

**THE DIRECTOR GENERAL OF ELECTRICITY SUPPLY  
FOR NORTHERN IRELAND**

**AND**

**THE DIRECTOR GENERAL OF GAS  
FOR NORTHERN IRELAND**

**ELECTRICITY AND GAS SOCIAL ACTION PLANS**

**REVIEW 1998 - 2000 AND PROPOSALS FOR NEXT STEPS**

**CONSULTATION PAPER**

**February 2001**

## **SOCIAL ACTION PLANS**

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## **SOCIAL ACTION PLANS**

### **PART 1**

#### **INTRODUCTION**

- 1.1 In May 1998 the Director General of Electricity Supply for Northern Ireland (DGES NI) and the Director General of Gas for Northern Ireland (DGG NI) published Action Plans to achieve efficiency, choice and fairness in the provision of electricity and gas to disadvantaged consumers. The Action Plans were a response to the Government's proposal in the March 1998 Green Paper 'A Fair Deal for Consumers.' The Electricity Plan was drawn up in consultation with Northern Ireland Electricity plc (NIE) and the Northern Ireland Consumer Committee for Electricity and the Gas Plan in consultation with Phoenix Natural Gas and the General Consumer Council for Northern Ireland.
- 1.2 Progress with each of the Plans has recently been reviewed, in keeping with the undertaking given in the Director General's Forward Work Plan for 2000/01, and the results are published in this document. When conducting the review, which included discussions with the companies and the Consumer Councils, the Director General took the opportunity to explore what further actions might be needed to build on those in the original Plans. His suggestions are included in the Sections which follow.
- 1.3 The Director General invites comments on the review of the 1998 Plans and his further proposals for Social Action set out in this document. Responses should be sent by 30 April 2001 and should be addressed to:

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- 1.4 This document is available on Ofreg's website at [www.ofreg.nics.gov.uk](http://www.ofreg.nics.gov.uk)
- 1.5 Following consideration of comments received as a result of consultation the Director General will publish final draft proposals. Further comments will be invited and when these have been taken into account the Electricity and Gas Social Action Plans will be published. Publication is anticipated in the Autumn of 2001.

## SOCIAL ACTION PLANS

### PART 2

#### DISADVANTAGED ELECTRICITY CONSUMERS REVIEW AND NEXT STEPS

##### 2.1 Review

The March 1998 Green Paper “A Fair Deal for Consumers” indicated the basis on which the Government would seek to reform the Utility Sector. With the restoration of devolved Government to Northern Ireland Utility Regulation becomes the responsibility of the Northern Ireland Assembly and Executive. New policy guidelines are expected in due course and may require some change of focus to this Action Plan.

The Ofreg Social Action Plan published in 1998 was an early response to the Green Paper and focussed on the core objectives of achieving greater **efficiency**, **choice** and **fairness** for disadvantaged electricity customers. This review returns to these themes.

##### 2.2 Greater Efficiency

“A Fair Deal for Consumers” required electricity and gas regulators to state in their Social Action Plans how they would, in tandem with the regulated companies, drive forward the development and introduction of new, cheaper and more robust meter technology in order to reduce the capital and maintenance costs associated with meters. They were also required to say how they would seek to minimise the high transaction costs associated with servicing disadvantaged customers due to the handling of frequent small cash payments.

NIE has informed the Director General that competition between manufacturers and the company’s procurement procedures has reduced the cost of a standard meter from the £25 quoted in the previous Plan to a current figure of around £17. NIE has confirmed that there are now some 239 PayPoint outlets available to consumers and that these are widely used, particularly by prepayment powercard meter customers.

Commenting on meter efficiency the Director General explained in the 1998 Plan that in Northern Ireland competition in metering and meter servicing was inhibited by the lack of real competition in supply. There has been no change yet in this position in the domestic market and as a result competition in metering has not been introduced and indeed is unlikely to be in the period of the next Price Control.

### 2.3 Greater Choice

In the Section on Choice in the Social Action Plan, Northern Ireland Electricity plc(NIE) was asked to offer new choices in meters, develop improved payment mechanisms and provide fully updated information about tariffs and meters.

While there is no complete overlap between prepayment meter customers and the disadvantaged, the provision in the Supply Price Control introduced from 1 April 2000 through which NIE will replace over the next 2 years its 100,000 prepayment meters with Keypad meters should be of particular benefit to many fuel poor households. Keypad enables prepayment meter customers to buy electricity at the same price as credit customers - i.e. it removes the £18 per annum meter surcharge. It also provides customers with greater control over their electricity consumption. Indications from the trials suggest that using Keypad can result in energy savings of 10% and while these may not be sustained when the application of Keypad is generalised, energy savings of up to 5% are expected.

In response to the Plan's request to provide full updated information about tariffs and meters NIE indicated that it intended to undertake a complete review of its customer oriented paperwork. This has resulted in:

(a) A "New Look" bill

The new format is clearer and more concise. It provides customised information and advice to match the payment category of each customer. The in-built bar code and flexibility of the layout will allow for further enhancements including

greater choice with respect to bill payment.

(b) Revised Codes of Practice

Following consultation with Ofreg and the NICCE, The Director General approved NIE's revised codes of practice detailing services to customers. The codes comprise:

- using electricity efficiently in your home
- using electricity efficiently in your business
- services for the elderly and people with disabilities
- paying for your electricity
- making a complaint
- dealing with customers in default
- using your powercard meter

A series of Quick Step Guides to the Codes was designed to communicate important information and advice on the various services to a wider audience. The Codes and the Quick Step Guides are available on the internet.

(c) Improved Promotion and Distribution

- promotional leaflets are displayed in all payment agents sites and other selected locations including government, voluntary and caring agencies
- over 80 CABs and independent advice centres display and distribute all publications.

