

Core Improvement Team

Our Ref:

Being dealt with by: Patricia Flynn

Ext: 6204

Date: 3rd March 2009

Alison Farr
Social & Environmental Branch
Queens House
14 Queen Street
BELFAST
BT1 6ER

Dear Ms Farr

**Re: NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION - Consultation on
"SOCAIL ACTION PLAN 2009 - 2014"**

Thank you for your correspondence regarding the above consultation.

Belfast City Council welcomes the opportunity to comment on the proposed Social Action Plan and forward work plan of the Northern Ireland Authority for Utility Regulation.

The Council is committed to working in partnership to improve the quality of life and well-being of all people living in Belfast. Our key strategic themes include "Better care for people and communities" and "Better care for the environment". The focus in the consultation document on fuel poverty and fuel and energy efficiency clearly reflect the priorities of the Council and we commend your efforts in this area.

I have attached overleaf, a detailed Council response to the consultation including where appropriate detailed response to the specific questions asked within the consultation document.

Thank you for your interest in Belfast City Council's position on this subject

Yours sincerely

Patricia Flynn
Strategic Planning & Policy Officer

**Belfast City Council, Core Improvement Team,
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THE NORTHERN IRELAND AUTHORITY FOR UTILITY REGULATION - CONSULTATION:
“SOCAIL ACTION PLAN 2009 - 2014”

BELFAST CITY COUNCIL RESPONSE TO CONSULTATION QUESTIONS:

Q1. Respondents are asked to comment on the impact of this paper with regard to equality of opportunity and Good Relations

Whilst Belfast City Council accepts that the Social Action Plan will have positive impacts for vulnerable customers, it is important that the proposed definition does not exclude or disadvantage particular S.75 groups. Although poverty is a universal issue; research shows that certain groups may be at more risk, such as older people and single parent families. The Utility Regulator should therefore be mindful of the potential effect and impact, particularly with regards financial vulnerability, that the proposed SAP may have on specific groups.

Q.2 Respondents are asked their views as to whether we have considered all the characteristics that may contribute to or intensify vulnerability

A major feature of the current economic decline is the level of both public and private debt. Whilst the Utility Regulator is obligated to have due regard to specific categories of vulnerable customers it is not clear that this encompasses people experiencing severe difficulties through substantial or prolonged personal debt. The consultation confirms that the Regulator is not limited in relation to the groups of vulnerable customers so it may still be appropriate for this category to be profiled for inclusion.

Although dwelling age would not normally make utility customers vulnerable it could be identified as an “intensifier”. Pre 1919 dwellings are almost exclusively of solid wall construction. They tend to have higher thermal conductivity than modern cavity wall or timber frame dwellings and are more difficult and costly to insulate.

Q3. Respondents are asked to what extent they believe critical care provision could be improved. In particular respondents are asked to what extent similar emergency provisions in the event of a disruption to supply are required for gas (please detail specific improvements and in particular details of medical conditions or life saving medical equipment that require a constant supply of gas).

Special licence provisions prohibit the disconnection of supply to elderly, disabled or chronically ill customers in the winter months. These categories seem somewhat limiting considering the potential ill health effects on children and infants in particular. Any disconnection of supply could have serious health implications. Belfast City Council suggests that consideration should be given to ensuring that the licence provisions reflect and be consistent with Northern Ireland Water Special Provisions regarding a policy of no domestic disconnections.

The lack of clarity or information regarding critical care services reliant on gas supplies highlights a serious knowledge gap. The Utility Regulator should investigate options for researching this issue and should not be reliant on responses to this consultation.

Q4. Respondents are asked to comment on whether they believe all customers have sufficient access to different payment methods offered by the utility suppliers. Respondents should list the barriers they perceive as preventing some vulnerable customers from accessing all payment methods

The results of the NIE “For your Benefit” programme pilot clearly demonstrates the extent to which vulnerable people are failing to maximise their income. Therefore, in seeking to protect financially vulnerable customers the Regulator should encourage suppliers to work with others to maximise the uptake of benefits. For example, access to benefits (A2B), www.a2b.org.uk, is a not-for-profit organisation working to improve benefit uptake for older people. It uses a free and anonymous on-line benefit calculator to check an individual’s entitlement.

The Northern Ireland Energy Efficiency Level (EEL) should be extended to allow organisations, other than licensed electricity suppliers, to compete for levy funding. (Belfast City Council has already included this point in its response to the EEL’s Strategic and Operational Review 2008).

The introduction of social tariffs should be a government priority in addressing fuel poverty. The DSD Proposed Consultation document should therefore be available as early as possible to give the minister the opportunity to take this forward and, if possible, to implement the policy before next winter. Belfast City Council would however caution against the “rising block” element due to the acknowledged potential adverse affects on vulnerable individuals.

