

## Northern Ireland Authority for Utility Regulation Social Action Plan 2009 - 2014

March 2009

## **Introduction**

Citizens Advice Northern Ireland is the largest advice charity in Northern Ireland working against poverty, meeting the information and advice needs of some 279,000 people per year. Citizens Advice Northern Ireland has formal links to National Citizens Advice in England and Wales and close working relationships with Citizens Advice Scotland (CAS). Together the three Associations constitute the biggest advice network in Europe, with 60 years experience of providing advice and information to the public.

The CAB network is very finely tuned to the targeting of social need and, with its regional spread, modern integrated IT infrastructure and skilled staff, represents an efficient and cost effective channel for the delivery of information and advice to the most socially vulnerable people in Northern Ireland.

## **Access, inclusiveness and principles**

Advice is provided on a huge range of issues by trained, specialist advisers across both main communities and to minority groupings, from 28 main offices and from some 120 other outlets within the framework of 4 principles. The advice given is:-

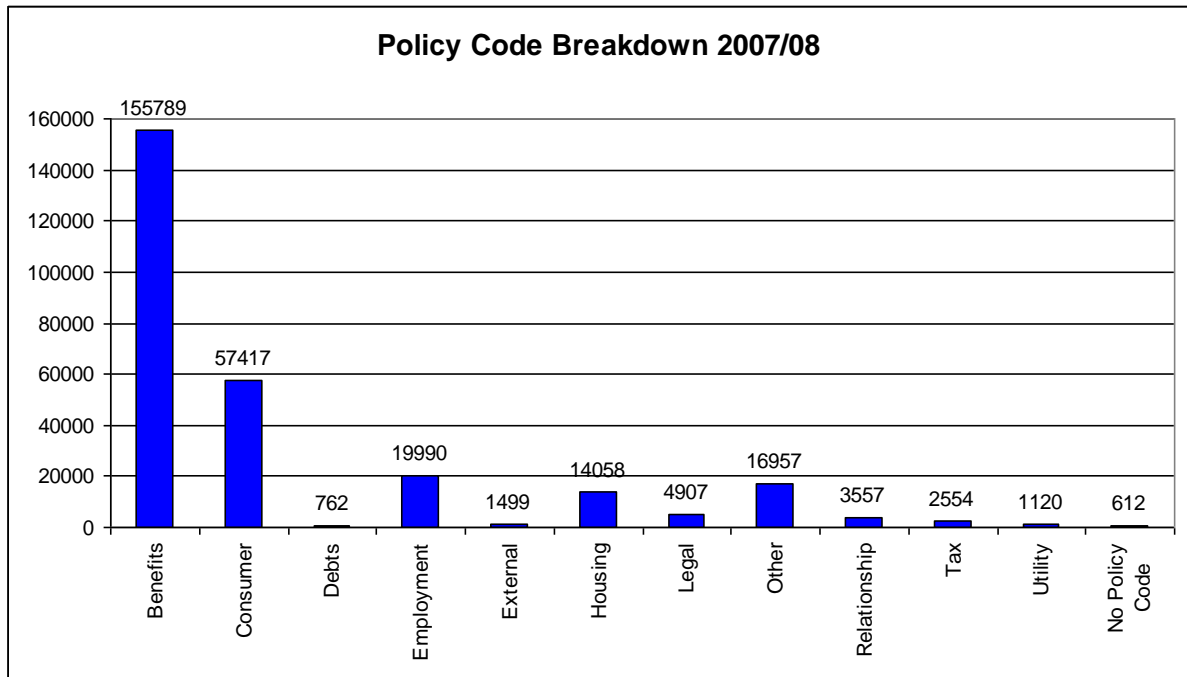
- Free
- Impartial
- Confidential
- Independent.

## **Commitment to Equality**

Citizens Advice has been actively involved in the promotion of equality in Northern Ireland for many years and is an active member of the Equality Coalition. Numerous responses on behalf of CAB have been made to a variety of consultations. Citizens Advice has also built up a number of partnerships with other organisations working towards the promotion of equality of opportunity.

This Citizens Advice submission is based on the significant interface which we have built up with the Social security Agency over the past 20 years. This is reflected in the fact that some 60% of enquiries to CAB offices concern social security, and the fact that for the past few years we have delivered benefit take up contracts on behalf of the SSA.