Although notionally all customers are free to choose their own supplier the 1998 Plan in the absence of a competitive market for domestic customers, considered supply switching at the level of the individual domestic customer an unlikely option. To introduce competition and thus choice in supply for domestic customers it would be

necessary either to issue each customer with a half-hourly meter or to establish load profiles for each customer group. It has not been demonstrated that the benefits to customers of either of these alternatives would outweigh the costs. There is therefore a case for exploring other options which would not have the same problem of high transaction costs. However full supply competition is unlikely so long as the bulk of the market must buy from NIE's Power Procurement Business.

The impact of standing charges on disadvantaged customers was identified in the 1998 Plan as an area for possible study with counterparts in Great Britain. In April 1999 NIE took the innovative step of abolishing the standing charge element of its bills for all domestic customers (except Economy 7). It was the first utility company in the British Isles to do so and the step was welcomed widely by consumer groups and the regulator. Since April 2000 the company has set unit charges at a single rate irrespective of the level of consumption. These changes should each have a positive impact on customers whose fuel bills represent an important part of their disposable income. They will no longer be faced with a substantial fixed charge when they try to economise on their consumption and they will no longer be rewarded for excessive use through reducing average unit cost as more units are consumed thereby encouraging energy efficiency.

#### 2.4 Greater Fairness

On the theme of "Greater Fairness" the Action Plan contained initiatives suggested in the Green Paper required to ensure more effective systems to help disadvantaged customers manage debt, including debt counselling, lightening dependence on Pre Payment Meters (PPMs) and considering contributions to charitable funds to help those in greatest need. The Plan placed on record the considerable number of actions already taken by NIE.

The Plan referred to the range of debt management options other than PPMs which the company has in place. All of these are already monitored at regular intervals by independent researchers to ensure customer satisfaction. The following options are currently available:



- (a) Easysaver  
The easysaver plastic card enables customers to make variable contributions at any frequency towards their electricity bill at any of NIE's designated payment agents (Paypoint, Post Offices, etc).
  
- (b) Budget Payment  
This method helps customers payments evenly throughout the year, by paying agreed amounts on a monthly or weekly basis using a special plastic "Budget Card" at any of the designated payment agents.
  
- (c) Fuel Direct  
A relatively small number of customers currently pay for their electricity directly from their benefits through the DHSS's fuel direct scheme. NIE is also at present, in conjunction with EAGA, piloting a special scheme (Power for low income families) to help these fuel direct customers.
  
- (a) Direct Debit  
This is an alternative scheme to the budget payment method for customers who have bank accounts, and payments can be made on either a monthly or quarterly basis.

The reduction of bills through educating customers in efficient use of energy was identified by the 1998 Plan as a major means of assisting those suffering disadvantage. Electricity customers in Northern Ireland pay an energy efficiency levy which - following public consultation - was increased from £1 per customer in 1997 to £1.50 in 1999 and to £2 (in real prices) from 1 April 2000. This measure raises around £1.3m per annum for energy efficiency schemes, most of which are targeted at the fuel poor. (See Annex C for an illustrative list of projects undertaken under this scheme).

Under the new Supply Price Control - which will run until 2005 - there are a number of mechanisms to encourage NIE to adopt the Energy Services approach, particularly

through investment in energy efficiency. The incentive for NIE Supply to sell more electricity has also been removed:

- S NIE should encourage energy efficiency improvements leading to £10m lifetime savings (and will incur penalties if this is not achieved).
- S NIE will be incentivised to bring about a reduction in the average customer electricity consumption.
- S NIE will be incentivised to encourage the installation of cavity wall insulation in houses heated by Economy 7.

Other matters referred to in the ‘fairness’ section of the 1998 Plan which required regulatory action included the development of a Code of Practice for interruptions to PPM’s, the need for a review of Security deposits policy and the additional costs of PPM’s. With the exception of Security Deposits, which had already been discontinued by NIE in 1998, these matters have already been referred to in this review.

## 2.5 Review summary

The 1998 Plan pointed out the difference between the Northern Ireland and the GB electricity markets. Within this constraint, in particular the absence of supply competition for domestic customers, the combination of social actions undertaken by NIE alongside those actions introduced as a result of regulation has made a very positive impact on the range of problems experienced by the disadvantaged. Initiatives to tackle fuel poverty in Northern Ireland appear to be more advanced in general than in Great Britain though unless further steps are taken GB will overtake us again in 2002. While it is possible to estimate the energy, CO<sub>2</sub> and monetary saving to customers of these actions no information exists on the number of people who have been taken out of fuel poverty.

## 2.6 Next Steps

The Director General is of the opinion that it will be important for disadvantaged customers to receive the same levels of service as other customers when they purchase gas and electricity. He also recognises the gas industry is at an early stage in its development and faces a range of challenging technical issues. On the other hand facilities available for electricity customers should become more refined and innovative with the passage of time.

The Director General has identified the needs to:

reduce prices

protect consumers, and,

provide guidance on energy efficiency and the environment.

as having an important part to play in securing the best possible deal for the disadvantaged.

## 2.7 Reducing Prices

Fuel poverty households are described as those which spend over 10% of their income on fuel. While Ofreg can do nothing to increase household incomes, it can by putting downward pressures on prices, affect the proportion of income which is spent on fuel. Ofreg will seek to reduce prices through the price controls placed on NIE and through facilitating the renegotiation of the generator contracts which were put in place at the time of privatisation. Of the six sets of contractual arrangements which directly affect the cost of generation by the end of 2000 five had been improved though the benefits will take some time to come through in full.