Many older people do not have bank accounts and are more comfortable saving up and paying cash for goods and commodities. Belfast City Council is currently piloting a Fuel Stamps savings scheme for domestic fuel oil targeted primarily at older people. Essentially oil users can purchase £5 stamps from specified outlets and then build up credit which can be used as payment or part payment for oil. These schemes have proved very popular in other district council areas and, whilst not necessarily directly transferable to the purchase of gas, electricity or water, this approach could be developed to fit with these utilities. Older people should be provided with an option that clearly resonates with their more traditional approach to paying bills.

Q5. Respondents are asked to consider what measures, if any, need to be taken to ensure that pre-payment customers benefit equally from the introduction of retail competition in Northern Ireland

Within the current economic climate it is probable that more people will wish to utilise the prepayment option. Although it may have initially been seen primarily for debt recovery it would be inappropriate to view it exclusively in that light today. Whilst new entrants to the gas and electricity sectors are free to introduce their own payment structures the Regulator still has a role to protect the interests of the consumer and to have regard to specific categories of customer including the elderly and people on low incomes. It is not clear within the document, whether the Regulator could, if required, compel utility companies to ensure prepayment customers are not charged a premium. Assurances would also be sought that customers, particularly prepayment customers, would be able to move freely to different payment methods.

Q6. Respondents are asked to comment on the merits of a harmonized approach in relation to helping vulnerable customers to avoid debt & to manage their way out of debt

Belfast City Council would agree that the Utility Regulator should actively investigate the potential for encouraging utility companies to harmonise their approach to debt recovery. Other areas in terms of harmonisation that merit further consideration include:

- Prepaid envelopes / Freepost - NIE provide freepost envelopes for their customers to pay their bills. Phoenix Gas does not.
- Help Lines using 0845 numbers - 0845 numbers are perceived as being the same as local rate numbers. However, whilst they are not premium rate numbers they are considerably more expensive than local rate numbers. They are very expensive to phone from mobile phones (are not included in free minutes) and are also very expensive to phone from call boxes.

Q7. The Utility Regulator acknowledges the concerns of stakeholders around self-disconnections. Respondents are asked to comment on what should be done to prevent vulnerable customers self-disconnecting for reasons of financial hardship

Self disconnection due to financial circumstances could have very serious consequences, particularly for vulnerable individuals. The special provisions required for licences for gas suppliers include retention of a list of vulnerable individuals. However, Belfast City Council suggests that this list should be extended to include vulnerable customers generally so that those on low income or who are in serious debt are not omitted. This is particularly important when prices are rising dramatically or over a prolonged period, as consumers may have budgeted for a certain amount of usage from a certain level of prepayment, and then may find they do not have extra cash to pay for increased fuel costs which may led to self disconnection.

Further detailed consideration and research into potential viable options for enabling utility companies to become aware of the self disconnection, or possibility for self disconnection, for vulnerable customers with special needs is required.

It is also essential that consumers are not vulnerable to self disconnection when they have problems trying to get complaints resolved with the utility company.

Q8. Respondents are asked to comment on what measures should be undertaken to raise awareness, and which organisation(s) should take the lead on these measures.

The joint research undertaken by the Consumer Council and the Utility Regulator provides a useful insight into the issues facing utility customers and of their general perceptions and awareness of the steps and services available to help with both fuel efficiency and fuel poverty. The Utility Regulator recognises that there is scope to improve awareness and the uptake of services; and this is to be commended. However, as highlighted in the Consumer Council report, it is important that whatever channels are used, that the information reaches those who are potentially vulnerable and arguably more in need of these services, such as people who live in rented accommodation or in low income households and who, according to the research are less likely to be aware of what is available.

It appears that the central issue with respect to gas and electricity relates to fuel poverty. The Department for Social Development (DSD) is responsible for facilitating efforts to address fuel poverty and in particular to raise awareness and promote the availability of services and schemes to help vulnerable people. Whilst suppliers should also have a role, it is more difficult to see how they can be encouraged to target vulnerable people without a statutory obligation or financial stimulus. Although local councils do not have a specific statutory duty or obligation to address fuel poverty; many are already seeking to assist people through, for example, the Fuel Stamps schemes. Local councils are well placed to assume a lead role with regard to promotion and awareness raising, particularly given their established engagement mechanisms with local communities and the developing responsibilities with regard to community planning and the proposed additional power of well being.

It is stated that “improving energy efficiency has been the primary focus of the fuel poverty strategy” and that “the Utility Regulator encourages the utility providers to educate and inform their customers about energy efficiency”. In order to do this effectively, customers must receive regular information regarding their usage and cost. Quarterly meter readings and quarterly bills for all customers (whether prepayment, direct debit, etc) would help customers be better informed and encourage them to be more energy efficient. It would also show them much sooner if they are overpaying or are falling into arrears and just how much their gas/ electricity is costing.