In 2007/08, Citizens Advice provided information, advice and advocacy to clients experiencing problems in the following areas:



## **Response**

Northern Ireland has the highest fuel poverty statistics in the British Isles. The 2006 House condition survey revealed that 27% of households were in fuel poverty. This figure has increased and it is now estimated to be over 40% of households in Northern Ireland.

The 2004 government targets for tackling fuel poverty will not be met and the problems and solutions have changed. Energy prices and crippling household budgets have added to the problems and fuel poverty affects the health and well being of over one third of households in Northern Ireland.

Two primary issues around alleviating fuel poverty are fuel supplements and social tariffs and the main problems facing households are affordable energy sources and social deprivation therefore additional policies are needed to deliver energy efficiency to homes. Northern Ireland has the lowest income levels in the UK.

The Warm Homes Scheme, which was introduced in 2001, has been a primary tool in alleviating fuel poverty and increasing energy efficiency. However there have been issues around waiting times and resources therefore it is important that those most in need are targeted whenever the scheme resumes in April 2009. The Department of Social Development have announced improvements to the scheme which will include:

- removal of the 60+ age restriction on heating;
- benefit entitlement checks;
- focusing on economy 7, solid fuel and homes with no heating.

The fuel payment again will help thousands of households with rising energy bills however there are many people not captured by the qualifying conditions who are chronically fuel poor.

All the Government departments have a role in alleviating fuel poverty and this also includes local Government. Citizens Advice is mindful of the fact that Northern Ireland Government funding is under increasing pressure and our slice of the financial cake will not increase.

There are models of good practice schemes throughout Northern Ireland at a local level and priority needs to be given to the chronic fuel poor.

## Recommendations

- Citizens Advice welcomes equality of opportunity within the Social Action Plan and would recommend that the Regulator has particular regard to language barriers, age, disability and literacy when targeting specific groups;
- The regulator should re-examine methods to ensure that the Plan moves towards assisting the chronic fuel poor as a priority;
- We fully endorse the Regulator's suggestion for the development of a unified code of practice for suppliers for customers in debt and for helping customers to avoid debt;
- We would recommend that Phoenix Gas develops a critical care register using the same model as NIE Energy;
- There needs to be a clear understanding of the meaning of social tariffs, and we would recommend that the Regulator examines the current anomalies in payment methods that penalise low income households;
- Customers will only benefit equally from retail competition when it offers them a choice of supplier;
- We recommend initiatives which offer advice and support to people in debt, and which help the public to maximise household income through benefit entitlement. Such initiatives can make a significant contribution to the alleviation of fuel poverty;
- The NI Assembly should consider legislation to permit data sharing by government agencies which administer benefits and allowances for vulnerable people. In the first instance SSA, NIHE and Lands and Property Services;
- There is a need for holistic advice to the public on energy efficiency at their first point of interaction with government coupled with active assistance for people with literacy difficulties;
- The regulator could engage with Citizens Advice to assist with raising awareness of the increased initiatives;
- Building regulations should be changed to ensure the optimum energy efficiency of all new houses built in Northern Ireland.

## Consultation questions

**Question 1 Respondents** are asked to comment on the impact of this paper with regard to equality of opportunity and good relations.

The CAB network deals predominantly with socially disadvantaged groups and CAB clients are spread across all age groups and represent household, couple and single households, with and without children. We therefore very direct knowledge of the impact of energy issues impact on households across the age and family spectrum. Citizens Advice would recommend that the Utility regulator would have specific regard to:

- language
- disability
- age
- literacy

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

There are currently concerns, as pointed out by the regulator, on the standard definition of fuel poverty and whether this includes households that could be much better off than those suffering from chronic fuel poverty and we agree that there is a need for a coordinated strategy in identifying the chronic fuel poor.

The suggested two stage approach of (i) what makes customers vulnerable; *and* (ii) characteristics, is helpful as a starting point as there is a need for a more practical approach on who to help first.

Characteristics may unearth more households in real need rather than household income for example; someone may be struggling less even though on face value they have a lower income. This could be that they have a more efficient system in place which they are able to maintain and budget for.

### **Debt Collection Practices of the Utility Companies.**

There are also concerns about householders not using heating and/or electricity as a means to save money and therefore risking serious health problems. In this context, Citizens Advice would encourage the regulator to press ahead with the development of a unified code of practice for suppliers for customers in debt and for helping customers to avoid debt. We have included case histories elsewhere in this paper where we consider debt collection policies have caused hardship. This is often the case with people who have literacy problems, or who lack the skills to negotiate on their own behalf, with the utility companies.