Ofreg is currently reviewing the price control on NIE's T&D business and the new control which will be set from April 2002 will reward customers with a share of the efficiency gains made by the company during the current price control period. Ofreg will continue to pursue structural market changes and will seek the support of the Executive and the Assembly for the legislation necessary to develop a competitive market and underpin any licence modifications to adjust the contracts to new market conditions.

## 2.8 Protecting Consumers

Many of the social obligations which provide consumer protection are already enshrined in legislation and NIE's licence. These include:

- S a legal obligation to supply domestic customers;
- S the requirement to publish prices, and provide a range of payment methods;
- S a requirement for procedures to ensure that domestic consumers in genuine payment difficulties are given appropriate guidance;
- S a requirement for a range of special services for elderly, disabled or chronically sick customers who may register their needs;
- S a requirement for arrangements for customers using prepayment meters;
- S a requirement for complaint handling procedures, and
- S a requirement for arrangements for providing energy advice.

*Your views are sought on whether NIE's current obligations are adequate or whether they might be extended or enhanced to meet the expectations that customers have of their electricity supplier.*

While the need to reduce prices remains fundamental to the eradication of fuel poverty disadvantaged customers are likely to be faced with a range of additional difficulties, directly or indirectly related to their financial situation. Actions to ameliorate many of these were referred to in the 1998 Plan and the latest position has been reported in the Review part of this Chapter. The Director General would welcome views on the extent to which these actions now need to be reviewed so that they continue to deliver the best and most up to date means of protecting customers from hardship. The actions on which comment is invited are:

#### NIE's Range of Payment Options

NIE is required to have available a range of payment methods (details of these are provided in Annex E). These include cash payments at designated locations (banks, post offices, shops, etc), direct debit, a prepayment option, standing order, or by cheque using a Freepost envelope. These are detailed on the back of each electricity bill and in the Quick Step Guide and Code of Practice.

*Do you consider that the current methods available to pay electricity bills meet the requirements of the disadvantaged. Do you consider current payment methods could be better advertised or improved. With the completion of the keypad installation programme will it remain necessary for NIE to continue to offer so many methods of payment - and who should pay the administrative cost of payments systems which few customers avail of? Do you consider the current Fuel Direct arrangements are adequate?*

#### Special Services

NIE is required to supply a range of special services to domestic customers, most especially those that are of pensionable age, disabled or chronically sick. NIE is also required to keep a register of customers who qualify and request to be included. The special services include:

- S for those that depend on medical support equipment NIE will record this need on the Special Care Register and will take specialist action in the event of a power failure;
- S for those who have a hearing difficulty NIE will, where notified, arrange for the meter reader to knock the door loudly and speak clearly so that you understand what is being said;
- S a talking bill for those that are blind or partly sighted;
- S a braille bill for those that are blind;
- S a large print bill for those with a sight impairment;
- S a password scheme for those who are wary about letting people into their home;
- S a minicom/text phone service for those who are deaf and have the facility in their home;
- S special advice service for the elderly.

*Do you consider these services adequate or that steps should be taken to improve or enhance them. Are there other services that NIE should be providing for customers who are elderly, disabled or chronically ill.*

#### Treatment of Customers in Debt

NIE has to treat customers with payment difficulties sympathetically. It must accept payment in the following ways: through deductions from Social Security benefits where this facility is available; by accepting repayment of debt by instalments and by offering a prepayment meter, where this is safe and practicable, calibrated to recover any debt at

a level the customer can afford. Customers in debt must also be provided with information on how they might reduce their future bills by the more efficient use of electricity.

*Your views are sought on whether additional actions might be taken to further alleviate the position of customers in danger of slipping into debt and those who are already in difficulties as a result of non-payment of their electricity bills.*

### Prepayment Meters

Approximately 15% of all Northern Ireland Electricity customers currently receive and pay for their electricity by powercard meters. Because powercard meter customers pay an additional standing charge for their meter (currently £18 per annum) these customers pay more for their electricity than customers who pay quarterly in arrears or by direct debit. NIE, like other energy companies who offer powercard meters, levy the charge of £18 per annum because powercard meter operations involve additional administrative and operational costs. While many customers choose to have powercard meters for others they represent the only way in which they feel they can manage consumption and/or debt. As a result it is often those who are most disadvantaged who have to pay a premium for their electricity.

To address the situation outlined, and as part of the new supply price control package, NIE has agreed to phase out their existing prepayment meters between now and October 2002. They will be replaced by a new technologically advanced prepayment method to be called Home Energy Direct which will be based on the Keypad system outlined previously in para 2.3. Meter rental charges will be abolished for Home Energy Direct users.

Home Energy Direct is described as a true “pay as you go” system of buying electricity, without the need for bills and which will only require meter reading once every few years. It will still be possible to purchase units of electricity using a plastic card at specified

agents, similar to the current powercard method, but in addition it will be possible to purchase electricity over the phone using a debit card.

While this system will eliminate the surcharge keypad customers will not enjoy full parity with direct debit customers as they will not be able to secure the discount for early payment. Thus a monthly direct debit customer will pay £10 per annum less than a keypad customer using exactly the same amount of electricity.

*Your views on pre payment metering and in particular the proposed new Home Energy Direct system are requested. Ofreg would also like to have your views on any other aspect of prepayment meters including accessibility of outlets. If keypad customers should receive a reward for early payment should this cost be borne by all customers?*

#### Tariff Structures

Low income customers are disproportionately concentrated in consumers with low levels of consumption. Removal of Standing Charges has assisted this group of customers. Clearly a further way of disproportionately assisting low income customers would be to charge less for the first - say 2000 kilowatt hours of electricity consumed - and proportionately more for subsequent units - a two tier tariff. This would incentivise customers to invest in energy efficient appliances. However, low income customers may not be able to afford such capital investments for longer term payback. Also, there will be groups of vulnerable customers who rely on electricity for heating (e.g. direct electric heaters) who could be disadvantaged by such a move.

