



Action for Warm Homes

**National Energy Action's Northern Ireland response the
Consultation on the Utility Regulator's Consumer
Protection Strategy 2015/16 – 2019/20**

June 2015

National Energy Action Northern Ireland (NEA NI), the leading national fuel poverty charity, works to ensure that everyone in Northern Ireland can afford to meet their energy needs in the home sufficient for good health, comfort and well-being. Our strategic objectives are to ensure that achieving an end to fuel poverty remains a key priority for political parties and governments.

We hope to achieve this through influencing policy and decision makers to provide solutions to fuel poverty and by facilitating access to, and understanding of, energy efficiency and other solutions to fuel poverty. A key aspect of our work is to ensure that a robust regulatory framework to protect vulnerable energy customers exists.

With the latest House Condition Survey showing that in 2011, 42 per cent of households in Northern Ireland were in fuel poverty much remains to be done in Northern Ireland to tackle this blight. It is therefore imperative that we do all we can to improve this situation for consumers and we therefore welcome this consultation which seeks to improve domestic consumer protection in electricity, natural gas and water for all households especially where consumers are deemed vulnerable.

While this is welcome we once again need to highlight the fact that 68% of households are reliant on home heating oil which is unregulated and therefore not subject to any of these protections. This is an iniquitous position and one which NEA continues to highlight as part of the size and scale of the fuel poverty problem that exists in Northern Ireland and until we can systematically involve the oil industry in the same manner as regulated utilities it can but only disadvantage the Northern Ireland consumer especially the vulnerable. We do acknowledge and welcome the activity cited under Objective 4 to show leadership to the unregulated energy sector in relation to best practice through implementation and monitoring of Codes of Practice, however, this is not comparable to the robust protections afforded to consumers in the regulated sector.

That said, we commend the NIAUR for their work to date around this comprehensive consultation. What is clear is that our lives have become somewhat more complicated in relation to energy with the introduction of competition, switching, levies on bills and the decarbonisation agenda, to name but a few. Alongside these changes consumers

knowledge and financial capability has not grown and much needs to be done to improve this situation as indeed the consultation has highlighted.

In responding to the paper we have made some observations in response to the narrative of the consultation which we hope are helpful, we have also endeavoured to provide our thoughts on the particular questions posed.

Despite having a primary statutory duty which includes promoting the development and maintenance of an efficient, economic and coordinated natural gas industry, there does seem to be a particular dearth of action in the strategy relating to gas connections. While we acknowledge that the consultation refers to *‘Growing the gas network’*(5.2.16), there is a lack of information on the role that grants play in enabling consumers to convert from oil to natural gas especially in lower socio economic areas, where gas is currently available. It seems obvious that a key objective should be to increase connections to the existing gas network which could fit as an activity within objective 2 to ensure equal access to utility services. This would both improve the economic efficiency of the gas network by increasing connections as well as reducing carbon, and providing benefits for households in fuel poverty including a wider choice of payment options.

Additionally some of the context in the consultation outlines the current landscape, for example the Northern Ireland Sustainable Energy Programme (NISEP) is cited under energy efficiency as an intervention yet we know that at the time of writing NISEP may only extend to 2017. Also, while not the responsibility of NIAUR, the potential to introduce the Contracts for Difference policy into Northern Ireland could see consumers here paying a levy of up to £75 for the decarbonisation agenda from which they gain no direct benefit.

While this broader energy picture may not look like it has direct impact on this consultation we believe that it most clearly does. One way to make a household more vulnerable is to apply upward pressure on energy costs, without the important role of regulation the public is not aware of these policy costs. The knowledge and expertise required to scrutinise costs and final prices and indeed make them transparent resides with the NIAUR and we believe this function should be a core anchor of the NIAUR’s *raison d’être*.

We therefore call on the NIAUR to commission research on the costs of levies now and potentially into the near future. This should include the consumer impact in relation to the cost and the benefits accrued, if indeed any.

The Economic Context section the paper states that *even if the dwelling is given an efficient heating system and is insulated to the highest standards it does not mean that the household will automatically be brought out of fuel poverty. The cost of fuel and low income will remain important contributory factors*'. While we agree the point we would highlight that it is the price of the fuel, energy efficiency and the household income that are fuel poverty factors. Household energy costs can be significantly reduced by improving energy efficiency and Northern Ireland is nowhere near having the highest standards in this area. In fact it is the insulation industry's assertion that it may be time for a widespread investigation into the standards of insulation across Northern Ireland. This could shape the wider landscape and will be a key piece of evidence for fuel poverty interventions in the future. Additionally NEA strongly believes that it is through the whole house approach to energy efficiency improvements that a household's energy costs will be reduced.

We welcome the engaging work that has been carried out to date by the NIAUR and acknowledge the excellent work carried out under IME3. We understand that the Consumer Protection Strategy was delayed in order to introduce IME3 and we therefore would welcome the acceleration of the REMM work to ensure that we can access and monitor the outworking of the protections afforded under IME3. It is in this monitoring and outworking that we will truly see the realisation of the consumer protections implemented.

