Vulnerability register, but also to put in place protections whether or not the customer is signed up to these registers.
- To also provide the necessary personal support to ensure the wellbeing of their customer services staff as they face difficult conversations.

Urgent recommendations to Energy Providers from the Money and Mental Health Policy Institute [UK] [Link here](#)

In the UK, MMHP have found that people with mental health problems are almost 4 times more likely to be behind on energy bills, and problem debts can lead to or exacerbate mental health problems. Their urgent guidance includes:

- *Checking all communications being sent out for missed payments and defaulting, including asking ‘**Could these be less intimidating? Could they offer more support? Are you letting customers know what to expect when they get in touch and are you signposting to services which can help?**’ Review use of capitals, colours, language and tone and should ideally be checked by customers with experience of mental health problems.*
- *Enable customers to get in touch through multiple channels, with 75% of people with mental health problems having difficulty with one form, often the phone. On the phone, add live call waiting time.*
- *Proactively offer payment plans, as many customers won’t know to ask for them*
- *Make customers aware of discounts or supports they might receive and ensure tariff options are clear.*
- *Offer supports before a payment defaults – proactively get in touch.*

Training: Ensure staff members are prepared to:

- *Identify customers who may be vulnerable*
- *Understand how mental health problems can affect customers and the different supports needed*
- *Remind colleagues to summarise key points for customers, and prompt them to write it down*
- *Ensure colleagues are confident to signpost people to help*

In addition, suppliers should note [research from Citizens Advice](#) which explored the difficulty some customers can have disclosing their mental health difficulties.

Source:

Money and Mental Health Policy Institute (2022) ‘Urgent guidance for energy providers supporting customers with mental health problems’. Available at: https://www.moneyandmentalhealth.org/wp-content/uploads/2022/04/mha_energy_standards_guide_web.pdf

Conclusion

This briefing covers SVP's key recommendations to suppliers and the Regulator at the current time. It provides a number of action points which we believe will assist suppliers when working with customers on low incomes and at risk of energy poverty and outline the improvements in consumer protections needed from the Regulator's point of view.

With high energy prices continuing, and no indication of an immediate return to past price levels, we must plan for sustainable solutions for households that acknowledges the reality of the financial constraints of people who are living in poverty, as well as the variety of protections needed to enable everyone to have fair outcomes when accessing essential energy needs through the market.

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