Alternatively, electricity could be sold at different prices at different times of the day. This could encourage customers to move usage away from peak times, which would reduce power station emissions and improve efficiency.

*Your views on a two tier tariff as a way of assisting the fuel poor and encouraging energy efficiency would be welcomed. Your views on pricing electricity differently at different*



*times of the day are also sought.*

#### Promotion of Codes of Practice

NIE is obliged by its licence to produce Codes of Practice for a range of services provided to electricity users. The codes are: Using Electricity Efficiently in your Home, Using Electricity Efficiently in your Business, Services for the Elderly and Disabled, Paying for your Electricity, Using your Powercard Meter, Making a Complaint and Dealing with Tariff Customers in Default.

NIE is obliged to draw the existence of the Codes of Practice to the attention of customers and give or send free of charge a copy of the Code to any person who requests a copy. Anecdotal evidence suggests many customers are not aware of the Codes and are not therefore fully aware of the services they are entitled to.

*Views are sought on how NIE might be obliged to promote these Codes further.*

The Code - "Dealing with Tariff Customers in Default" - is not universally available as it reflects NIE's instructions to its staff on how to deal with such cases. It is available however to professionals in the community who may be called upon to advise customers experiencing difficulties.

*Views are sought on whether there are reasons for the Code 'Dealing with Tariff Customers in Default' to be publicly available and the information such a Code should contain.*

Codes of Practice are produced after NIE has canvassed a wide range of views including the Northern Ireland Consumer Committee for Electricity. Subsequently the content of the Codes is approved by the Director General before they are finally published.

*Views are sought on whether Ofreg, in conjunction with consumers and their*

*representatives, should take the initiative on the content of Codes of Practice by issuing guidance notes to NIE based on a wider public consultation on what should be included. For example, should Ofreg issue guidance on levels of debt recovery, methods of delivering energy efficiency advice, services for the disabled etc.*

## 2.9 Energy Efficiency and the Environment

NIE currently provides advice on energy efficiency by a range of methods including a telephone information system, correspondence and visits. Details are provided in Annex D.

Energy efficiency is a way of reducing electricity bills and at the same time helping the environment. As already outlined the Director General has approved collection of an average of £2 per annum from every electricity customer in Northern Ireland with at least 80% of the revenue raised being spent on schemes to assist the fuel poor. The remainder of the fund is used for ‘pump priming’ schemes e.g. encouraging sales of energy efficient appliances and a small portion has been ring-fenced for renewable energy projects. From 2002 the levy in Great Britain will be £3.60 for electricity customers and a further £3.60 for natural gas customers.

*Do you feel that NIE provides customers with adequate advice on the efficient use of electricity for all customer groups including the fuel poor and those in debt?*

*Views are sought on whether the £2 per annum energy efficiency levy should be increased and to what extent? Could the revenue raised be better targeted? Should all the monies raised through the levy be targeted at the fuel poor? A list of projects carried out in 1999/2000 can be found in Annex C.*

*Views are sought on whether the Director General for Electricity Supply’s statutory responsibility to promote ‘the efficient use of electricity supplied to consumers’ can be further developed in a way which would assist the disadvantaged.*

In addition to your comments on the possible actions outlined above (a summary check-list is provided in Annex A) the Director General would welcome any other comments on matters which you consider may have the potential to address the needs of disadvantaged electricity customers.

## SOCIAL ACTION PLANS

### PART 3

#### DISADVANTAGED GAS CONSUMERS REVIEW AND NEXT STEPS

##### 3.1 Review

The Social Action Plan published in 1998 focussed on the core objectives of achieving greater **efficiency**, **choice** and **fairness** for disadvantaged gas customers. This review returns to these themes.

##### 3.2 Greater Efficiency

###### Efficiency in Technology

The Green Paper ‘A Fair deal for Consumers’ required electricity and gas regulators to state in their Social Action Plans how they would, in tandem with the regulated companies, drive forward the development and introduction of new, cheaper and more robust meter technology in order to reduce the capital and maintenance costs associated with meters. They were also required to stipulate how they would seek to minimise the high transaction costs associated with servicing disadvantaged customers due to the handling of frequent small cash payments.

At the time of publication of the Social Action Plan Phoenix Natural Gas (Phoenix), had not installed any prepayment meters (PPMs). At that time the only available PPM was the quantum meter, which Phoenix considered to be neither cheap nor robust. Phoenix’s attempts to secure the new E6 modular meters have been subject to a series of delays and as a result Phoenix is currently offering the quantum meter to customers in limited circumstances ie, where they are installed as a means of preventing and recovering debt and avoiding disconnections (see para 3.3). The delay in Phoenix’s ability to provide

a comprehensive prepayment option may have contributed to an increase in debt problems. Although it is recognised that as a small start up company Phoenix has little buyer power to expedite advances in meter technology, the Director has asked Phoenix to keep him updated on further progress in this area.

As stated in the last Social Action Plan efficiency in the area of meter reading and meter servicing is best looked at as part of a supply price control. Phoenix's licence allows for a supply price control after 31 December 2001, only if the interests of customers are not sufficiently protected by competition. The Director General is currently looking at the market to determine if a supply price control should be imposed in 2001.

