

**Implementation of the EU Third Internal
Energy Package: Notification of proposed
final decisions and accompanying licence
modifications**



Campaigning for Warm Homes

NEA NI Consultation Response

May 2012



Implementation of the EU Third Internal Energy Package: **Notification of proposed final decisions**

National Energy Action Northern Ireland (NEA NI) welcomes the opportunity to respond to this consultation from the Northern Ireland Authority for Utility Regulation (NIAUR) on their 'Implementation of the EU Third Internal Energy Package: Notification of proposed final decisions'.

NEA is the fuel poverty charity working throughout the United Kingdom, with offices in each of the devolved administrations.

Progress had been made in reducing Fuel Poverty in Northern Ireland between 2001 and 2004 (from 27% to 23%), but by 2006 the rate of fuel poverty had increased to 34%; largely as a result of the very significant increases in the price of fuel.

The most recent Northern Ireland House Condition Survey 2009, carried out by the Northern Ireland Housing Executive, states that some 44% of households in Northern Ireland are now in fuel poverty¹. The Survey also indicates the differing levels of fuel poverty in each of the housing tenures in Northern Ireland. The Survey states that 40% of people living in owner occupied accommodation are in fuel poverty, 55% of people living in private rented accommodation are in fuel poverty, and 51% of people living in social housing are in fuel poverty².

¹ Northern Ireland House Condition Survey 2009

² Northern Ireland House Condition Survey 2009



Introduction

NEA NI concur with the views expressed by the NIAUR that the proposed changes to the licence modifications, as set out in this final decision paper, have the capability to have a positive impact on all customers but especially vulnerable customers.

NEA NI strongly welcomes the ability of the NIAUR to now require codes of practice to be updated, reviewed and modified following a period of consultation. This provides a robust foundation for the protection of customers in Northern Ireland now and into the future, thus giving this legislation a level of sustainability previously unseen.

NIAUR's intention through the licence modifications to standardise the conditions between Electricity and Gas, is fully supported by NEA NI. We believe that this standardisation will bring about higher levels of customer protection in Northern Ireland; particularly vulnerable customers.

Key sections

NEA NI's response to the NIAUR's IME3 final decision paper consultation will look at the following five topics listed below. Under each of these headings a more detailed discussion will be outlined, highlighting the views, suggestions and recommendations from NEA NI. The five topics are as follows:

- Switching;
- Meter Reading;
- Customer Check-List;
- Protection Provision; and
- Security Deposits.



Switching

NEA NI welcomes the work to date by the NIAUR in trying to construct a transparent, customer-centric system for Switching. NEA NI believes that an open and competitive energy market in Northern Ireland must be advantageous to the domestic customer, especially those experiencing fuel poverty.

The importance of establishing and providing a robust and transparent Switching system is crucial for vulnerable customers across Northern Ireland. The need to get the building-blocks of the Switching system right is further exacerbated by the infancy of competition in the Northern Ireland energy market.

NEA NI is reassured to hear that Gas Switching systems are already in place to facilitate the three-week time frame and that the 'Enduring Solution' for Electricity will be in place from May 2012. NEA NI welcomes the statement from the NIAUR, indicating that they foresee no direct cost associated with these proposals that could then be passed on to the customer.

Meter Reading

NEA NI welcomes the addition to the existing licence obligation stating that suppliers must now 'keep records' of how they have used 'reasonable endeavors' to read customers meters. NEA NI supports the NIAUR's amendment to the licence obligation in this instance. Accurate billing is essential to avoid householders slipping into debt. Indeed, vulnerable customers need to have access to up-to-date bills so that they can budget effectively for their energy consumption. NEA NI believes that this obligation



to keep records of attempts made will help in both prevention of debt and in addressing issues of repayment if a debt situation was to occur.

Regarding to the issue of prepayment meters for both Gas and Electricity being checked or read, NEA NI would like some further clarification on the process of these annual checks as we feel they will be crucial for both safety and fraud prevention.

Consumer Checklist

NEA NI is comfortable that the availability of the Consumer Checklist, in full on the NIAUR website, should constitute sufficient provision for the dissemination of this information. However, in terms of supplying an abridged version of the Consumer Checklist, NEA NI would repeat and emphasise the suggestion made in response to the previous consultation on IME3: that the Advice sector in Northern Ireland be given a central role in the production of the Consumer Checklist. The involvement of these key stakeholders would bring additional layers of knowledge and expertise in terms of engagement with vulnerable households in Northern Ireland.

Dispute Settlement

In relation to Dispute settlement procedures, NEA NI echo the proposals set out by the Consumer Council, particularly in calling for clearly defined roles and responsibilities of the different parties and timescales involved. The Dispute settlement process must display high-levels of transparency and be accessible for customers. Indeed, NEA NI would support the NIAUR's goal to treat, wherever possible, gas and electricity customers the same. NEA NI believes this would promote transparency and remove confusion on a number of key issues for customers.



NEA NI believes that the publicising of these increased consumer protections by both the Department for Enterprise, Trade and Investment, and the Supply company, will increase awareness amongst vulnerable customers of their rights and the protections that are provided. NEA NI wish to also see a level of customer empowerment being proactively developed as the full allocation of protections under IME3 are established.

Transparency of Information

The increased provision for transparency of information contained within the Directive will hopefully result in 'clear customer' information. This issue of transparency of information in customer contracts is particularly important for those experiencing fuel poverty. Households struggling to pay for their energy consumption need to avail of the most advantageous contractual arrangements with their chosen Supplier. Thus, NEA NI supports the NIAUR's proposed final decision "to introduce...a statement to the effect that the Licensee has a Code of Practice which sets out the services and advice and assistance it provides to customers who may be having difficulty in paying their bills"³. The robust enforcement of this additional licence requirement will be essential to its success.