In addition we believe that the outputs of this Consumer Protection Strategy will have a positive effect and protect consumers, but it is how the outcomes will be realised and monitored that we will know the real impact. This monitoring should also include how we empower people, communities and advice agencies to engage with activities leading to the outputs and outcomes that will be fundamental to the success of the strategy.

Please find below our specific views on the questions posed.

1. Do you agree with the four strategic objectives in the Consumer Protection Strategy?

Yes we agree with the broad strategic objectives that have followed on from the engagement and research carried out by the NIAUR.

2. Are there any additional objectives which should be included in this Strategy?

We agree with the ethos that a high degree of protection should be in place for all domestic consumers, with particular emphasis on circumstances which could mean consumers are vulnerable, and that this also recognises that %vulnerable+ is not necessarily a permanent characteristic. However, we believe it remains that some consumers will always be vulnerable. We acknowledge that codes of practice are in place but ask, should there be a discrete place in the Consumer Protection Strategy for these consumers such as an underpinning objective? We highlight this because we have concerns that the overall assumption of vulnerability may potentially weaken the protections. We consider this under the objective 1 which is the ~~F~~Focus on affordability and the output which is ~~v~~oluntary arrangements with suppliers for supporting consumers in crises. We believe that the arrangements should be statutory and have concerns that the broad catch of vulnerability could have unintended negative consequences for the vulnerable categories set in statute. However we would welcome some guidance from the NIAUR to this end.

3. Do you agree that the activities and outputs identified under each of the objectives are the right ones? (see below)

4. Are there any additional projects or areas of work which should be included in the Strategy? (see below)

We believe that in the main the activities and outputs will be very useful however it would be helpful to have some timelines attached to ascertain when the outcomes can be realised. We have some additional comments under some of the activities as follows:

Objective 1: Focus on affordability

We believe that any focus on affordability should have energy efficiency as an activity, the output could be benefits of energy efficiency and the outcome is reduced bills and warmer homes. Energy efficiency is one of the best ways to reduce energy costs and should be promoted whenever possible. We believe the NIAUR is well placed to promote this message across utilities and government departments.

We welcome the code of practice on energy theft which we know is a growing problem for utilities. This will require an innovative approach and we believe that work with local communities will be vital in order to get this right. Understanding the ease by which energy can be stolen, while never justifiable, should be understood in order to tackle this problem. A broader understanding will be required among communities, Councillors and other stakeholders within areas, and could be a way of providing training about theft and indeed the broader energy landscape such as understanding the market and switching etc.

Work with suppliers on debt communication will also be a key priority for the NIAUR. While we know that the first point of contact for a householder struggling to pay their energy bill should be the energy supplier, in reality this is the last thing a householder wants to do in these circumstances. More needs to be done to empower householders on what advice or action they can take and what action they can expect the energy supplier to take. What will an energy company do if a householder tells them they may struggle with their bill? We can have all the codes of practice in place but if the consumer does not know about them then they are useless.

Objective 2: Ensure equal access to utility services

With 40% of the market, and growing, prepayment meters (PPMs) have changed the landscape of how we pay for our energy. It is therefore crucial that we establish consumer protections around PPMs. NEA NI sees the advantages of the prepayment meter but have growing concerns about some of the unintended consequences of using

them. We are dealing with vulnerable clients who get into debt, have PPMs installed to recoup the debt, but do not top up until the electricity runs out and as a consequence boilers shut down. It is clear that the prepayment meters are not meeting complex needs. Prepayment can have the consequence of self-disconnection which is not possible with other payment methods. We are aware that codes of practice are in existence for other methods of payment but that some of these codes of practice under IME3 do not apply to PPMs. This could be viewed by suppliers as those off the supplier's books who do not present with certain issues such as debt. We therefore feel very strongly around added protections for those who are currently vulnerable and on prepayment meters and who may become more vulnerable when prepayment is not appropriate for their needs.

Additionally, we believe that sometimes prepayment meters are being used instead of interventions such as Fuel Direct which would make more sense for some households and provide the consumer with protections as for a credit meter.

Therefore we believe that this objective should have an activity that considers PPMs. The number of PPMs has grown exponentially over recent years and a range of issues have presented themselves which we believe will require some particular attention. PPMs can enable householders in fuel poverty to pay as they go thus enabling them to budget for fuel. However, we note that in some cases there is a charge for changing from a prepayment meter to a credit meter with the exception of vulnerable consumer. We would like to see more information on how a consumer qualifies as a vulnerable consumer. We want to be sure that when PPMs are being promoted and installed that those with a disability, older and frail consumers are protected as they may come to require an indoor meter or unit for ease of access, or a move back to a credit meter. Householders on PPMs should also receive a statement so they can make comparisons in what they are using; without a statement there is little or no information thus depriving the consumer of knowledge for example on unit price that could encourage them to consider switching. Accessibility of meters has also developed as an issue with some disabled and older people needing to manoeuvre into awkward spots to top up prepayment meters and finding it difficult to access an outside meter and/or having little or no warning of running low. Self-disconnection continues to be an issue that requires further analysis. Ownership of the meter box and paying for any upkeep when casing

falls apart has also presented as an issue. Finally the PPM benefits for the energy supplier should also be highlighted in that there is significant saving to the supplier due to the PPM growth. In essence we believe that it is vital that a comprehensive piece of work is carried out with Utilities to cover aspects pertaining to PPMs.