### Energy Efficiency

The reduction of bills through education in the efficient use of energy has been identified as a major means of assisting those suffering disadvantage. During the last conveyance price control the Director General agreed to allowable expenses of £120k per annum from mid 1999 to 2001 to go towards energy efficiency schemes. Natural Gas appliances in Northern Ireland are more efficient on average than in GB and installation is associated with other energy efficiency measures. All customers but particularly low income customers benefit from lower usage than comparable households in GB.

Phoenix in conjunction with charitable organisations NIHE and NIE has worked to promote energy efficiency in areas targeted to assist the fuel poor. Phoenix has participated in The Neighbourhood Regeneration Groundforce (NRG) project in the Willowfield and Bloomfield areas of East Belfast and in the Beechmount area of West Belfast each of which is considered to be an area where a high proportion of the population is at risk of suffering from fuel poverty. The schemes which are locally controlled concentrate on low income owner occupied homes and offer many low income homeowners the opportunity to move to highly efficient gas central heating systems.

### 3.3 Greater Choice

On this theme the Action Plan identified a need for progress in a number of areas:

- offering new choices in meters to customers who like the budgeting control of a PPM;
- developing and offering a range of new and improved payment mechanisms, some of which should aim to assist household budgeting and debt control, and ensuring that customers are offered full and complete information on the range of tariffs and meters available to them.

The General Consumer Council for Northern Ireland, which has a statutory role under the Gas (Northern Ireland) Order 1996 in relation to protecting the interests of gas customers, in its most recent Annual Report expressed the belief that the range of payment options currently offered by Phoenix is insufficient and that a full prepayment option should be available. The lack of such meters is restrictive, especially for poorer customers for whom Direct Debit is not an option (i.e. those who do not have bank accounts). Since the publication of the Social Action Plan Phoenix has found it necessary to install a number of the less favoured quantum meters as a means of debt prevention and recovery and to avoid disconnections. Phoenix currently offer the following payment options:

- Standard Credit, quarterly payment by check to Phoenix or over the counter at the bank. Later in 2001 Phoenix hope to extend this option to allow payment by switch or the internet.
- Monthly Direct Debit.
- Energy Saver Card, the card can be purchased and topped up at paypoint outlets. It allows the customer to save towards their quarterly bill or to pay their

quarterly bill by installments.

- Quantum meters, now universally available to all customers in difficulty and offered as an initial option to NIHE and private tenants.
- Pay as you go, this is still a pilot scheme as it requires the update of software in many paypoint outlets, it is available in some public rented areas and in student accommodation.

When the previous Social Action Plan was published Phoenix offered a simple tariff structure with two tariff options available to domestic customers depending on which payment method was chosen ie, Direct Debit or Standard Credit. Phoenix does not currently have a separate tariff structure for prepayment customers but rather charges them on the same basis as standard customers.

As prepayment customers are more expensive to service the current tariff structure represents a form of cross subsidy, a limited amount of which is permissible under Phoenix's licence. Phoenix has responded to the previous Social Action Plan by introducing the additional payment options noted above. Phoenix have no plans to introduce a fuel direct scheme similar to that operated by NIE. Fuel direct allows NIE to deduct payments directly from the customers social security benefits. Phoenix do not intend to introduce the scheme due to its inability to prevent future debt.

#### 3.4 Greater Fairness

The issue of debt management is extremely important for Phoenix which in common with all utilities has a number of customers who are experiencing difficulties in paying their gas bills.

Priorities identified under this heading in the Social Action Plan were (1) the need to install more effective systems for helping disadvantaged customers manage debt such

as programmes of debt counselling, and (2) consideration of other ways in which customers in greatest need might be helped.

The Action Plan also stated that regulators, in consultation with supply companies, should develop a code of practice to govern interruptions of supply by PPMs and that this should establish clear, consistent and acceptable procedures for interruptions of supply and include a uniform and satisfactory period of emergency credit.

An initiative on debt management suggested in the Social Action Plan that has since been implemented by Phoenix is an initiative on debt counselling. The company has, reached an agreement with the Citizen's Advice Bureau which will provide debt counselling to Phoenix customers who are in arrears. This agreement accords with the General Consumer Council's view that advice on debt management provided to customers of utilities must be independent.

A further suggestion in the Social Action Plan envisaged the establishment of Credit Union style Energy clubs in disadvantaged areas, covering Combined Heat and Power (CHP), district power and heating, with the club responsible for the single gas bill for all its members. Projects of this nature may become possibilities in future but are unlikely to prove practical at this point in time.

### 3.5 Next Steps

In considering what further steps might be taken to meet the needs of disadvantaged gas customers the Director General has concluded that it will be important for these customers to be treated in the same way when they purchase gas as they would when they purchase electricity. That said it is recognised that the gas industry is at an early stage in its development and faces a range of challenging technical issues. As the supply companies in both industries move towards best practice in dealings with all their customers it is right to expect a convergence of standards to take place. The Regulator in conjunction with Phoenix and the General Consumer Council will continue to focus



their efforts on the following key areas.

- (a) the need for consistency and fairness in dealing with customers in debt.
- (b) the need for prepayment meter customers to be better informed on how the prepayment system will operate.
- (c) the need for customers to receive quality advice on energy efficiency,
- (d) the need for special services for elderly, disabled or chronically sick customers;
- (e) the need for customers to be made aware of the availability of all the Codes of Practice;
- (f) an obligation on suppliers to consult the General Consumer Council on their draft Codes of Practice prior to publication or amendment.

The Director General is mindful that the natural gas market in Northern Ireland is in its infancy and that gas competes primarily against other fuels such as oil. The need for social obligations on the gas industry will need to be balanced carefully as to their suitability and time of introduction for gas customers in Northern Ireland. Excessively onerous provisions may mitigate against the industry reaching its full potential and prevent consumers from achieving the benefits of natural gas.