**Question 3** 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. In responding, it would be useful if specific improvements

could be detailed and in particular details of medical conditions or life saving medical equipment that require a constant supply of gas could be given.

At the recent NEA fuel poverty conference the subject of a temperature alert was discussed for people with health problems when their household dropped below a certain temperature. There would be much needed IT development in this arena. There are also many factors that could cause gas interruption that may differ from the causes of electricity power failure but we would recommend that Phoenix use NIE Energy as a good practice model and develop a critical care register.

**Question 4** 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.

Citizens Advice would be interested in the fuel poverty task force recommendations for a social tariff in Northern Ireland but we would welcome this with caution. As pointed out in the consultation document there are disadvantages including the risk of those with high consumption volumes who are chronically sick. We would seek further clarification on the 'rising block' issue.

National Energy Action have provided a briefing on social tariffs and defined this to "*mean any special payment arrangement, over and above those specified by supplier's Licence Conditions, devised with a view to benefiting disadvantaged energy consumers.*"<sup>1</sup> There needs to be a clear understanding of the meaning of social tariffs as we would echo the definition proposed by NEA.

Currently in GB there are various models of social tariff such as Powergen's Staywarm scheme, British Gas Essential tariff scheme and Scottish and Southern's Equipower/Equigas<sup>2</sup>

As suggested by the Regulator, social tariffs provide for sustainable funding but any such scheme needs to be designed carefully and Northern Ireland society should be adequately resourced to ensure this.

The current choice of payment methods on face value appears to be wide and suit varying households however CAB evidence suggests that there are various problems associated with the payment methods available:

- Over 250,000 benefit and tax credit recipients use post office card accounts which do not enable them to access direct debit, many clients are aggrieved that they are penalised for the discount afforded to direct debit customers;

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<sup>1</sup> NEA Social Tariff Policy Briefing 2008 <http://www.nea.org.uk/social-tariffs/>

<sup>2</sup> Appendix 2 Ofgem Social Action Plan Annual Review (2004)

- Phoenix gas direct debit customers are only billed annually which can lead to an unexpected amount of underpayment and subsequent difficulties with payment or arrears (there is however a facility for customers to provide meter readings throughout the year to reflect any changes);
- NIE deduct 40% of credit on arrears from pre payment meter users;
- Clients with physical or mental health problems have difficulty using prepayment meters;
- The debt recovery practices of the utilities – Phoenix Gas, for example, takes up to 70% of payments towards arrears. This is capped at a weekly amount which can be renegotiated, but we have included case histories of where Phoenix customers have come to CAB because of the difficulties this causes. As indicated above, customers may have problems with literacy, or lack the skills and confidence to negotiate on their own behalf.

*A Newtownabbey client usually paid his electricity bills when they were issued quarterly and his last bill was estimated. He received a further letter from NIE to say that he had additional charges which had arisen since his last bill as the actual figure had outlined an underpayment of electricity. This left a bill estimated to be £260 which was queried with NIE. NIE advised him that he must have purchased another item during the year which would have increased the usage, client had purchased a large screen television and had not been aware that his electricity would increase to an extent and this had not been outlined to them at the time of sale. The client then arranged for a key pad meter to be installed and NIE agreed to take back any arrears owed at 40%. Because the client had difficulties meeting this, he asked NIE if they would re-adjust the meter to take 20% towards the bill and the bureau assisted with this request.*

*A Belfast Client had arrears to Phoenix Gas and they were taking £24 before they gave client access to gas from her meter. On appeal they reduced this to £20. Client is on income support and cannot afford to put £20 in her meter before putting the £15 in she needs to run the gas for a week so client has no gas and is living in unacceptable conditions. She is using an electric heater as only source of heat in the winter.*

*A Lisburn Client has been attempting to reduce her debt payment from £15 to £5 per week with Phoenix Gas. Client went to the paypoint and found £7 taken from her £10 payment. She has little gas left and no money.*

*A North Down client had an issue with Phoenix Gas only issuing yearly bills as Direct Debits did not cover the rise in costs resulting in larger bills and several months ago he received a bill for £800. Client had been paying by Direct debit and two quarters had been estimated Phoenix do not issue monthly statements and this was a full years arrears. Client then organised for some of the debt to be paid and asked for a prepayment meter to be installed*