The Council’s Consumer Advice Centre provides free specialist advice to consumers and traders in Belfast on a range of consumer issues. Increasingly, the Consumer Advice Centre has received a number of enquiries regarding utility companies, particularly in relation to payment methods. One major issue that causes particular problems for Phoenix Gas consumers, who try to be financially aware and manage their budgets by paying by direct debit so their bills are spread over the year, is that Phoenix Gas does not read the meter for another 12 months or in some cases even longer. This means that they do not monitor if the Direct Debit payment is too much or too little; which can subsequently have a significant impact on consumers and particularly vulnerable customers. For example:

- (i) Pensioners - one of whom was disabled found they had arrears of £547. Their direct debit payments had been £38 - £41 per month, but Phoenix Gas wanted to increase this to £103 per month. Their actual usage was about £56 per month.
- (ii) Single parent new baby - had been paying by direct debit but because the meter had not been read for 17 months, she built up arrears of £447. She had been paying £31 per month which was subsequently increased to £39 per month. However, her actual usage was £54. Phoenix Gas now wants her to pay £80 per month to clear her arrears.
- (iii) Pensioner - Phoenix Gas kept changing the amount of direct debit she paid monthly including reducing the monthly amount. She now has arrears of £1000.
- (iv) Pensioner - paid by direct debit, Phoenix Gas did not read the meter but kept increasing the direct debit amount from £40 up to £90 and then to £124. Eventually after reading his meter his direct debit was reduced to £20 per month.
- (v) Consumer has a gas fire but doesn’t use much gas. The direct debit payments increased from

£5.99 per month to £11 and are now £13 per month. He has paid over £90 in payments but has only used about £30 worth of gas. However, Phoenix Gas won't reduce the amount of payments.

Phoenix Gas may offer quarterly meter reading as a special arrangement. In contrast, NIE tries to read meters on a quarterly basis and send out quarterly bills to all customers. This practice helps ensure that consumers are more aware of their energy usage and the likely costs and are thereby more able to budget accordingly. The Regulator must ensure that utility companies who offer direct debit payment methods have proper and timely systems in place to accurately measure and estimate usage and cost.

Utility companies must also ensure that they take payments as arranged. The Consumer Advice Centre has found that some utility customers have ended up in arrears or else incurred bank charges because the company had not taken the direct payment as planned or on the agreed date. The Consumer Advice Centre has also found that problems can arise when a consumer is moving house and has overpaid, either on a meter or by direct debit, and subsequently encounters difficulties when trying to get a refund.

Q.9 Respondents are asked to comment on whether there are any other key issues that should be considered

During the current recession, in particular, there is an imperative on government and regulators to consider options for reducing financial vulnerability. Assisting those on low income to maximise their benefit entitlement is important, however, improved energy efficiency will have the dual impact of addressing fuel poverty whilst reducing carbon emissions. Broadening access to the EEL should provide more opportunities for the introduction of energy efficiency measures.

Pre-payment Meter Considerations

Whilst the utility companies suggest that pre-payment meters help customers budget because as they can see how much they are spending, in practice it is often harder for consumers to see what they are actually getting for their money as the billing system is not open and transparent nor easily understood. Based on the experience of many visitors to the Consumer Advice Centre, there is a lot of confusion over what consumers actually got for the amount of money they have spent. It is also appears very easy for the company to alter what customers are getting for the money they actually pay. In one case where the price had gone down the customer thought they were still being charged at the old rate. In other cases, consumers found they were getting fewer units one week for their money than they had the week before although the price was not supposed to have changed. In such circumstances it is only the very observant consumer who might notice when something is actually wrong.

In addition, whilst prepayment may help with budgeting; this is not the same as being energy aware / energy efficient. In addition, prepayment meters do not help customers budget when it gets very cold and they need extra heat but they do not have the money to pay for their higher usage.

The Home Heating Oil Market and LPG Market

There are still many customers in Northern Ireland using these types of energy but there is no regulation of these industries. Whilst it is recognised that is not part of the Regulator's statutory remit, consideration of how this might be encouraged voluntarily or achieved in practice should still nevertheless be considered.

Q10. Respondents are asked to comment on this future work plan

The work plan addresses the principal areas for action; however, the current financial crisis has created an urgency that may not have initially informed the development of the plan. The aspiration to reduce financial vulnerability will be seriously compromised by collapsing markets, increasing unemployment and unplanned personal debt. This should place an imperative on the Regulator and partner organisations to accelerate delivery of this element of the plan in particular by, if necessary, reprioritising other elements.