### 3.6 Future Actions

Keeping in mind this delicate balance comments are sought on the following suggestions for possible future actions.

3.6.1 *The introduction of a Code of Practice dealing with customers having difficulty in paying their gas bills in a fair and appropriate manner.* This could include:

- (a) Information to customers on how they might reduce their bills in future by becoming more energy efficient.
- (b) Ability to pay to be taken into account when calibrating a prepayment meter and the customer's confirmation obtained that arrangements are manageable.
- (c) Details of how to contact advice agencies such as the Citizens Advice Bureaux, being made freely available to gas customers with debt problems.

3.6.2 *The introduction of a Code of Practice dealing with pre-payment meters which could include:*

- General information for customers on the operation, usefulness, advantages and disadvantages of prepayment meters, including details of:
  - (a) Card charging outlets in the area
  - (b) The actions available to customers on the malfunction of a prepayment meter or a prepayment card or key
  - (c) Standards of performance applying to the meters.
  - (d) Arrangements for calibration/re-calibration.
  - (e) Where the prepayment meter is installed for the payment of debt, an estimation of the time it will take to repay the debt.
  - (f) Emergency Credit provisions.

3.6.3 *The introduction of a Customer Services Code of Practice.* This might include:

- (a) Details of complaints procedures.
- (b) Customer service training for all sales and administration staff.

The Director is aware that Phoenix already offers a high standard of customer service but feels that formalising procedures by introducing a code of practice will ensure that this high standard continues and improves.

3.6.4 *The introduction of a Code of Practice regarding the efficient use of gas* which might include :

- (b) Setting out ways in which the licensee will make available to its domestic customers such guidance on the efficient use of gas.
- (c) Such guidance should be given or prepared by a suitably qualified person, as will in the opinion of the licensee enable customers to make informed judgements on measures to improve the efficiency with which they use the gas supplied to them.

3.6.5 *Further suggestions are invited regarding Codes of Practice for the provision of services for persons who are of pensionable age, disabled, chronically sick, blind or deaf.* Provisions already exist in Phoenix's licence regarding the provision of services for these groups. However it is felt that the introduction of Codes of Practice which could be publicised easily would increase awareness of the services available. Provisions already in the licence include:

- (a) The keeping of a list of pensioners and disabled persons.
- (b) The provision of special controls and adaptors.

- (c) The repositioning of the meter to meet the needs of the customer.
- (d) Affording the customer special means by which he may confirm the identity of the Phoenix employee.
- (e) An allowance for the meter to be read for the customer.
- (f) Assistance in making complaints for Blind and Deaf customers.
- (g) An arrangement that pensioners will not have their supply cut off in winter.

3.6.6 *The introduction of a Code of Practice relating to security deposits.* Currently Phoenix ask for a security deposit of £100 (repayable after 1 year without interest) if a customer fails a credit check and subsequently refuses the option of paying by direct debit or prepayment meter. A Code of Practice could be introduced and could include:

- (a) Direction regarding the circumstances under which a security deposit could be demanded.
- (b) It would stipulate the maximum amount of the security deposit (e.g. 1.5 times the value of the average quarterly consumption of gas reasonably expected at the relevant premises).
- (c) It would also stipulate the rate of interest to be paid on the security deposit and the circumstances upon which the deposit should be returned/retained.
- (d) It would include information on dispute resolution procedures and guidance on the treatment of the deposit if the customer switches supplier.

3.6.7 *Records could be kept to monitor the effectiveness and compliance of staff in relation to the Codes.* An annual report on performance under the Codes could be made to the DG and the General Consumer Council. The codes could also be publicised to advice giving agencies.

3.6.8 *The previous Social Action Plan identified increased availability of payment options as an important tool for the avoidance of debt.* Options which could be considered include:

- (a) Where the customer wishes to have the budgetary control of a prepayment meter this choice could be more widely available regardless of debt. Unused credit should be redeemable.
- (b) Payment of bills could be by different methods including by cash and/or cheque at such places and to such persons as are reasonable in all the circumstances.

In addition to your comments on the possible initiatives outlined above (a summary check-list is provided in Annex B) the Director General would welcome suggestions for other actions which you consider may have the potential to address the needs of disadvantaged customers.

### 3.7 Competition

At present domestic gas competition is planned from 2005. Elsewhere fears have been expressed that disadvantaged customers will not receive any benefit from competition as new entrants cherry-pick affluent customers. With an emergent gas industry the opposite might be the case as new suppliers would compete to bring new customers into the gas market. *Your comments are invited on the extent to which disadvantaged prospective customers might benefit from Phoenix opening the market early to competition and on*

*any safeguards which might be required to ensure that such customers enjoyed a high degree of consumer protection.*

## **SOCIAL ACTION PLANS**

### **PART 4**

#### **DISADVANTAGED PROSPECTIVE CUSTOMERS**

- 4.1 In GB energy markets are regarded as mature. In Northern Ireland at the end of 2000 Phoenix estimate there are some 20,000 customers burning natural gas compared to 680,000 electricity customers though it should be noted that gas burn in Belfast is already approximately 3 times higher than the Belfast Corporation Gas Department sold at its peak. There are therefore many disadvantaged households which could benefit from the extension of natural gas. Many disadvantaged households might also be regarded as prospective customers for energy efficiency and renewable electricity.
- 4.2 The evidence would suggest that gas heating associated with adequate insulation and heat controls is capable of providing affordable warmth for all householders in modern dwellings.

Making gas available to more disadvantaged households requires two things:

- S a roll-out of the gas industry beyond the present licensed area of Greater Belfast and Larne; and
- S a programme which will ensure that gas central heating is available to disadvantaged households.