*however he has since discovered that of the £20 per week credit, £15 is taken towards debt. Client has explained that he has trouble paying this and Phoenix has now sent a budget sheet and a letter asking for permission for them to contact SSA regarding deductions from benefits.*

*A Belfast Client had received disconnection notice from Phoenix Gas. Client receives retirement pension and has applied for pension credit. He also has a heart condition having suffered a recent heart attack. The adviser contacted Phoenix Gas Credit Control who suggested a prepayment meter because client was so far in arrears. Phoenix takes 70% of all payments into the meter towards arrears and 30% for current gas usage. Client has to pay three times as much to maintain present level of heat.*

*A Belfast Client has been attempting to reduce her debt payment from £15 to £5 per week with Phoenix Gas. Client went to the paypoint and found £7 taken from her £10 payment. She has little gas left and no money. Client has continued to have the higher rate deducted from payments. The adviser contacted Phoenix who indicated that it can take 4 weeks to apply the deduction from the paypoint meters yet the correspondence from Phoenix did not indicate that there would be 4 week and in this case 5 week delay to implement the reduction.*

**Question 5** 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.

Northern Ireland has one electricity company for domestic customers and two gas suppliers who provide gas in separate areas. Approximately 75% of households with central heating use oil therefore an element of competition is involved at price matching. There are many models of good practice and in GB and Ofgem considers that the key to cheaper fuel prices for domestic customers lies in greater competition in the energy market. Ofgem provides practical information to help customers change suppliers and now Consumer Focus lists a number of prices comparison websites.

There are ramifications for clients with existing debts and some issues to be aware of when considering changing. Many clients who opt for pre payment meters are already in a debt situation therefore there would need to be robust advice and information available on their responsibilities for existing debt and whether there are any further charges incurred for changing a supplier.

Customers will only benefit equally from retail competition when it offers them a choice of supplier. In terms of electricity the single market in the island of Ireland should bring the benefits of competition. In terms of gas this will only be available when two or more companies are supplying across all of Northern Ireland, thereby offering a choice.

**Question 6** Respondents are asked to comment on the merits of a harmonized approach in relation to helping vulnerable customers to avoid debt and to manage their way out of debt.

Citizens Advice is currently managing a £1.2m contract from DETI for the provision of debt advice in Northern Ireland, and a contract from the Social Security Agency for benefit take up which is targeted on 25,000 people. These two initiatives offer advice and support to people in debt, and through benefit maximisation, the opportunity to maximise household income, and therefore alleviate fuel poverty.

### **Dealing with Debt Project**

The Dealing with Debt service assists clients in financial difficulty. From April 2006 to March 2008, the service assisted close to 4000 people with debts amounting to over £28m.

A recent report commissioned from PSC Management<sup>3</sup> found that half of the debt clients being dealt with by CAB came from the three most deprived deciles in Northern Ireland. This illustrates how CAB money advice is targeted towards those most in need. Fuel arrears historically have been low for debt clients in Northern Ireland however in the last year fuel arrears cases presenting to money advisers have increased by over 100%. It is therefore essential for debt advice and prevention of debt is available to clients who need it from the outset and Citizens Advice is well placed to provide this service.

### **Social Security Agency Benefit take up contract.**

In June 2008 Citizens Advice as the sole provider was awarded a contract to deliver a benefit uptake programme on behalf of the Social Security Agency who required a single point of telephone contact for Northern Ireland, to back up a mail out to 25,000 people. This is a good example of how government thinking has shifted in recent years. Since the take-up rate for retirement pension in Northern Ireland is just under 100%, the SSA holds the name and address of virtually every pensioner in Northern Ireland. It is now making intelligent use of this database by applying filters, e.g. writing to pensioners over 80, or to people claiming retirement pension but not Pension Credit to say that they may be entitled to increased benefits. In the 12 months to March 2008, the 07/08 benefit take-up exercise generated an additional £8.1m of benefits including arrears. The evolving model combines intelligent use of the SSA's database with the skills and knowledge of Citizens Advice in dealing with socially vulnerable people.

We believe that the NI Assembly could usefully consider legislation to permit data sharing between the SSA, NIHE, and Land and Property Services, to help identify socially vulnerable members of the public who may be entitled to the additional help which each of these agencies can provide.