We believe that there is scope to work with the Distribution Network Operators. GB companies have been mandated by OFGEM to scope out vulnerable consumers and ensure they have knowledge and information on vulnerable consumers. This work should be replicated in Northern Ireland.

We believe there is more scope to work with any smart meter implementation programme and we understand there is a cost benefit analysis underway. A smart meter implementation programme would be an ideal opportunity to run an energy marketing campaign including make-up of the market i.e. role of network operator compared to suppliers, and switching information. In any implementation of smart meters the Installers should be competent in addressing consumer queries and/or refer them to an appropriate contact, receive training that would enable them to have a basic understanding of the definition of vulnerability, and be able to identify potential cases of vulnerability and any guidance offered should be responsive to the needs of vulnerable consumers for example about the Priority Services Register, and be trained and competent to provide energy efficiency advice.

Objective 3: Empower customers through education and transparency

This objective is fundamental to the work we do in NEA. We work to enhance knowledge and understanding of energy efficiency by promoting a variety of cost effective energy efficient solutions available to and appropriate for all householders. We do this by providing structured professional training, nationally accredited and bespoke training to organisations and agencies working with vulnerable householders. We therefore believe it is vital that the Utilities are trained to provide energy advice for their customers. The NEA/City and Guilds Energy Awareness 6281-01 training is a recognised qualification for delivering energy advice, it is delivered to many of the energy companies including firmus energy who have trained all of their people to this standard.

We welcome the work in this section with the private rented sector. It is vital that there is more engagement with landlords and tenants to realise this outcome. Engagement with landlords is also essential to assist with tenant awareness, not just around switching but around energy efficiency, energy efficiency grants and meter issues e.g. renting a property that may have debt on a PPM. The guidance should therefore include landlords as well as tenants.

With regards to price comparison we call for the provision of independent price comparison information and guidance. We believe that there is a gap in the market for this and we welcome the thrust for improving tariff comparison options. This would mean that domestic consumers are more informed and engaged which could ultimately lead to increased switching and market activity.

Objective 4: Provide leadership through being a best practice regulator

NEA welcomes the use of knowledge and information from the UKRN particularly in how data gathered can shed light on energy affordability matters and the role of the regulator in addressing these issues.

We are also heartened to see that there is leadership in the unregulated energy sector in relation to best practice through implementation and monitoring of Codes of Practice. Additionally there is a need to look at improving standards including such things as a ~~£~~Competent Persons Scheme for the installation of boilers. We also note the need to promote guaranteed standards of service and we would welcome further clarification on what they are and in what areas of energy they extend. Do they apply to oil and LPG?

5. What do you think should be the top three priority projects for the Consumer Protection Strategy? (Please also provide supporting reasons).

1. We believe that affordability is a key issue therefore ~~£~~Reviewing arrangement for consumers in crisis should be a key priority including going beyond the stated voluntary arrangements.
2. There is no proper critique on Pre-Payment Meters and their growth in Northern Ireland and their impact on vulnerability as outlined above. This needs redress through a specific project.

3. Review and promotion of Critical Care and Customer Care registers to ensure that they are fit for purpose and adequately promoted.

The success of all the projects outlined will rely on the NIAUR engaging with the private, statutory, voluntary and community sectors to ensure there is widespread dissemination, understanding and implementation to realise the outcomes.

6. Is there anything else you would like to add in relation to the Consumer Protection Strategy?

The NICE guidelines NG6 . Excess winter deaths and morbidity and the health risks associated with cold homes . have been formally endorsed by DHSSPS and are applicable in Northern Ireland.

NICE NG 6 includes a range of recommendation have been made including that meter installers should be trained to help vulnerable people at home. The NIAUR is best placed to direct utilities to this end and should undertake a project to realise this output.

www.nice.org.uk/standards-and-indicators

7. Do you agree that where this consultation has an impact on groups listed above, those impacts are likely to be positive in relation to equality of opportunity for energy and water consumers?

Yes

8. Do you consider that the proposals need to be refined in any way to meet the equality provisions? If so, why and how? Please provide supporting information and evidence.

No

These comments and suggestions are made respectfully with the intention of ensuring that the fuel poor are represented and their needs advocated for in this challenging time now and in the years ahead.

We look forward to continuing to work with you as together we endeavour to bring affordable warmth to all the people of the Northern Ireland.

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