4.3 Based on Bredem 12 usage figures for pre 1995 semi detached homes the average weekly bill for space and water heating is £6.48 for gas compared to £8.36 for oil and up to £15 for coal<sup>1</sup>. At present there is no provision by which disadvantaged customers in other district towns can enjoy similar low cost heating. Discussions are taking place with prospective developers which could lead to gas transmission pipes passing the main district towns in Counties Antrim and Londonderry and Down and Armagh. *Your views would be welcomed on the weight which should be placed on the social benefits of bringing gas to the district towns and the priority which should be given to programmes by Government to make gas available to disadvantaged households.*

#### 4.4 Disadvantaged rural customers

Customers in rural dwellings or small towns or villages remote from gas pipelines are unlikely ever to be able to benefit directly from the spread of the gas network. Should measures be developed for disadvantaged customers in non gas areas? If so what form should such schemes take and how might they be funded? Equivalence for rural disadvantaged customers might include favouring rural disadvantaged customers in promoting electricity energy efficiency, insulation and the use of renewables. It might also include stimulating a rural energy network promoting rural energy sustainability. *Views and ideas on how Ofreg could stimulate and promote a rural areas social action plan would be welcome.*

In addition to your comments on the possible actions outlined above (a summary check-list is provided in Annex B) the Director General would welcome any other comments on matters which you consider may have the potential to address the needs of disadvantaged electricity customers.

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<sup>1</sup>Oil figures based on a price of 23.23 pence per litre obtained from Belfast oil companies on 8 January 2001. Gas figures based on the current Phoenix Direct Debit tariff . Figures equate to 2.27 pence per kWh for Oil and 1.81 pence per kWh for the first 17500 kWh 1.47 pence per kWh there after all figures include VAT.



## **SOCIAL ACTION PLANS DISADVANTAGED ELECTRICITY CONSUMERS**

### **Summary check-list of topics on which views are invited**

Page 9 - Para 2.8: The necessity to review/enhance NIE's Legal/Licence obligations in relation to the protection of consumers from financial hardship, etc.

Page 10 - Para 2.8: The need for further bill payment methods, and the allocation of associated administrative costs for the numerous schemes on offer.

Page 11 - Para 2.8: The need for additional services for elderly and disabled consumers.

Page 11 - Para 2.8: The need for additional actions which would further alleviate the position of consumers who are having difficulties paying their bill.

Page 12 - Para 2.8: The merits or otherwise of Pre payment metering, especially the new Home Energy Direct system. In particular the adequacy of the current list of paypoint outlets, and who should bear the cost if the standard early payment discount was to be offered to Keypad users.

Page 13 - Para 2.8: Introducing a two tier tariff as a means of both assisting the fuel poor and encouraging energy efficiency.

Page 13 - 2.8: The need to improve the promotion of NIE's Codes of Practice.

Page 14 - Para 2.8: Whether the 'Dealing with Tariff Customers in Default' Code should be publicly available.

Page 14 - Para 2.8: Whether Ofreg should offer greater/specific guidance to NIE on the contents of the Codes of Practice.

Page 14 - Para 2.9: Whether NIE currently provides consumers with adequate energy efficiency advice.

Page 15 - Para 2.9: Whether the existing energy efficiency levy should be increased, and how it could be better targeted/allocated.

Page 15 - Para 2.9: How the DG's statutory responsibilities in relation to energy efficiency might be further developed.

Page 15 - The Director General would welcome any other comments on matters with the potential to address the needs of disadvantaged consumers.

**SOCIAL ACTION PLANS DISADVANTAGED GAS CONSUMERS**

**Summary check-list of topics on which views are invited**

Page 21 - Para 3.6.1: The possible publication of a Code of Practice dealing with customers having difficulty in paying their bills.

Page 22 - Para 3.6.2: The possible publication of a Code of Practice dealing with pre-payment meters.

Page 22 - Para 3.6.3: The possible publication of a customer service Code of Practice.

Page 23 - Para 3.6.4: The possible publication of a Code of Practice regarding the efficient use of gas.

Page 23 - Para 3.6.5: The possible publication of a Code of Practice concerning the provision of services for the elderly and disabled.

Page 24 - Para 3.6.6: The possible publication of a Code of Practice relating to security deposits.

Page 24 - Para 3.6.7: The most effective means of monitoring and publicising any new Codes of Practice.

Page 25 - Para 3.6.8: The types of payment options that should be available to consumers.

Page 26 - Para 3..7: The possible early opening of the natural gas market to competition, and any subsequent safeguards that would be required in order to ensure a high degree of consumer protection.

Page 28 - Para 4.3: The weighting which should be given to the social benefits of bringing gas

to district towns, and any priority which should be given to programmes by Government to make gas available to disadvantaged households.

Page 28 - Para 4.4: How Ofreg might stimulate and promote a rural area's social action plan.

Page 28 - The Director General would welcome any other comments on matters with the potential to address the needs of disadvantaged consumers.