NEA NI believes that informing customers of their right to Switch is an essential piece of information and crucial for ease of Switching. Therefore, it is important that Suppliers provide information to customers in a transparent manner, thus facilitating a 'customer-friendly' Switching process. However, it is the accessibility of the Switching system which is of concern to NEA NI. Fuel Poor households in Northern Ireland need to benefit most from the advantages that competition in the Northern Ireland energy market

³ NIAUR, Implementation of the EU Third Internal Energy Package: Notification of proposed final decisions and accompanying licence modifications, March 2012



produces. Therefore, the Switching process must take into account the various levels of vulnerability in the Northern Ireland customer base and react with flexibility in order to accommodate all customers regardless of personal circumstances.

NEA NI believes that the early engagement of customers with their Suppliers is a crucial step in ensuring debt-avoidance and reduction.

In terms of debt reduction, NEA NI echo comments made by other respondents, highlighting the importance of preventing customers getting into debt in the first instance. We welcome the addition to the Code of Practice on the Payment of Bills that will now ensure that all bills draw customers' attention to the interventions that they can avail of in respect of paying their energy bills.

NEA NI supports the NIAUR in trying to facilitate the increased transparency of the information received by the customer from their Supplier. As the clarity of information from Supplier improves, it would be hoped that a better relationship could be established in the longer term between the customer and the Supplier. A robust communication flow between the customer and the Supplier is essential in order to deal with problems such as debt, if and when they arise.

Protection Provisions

NEA NI is pleased to see that the NIAUR intends to introduce all the modifications as previously indicated at the last stage of this consultation process.



The practices surrounding the recovery of debt from customers using Pre-Payment meters is included under the 'Protection Provisions' element of this final decision paper.

NEA NI has expressed concern, at a number of key stakeholder events and within written responses, as to the practices of some Energy Suppliers' in the recovery of debt via Pre-Payment meters. Indeed, in the previous consultation, NEA NI highlighted the excessive debt recovery plans implemented by some Energy Suppliers. Case study evidence indicates that in some instances the debt recovery has been set as high as 70%.

NEA NI is disappointed that the NIAUR has decided to place a 40% cap on debt recovery. NEA NI, as a fuel poverty charity, believes that this cap is too high, especially when seen in the context of rising fuel poverty in Northern Ireland. However, we are somewhat reassured to see the intention of the NIAUR to take into account the individual circumstances of the customer in debt, thus informing the level at which debt recovery is set. Although disappointed with the 40% debt cap, we welcome the NIAUR licence modification which seeks to incorporate the individual circumstances of a customer into the final debt calculation. NEA NI reiterate our position that a punitive method of debt recovery proves counter-productive and indeed counter-intuitive, resulting in increased levels of debt or possibly theft; a situation that is neither advantageous for the customer or Energy Supplier. NEA NI would seek clarification on the how Suppliers will evidence this process of debt recovery; highlighting the procedures they will establish and the circumstances they believe will warrant the 40% debt cap.

NEA NI welcomes the decision by the NIAUR to extend the requirement on Suppliers not to disconnect during the winter months for both Electricity and Gas, to now cover those of pensionable age, and those chronically sick or disabled.



NEA NI strongly welcomes the new stipulation that the principle of non-disconnection is now to apply to those in debt. The new requirement states that a Supplier must take 'reasonable steps' not to disconnect a customer in debt if they discover that the above mentioned vulnerable categories are evident in that household. One of the 'reasonable steps' identified by the NIAUR is dissemination of advice and information; NEA NI is supportive of this approach. However, perhaps a 'trusted third broker' needs to be used in these situations. For example, a charity or member of the advice sector could promote and disseminate information on energy efficiency and grants to those customers identified by the Supplier as being at risk of self-disconnection. NEA NI concur with the NIAUR that the 'reasonable steps' outlined are not onerous on the Supplier.

Furthermore, the new requirements state the need for Suppliers to now take steps to help customers using Pre-payment meters to avoid disconnection. NEA NI welcomes this additional requirement, as the issue of disconnection of those on Pre-Payment meters needs to be further investigated.

We also note the inclusion of a response from the NIAUR in the final decision paper to the issue raised in relation to 'Supplier of last resort'. NEA NI is reassured that the inclusion of this information by the NIAUR in the Consumer Checklist will be readily available.

Security deposits

The issue of security deposits was raised at the last stakeholder engagement session facilitated by the NIAUR. At this meeting the Consumer Council raised a number of concerns about the use of security deposits by Suppliers. These concerns were in relation to the monetary value of the deposit, and payment to the customer of any interest amassed by these deposits while



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held by the Supplier. NEA NI share the concerns of the Consumer Council; particularly in relation to the amount of deposit being sought by the Energy Supplier and we are concerned that security deposits could be used as a method of 'cherry picking' customers; in effect excluding vulnerable customers who may be in debt from engaging in Switching and the benefits that it could bring to their overall energy cost. We call on the NIAUR to be proactive in removing any barriers to Switching in the Northern Ireland energy market.

However, NEA NI welcomes the new licence condition that states that security deposits are not required for customers who are willing to pay for their energy through a Pre-payment meter. NEA NI believes this will go some way to avoid Suppliers 'cherry picking' customers. However, the practice of requiring security deposits is one that could still present a barrier to a customer Switching.