### **NIE for your Benefit**

Citizens Advice has been working closely with NIE Energy for more than ten years with regard to projects that include benefit maximisation, energy advice and debt advice. We are well placed therefore to comment on the good

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<sup>3</sup> Dealing with debt in Northern Ireland: Citizens Advice 2009

practice model of working with suppliers. We currently enjoy a good working relationship with NIE Energy which in turn benefits clients. Following a successful evaluation of benefit take up pilots, NIE has agreed a three-year benefits uptake programme with Citizens Advice until December 2010. The purpose of the project is to carry out 2,400 benefit enquiry checks over the duration of the project which involves assessing if a client is entitled to additional benefits that they may not be aware of and also to refer willing clients for an energy efficiency check.

NIE will write to a section of its customers inviting them to contact a dedicated Citizens Advice telephone number for a free benefit enquiry check. The customer's details will then be passed to their local CAB where an adviser will contact them to carry out the check. The aim of the project is to help reduce the existing high levels of fuel poverty in Northern Ireland.

### **NIHE Project**

A partnership between Citizens Advice Bureaux and The Housing Executive was established in 2001 providing a Money and debt advice service to tenants throughout Northern Ireland who had rent arrears. District offices referred tenants to their nearest CAB who assisted the tenant with their arrears and any other debt problems they had. The service was provided by specialist money advisers at CAB local offices throughout Northern Ireland.

The objectives of the Money and Debt Advice Service were to:

- Empower each individual to break the cycle of credit dependence.
- Help each individual to resolve their difficulties in a way that restores self-confidence and dignity.
- Assist each individual to regain control of their situation and prevent the recurrence of their financial difficulties.

The project is currently under review.

A harmonised approach to vulnerable customers across the utility companies would be very welcome.

**Question 7** 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.

In Great Britain, there is a statutory duty to have regard to the interests of people who:

- are disabled or chronically sick;
- are of pension age
- have low incomes
- reside in rural areas.

In addition to this, the National Consumer Council now has powers to investigate disconnections in the case of vulnerable customers. In Northern Ireland pay as you go meters have a self disconnection therefore if a client's supply of gas or electricity stops or their oil is not replaced there is no immediate help available as no authorities would be aware of the disconnection and vulnerable customers could easily be in danger of cold related illness or worse.

The consultation document states that it is difficult to obtain statistics on self disconnection. Clients have contacted CAB who have self disconnected due to low incomes or health problems:

*A Newtownabbey Client was not able to get his electricity working for 3 weeks and when he put the electricity code into his meter it displayed a KB Lock. Client had approximately £5 credit in his meter but due to mental health problems client had difficulties getting his electricity working, he had contacted CAB to get assistance with this and they contacted NIE to get the client assistance in getting his electricity back on. Client had not entered a 40 digit code to change the electricity tariff. He was very distressed and had been living for 3 weeks with no electricity and had no family members to help.*

As mentioned previously in this document, there should be further feasibility studies carried out into temperature alerts and emergency financial assistance that is easily accessible. Lessons can be learned from the benefit take up exercises carried out by Citizens Advice in partnership with the Social Security Agency Anti poverty unit into targeting specific groups.

Alleviating fuel poverty and debt can be aided by clients claiming all the benefits that they are entitled to. Additionally the holistic advice provided by CAB includes energy advice including the schemes currently available for energy efficiency and saving money on fuel.

Other models of close working relationships include Health boards and local Councils. The investing for health partnership with the Northern Health and Social Services Board includes four *advice 4 health* posts funded by Investing for health which is an excellent example of health integrated with advice. Health and Social Care Trusts devise care packages for many patients returning home after inpatient treatment and/or convalescence and part of the discharge package could incorporate a fuel poverty check to ensure that the patient was not returning to fuel arrears or an inadequate heating system.

We would also be keen to see the Regulator consider the following recommendations at a strategic level:

- Unified code of practice for suppliers with particular emphasis on policies relating to debt recovery and arrears
- Legislation to permit data sharing by government agencies. In the first instance SSA, NIHE and Lands and Property Services

- Holistic advice to the public on energy efficiency at their first point of interaction with government with assistance for people with literacy difficulties.