**Energy Efficiency Programme - Summary Table 1999/2000**

**ANNEX C**

Title	NIE Approved Spend	Energy Saving (GWh)	p/kWh	No. of customers	Average saving per customer (£)	Carbon Saving (tonnes)
Energy Efficiency Advice Centre CFL 'Give Away' Scheme	£22,938	3.41	0.67	6322	38.69	8.94
Philips CFL Offer for the Millennium	£43,516	8.78	0.50	16760	37.60	3695
Laser Electrical Low Energy Lighting Scheme	£19,499	3.24	0.60	3003	77.39	891
DEES/CFL 1999/2000 Project	£92,202	12.67	0.73	17300	52.56	3391
Help the Aged/Carephone 1999/2000	£4,767	0.54	0.88	1000	38.70	148
ShopElectric Low Energy Lighting Scheme	£420	0.07	0.64	61	77.39	18
Euronics Low Energy Lighting Scheme	£38,530	6.75	0.57	6260	77.39	1857
North Belfast Mission Society	£6,317	0.361	1.75	309	83.64	101
Wilmor & Co Ltd High Efficiency Appliance Scheme	£10,580	0.34	3.08	180	133.74	117
Fridge Savers - N. Ireland	£210,007	9.63	2.18	1976	341.03	3290
ShopElectric High Efficiency Appliances	£82,077	7.76	1.06	5363	101.29	2438
CIR Energy Saving Appliance Promotion	£42,154	2.90	1.45	2157	94.17	926
Pilot Power for Low Income Families	£21,248	0.11	20.23	12	549.92	35
No Age to Golden Age - Newry	£32,106	3.08	1.04	450	465.32	999
No Age to Golden age - Belfast	£65,568	7.29	0.90	800	632.29	2376
St Vincent de Paul Society - Fridge Scheme	£10,951	0.36	3.01	100	256.22	109
Help the aged 'Heating or Eating' 1999/2000	£54,058	2.28	2.37	100	1,238.67	277
Phoenix Boiler Offer	£37,176	9.97	0.37	225	2,318.57	3408
Greysteel Community Enterprise Scheme	£10,145	1.37	0.74	10	4,672.70	470
Heating Control Subsidy	£27,658	14.37	0.19	591	994.10	1670
Devenish Scheme	£50,829	2.21	2.30	200	522.25	688

Down District Council Cavity Wall Insulation Scheme	£5,219	0.70	0.75	30	1,242.20	236
Cavity Wall Insulation for the Disabled	£115,103	24.79	0.46	890	1,457.20	3046
<b>TOTAL</b>	<b>£1,003,068</b>	<b>122.98</b>	<b>-----</b>			<b>31,080</b>

## ANNEX D

### Provision of Energy Efficiency Advice

NIE currently makes available energy efficiency advice to all of our customers in a number of ways:

- ! Through call centres, providing electricity specific energy advice
- ! Through the Code of Practice and Quick Step Guide on Using Electricity Efficiently
- ! Through home visits carried out by fully qualified energy efficiency advisers
- ! Where feasible, including energy efficiency advice in the home as an integral aspect of customer levy schemes
- ! Through Northern Ireland's Energy Efficiency Advice Centres which NIE has supported since they started operation in 1995. Links between NIE and the EEACs have been further reinforced to offer NIE customers a more comprehensive energy efficiency advice service:
  - NIE call centre EEAC referral mechanism
  - NIE targeting specific customer groups (to date, high users, Eco Energy and critical care register customers) with EEAC energy efficiency advice
  - Following up all recipients of customer levy schemes with additional EEAC energy efficiency advice
  - Utilising the mobile energy efficiency advice centre to bring energy efficiency and renewable energy information and advice to both the public and schools
  - Developing an energy champion network to make energy efficiency information available to specific customer groups. A pilot, in conjunction with EEACs and Age Concern, is being developed
  - NIE is also working jointly with EEACs and CABs to develop a cross referral process where both EEACs and CABs can deliver a more comprehensive service to customers experiencing debt or difficulty paying.

## **ANNEX E**

### **PAYMENT METHODS**

**DIRECT DEBIT** - Pay your bill automatically from your bank or building society account either monthly or quarterly. For more details please ring us on 08457 455 455.

**BY POST** - Please make your cheque payable to '**NIE plc**' and cross it 'A/C payee.' Always remember to put your Customer Number on the back. Detach the payment slip from the bill and send it together with your cheque in the **FREEPOST** envelope provided. Please do not put any other correspondence in the envelope.

**AT A POST OFFICE** - Please take the complete bill and your payment to any Post Office. Cheques should be made payable to 'Post Office Counters Ltd.'

**AT A PAYPOINT OUTLET** - Please take the complete bill and your payment to any PayPoint outlet. Only cash payments can be accepted.

**AT A BANK** - Bank of Ireland do not charge for this service, however other banks may. Please remember to bring your complete bill with you.

**SHOPELECTRIC** - Cheques should be made payable to **Lislyn Retail Ltd** and crossed A/C Payee. Always remember to put your Customer Number on the back. Bring your complete bill and cheque or cash with you to any ShopElectric.



## **ANNEX F**

### **CONSULTATION LIST**

Age Concern  
Assembly Members  
Blind Centre (NI)  
British Deaf Association  
Bryson House  
Business in the Community  
CBI  
Child Poverty Action Group  
Department of Social Development - Housing Division  
Disability Action  
District Councils  
Electricity and Gas Licensees  
Enterprise, Trade and Investment Assembly Committee  
Federation of Small Businesses  
Foyle Women's Information Network  
GCC NI  
Help the Aged  
Institute of Directors  
Law Centre Northern Ireland  
Local MPs  
MENCAP  
NEA  
NIACAB  
NIACT  
NIC/ICTU  
NICCE  
NICVA  
NIERC  
Northern Ireland Anti-poverty Network  
Northern Ireland Association of Chief Officers of Voluntary Organisations  
Northern Ireland Association for Mental Health  
Northern Ireland Chamber of Commerce and Industry  
Northern Ireland Economic Council  
Northern Ireland Human Rights Commission  
Northern Ireland MP's  
Northern Ireland Political Parties  
Northern Ireland Volunteer Development Agency  
Phoenix Natural Gas Ltd  
POBAL  
Royal National Institute for the Blind  
Royal National Institute for the Deaf  
Rural Development Council  
West Belfast Economic Forum  
Women Together for Peace