**Question 8** 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 current systems in place provide information from various sources; NIE Energy and Phoenix Gas both have websites which provide customers with information on billing, payment methods and energy efficiency. There is still a high percentage of the Northern Ireland population who do not have internet access<sup>4</sup> and most of these households would be older people and/or households with a lower income. Therefore targeting these groups would require a more creative and involved medium over and above swamping clients with leaflets that accompany their bills.

The CAB network is involved in a great deal of activity including outreach surgeries and workshops within a variety of different communities. CAB clients are given an informed choice on the types of schemes available to them and because many of the schemes depend on the geographical area it is important that advice and information is provided locally. Information days, road shows and community talks are examples of engaging with members of the public. Press releases and advertisements in local newspapers also provide a medium to alert people to check their entitlements and let them know of other initiatives. The advice sector is best placed to deliver this information to the public and a number of bureaux have specific staff dedicated to energy advice. Bureaux are also involved in local Council fuel poverty groups and are therefore at the coalface of energy advice.

A specific Citizens Advice marketing campaign aimed at raising awareness of the National Minimum Wage involved the following measures:

- a high profile launch promoted to all of the local print media and local television and radio broadcasters;
- targeting key community based outlets such as Libraries, Benefit offices and Doctors Surgeries;
- posters and leaflets/ cards promoting the service to cover local Jobs & Benefits offices, libraries and doctors surgeries;
- carefully placed press adverts in local newspapers. The experience of the NMW Helpline has been that clients respond better to advertising which has been researched to reflect the needs of the particular area or readers.

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

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<sup>4</sup> <http://www.statistics.gov.uk/pdfdir/inta0806.pdf>

Further changes to the building regulations should be legislated to increase the energy efficiency of all new houses built in Northern Ireland. From 30 June 2008, an Energy Performance Certificate (EPC) is required for any property for sale or due for completion after this date. An EPC is also required for all new build properties after 30 September 2008.

Citizens Advice would be happy to discuss further with the Regulator any aspects of our projects and partnerships with a view to assisting the regulator in getting help to those who need it most.

The following case studies illustrate the main problems affecting CAB clients in relation to utilities:

*A Downpatrick client over a pension age was receipt of benefits and is a full time carer for her husband. They have applied for a grant under the warm homes scheme and contacted EAGA in December to see when the heating installation would take place. They were told that they were the referrals were backlogged and it would be at least a year before her grant will come through.*

*A Coleraine Client, who has mental and physical health problems, is receiving income support. He and his partner were recently allocated a Housing Executive flat with Economy 7 heating. They have had to turn off their storage heaters as they were using their electricity at a rate of £5 to £10 per day and were not heating the flat effectively.*

*A Newtownabbey Client was temporary employed for a few months and it came to an end in 2008. Client had no money and was told he was unable to make a claim for Crisis Loan as he was not yet in receipt of Jobseekers allowance. He had no money for food or electric.*

*A Belfast Client had no money for her gas heating for two weeks. She cannot afford her TV Licence and she is being put under pressure to pay £23 per month. She states that she does not have enough money to pay for food at present and has been relying on her son and a friend to buy milk. She recently lost her glasses and has been told that she cannot get a new pair on the NHS for another year. She has macular disease and cannot see to read without glasses. Client is struggling to afford essentials and has had no heating for 2 weeks and will not be able to put money in gas meter for another three days.*

*A Belfast Client who is a lone parent with two young children works 20 hours per week and receives tax credits. She received a letter from Phoenix Gas informing her that her direct debit would increase to £80 a month for the next 17 months to pay for arrears of £447. Client had phoned Phoenix Gas as her meter had not been read since Oct 2006 and they were still seeking this payment, she has now received a letter asking for financial statement. This is having a devastating impact on the client as she cannot afford to pay back her arrears and already finds it difficult to cope. Regular bills and readings would have prevented the arrears from accruing.*

*A Downpatrick client has pneumonia, arthritis and depression. She has been receiving sick pay since July 2008. She will continue to receive statutory sick pay of £75.40 and owns her own home. Client cannot afford to heat the house and this is why she is suffering from pneumonia which is proving very difficult to clear up. Client is staying with a friend while she is ill on the advice of her GP.*

### **Chapter 7: Forward Work Plan**

**Question 10** Respondents are asked to comment on this future work plan. Citizens Advice welcomes recommendations to regulate the oil industry and implementing a Trust fund to those experiencing hardship.