

Consultation on the Implementation of the EU Third Internal Energy Package



Campaigning for Warm Homes

NEA NI Consultation Response

October 2011



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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 'Implementation of the EU Third Internal Energy Package'.

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



NEA NI response to Consultation

The implementation of the EU third energy package sets out a number of protocols to protect consumers. NEA NI, as the leading fuel poverty charity, believe these protocols' to be highly important in guaranteeing the necessary level of protection for vulnerable consumers in Northern Ireland.

A high level of protection is needed for the most vulnerable consumers in Northern Ireland. The communication and interaction made from energy suppliers with/to vulnerable consumers must be carried out with a high level of 'consumer care'. It is NEA NI's experience that many of the energy suppliers have been seen wanting in this regard; with some choosing to use the most punitive measures with the most vulnerable consumers. This behavior was particularly evident by the high level of debt recovery by some energy suppliers operating in Northern Ireland, leading to severe pressure of the household budget.

Thus, NEA NI would urge the NIAUR to be mindful that a body of work exists in developing a more 'consumer friendly' energy industry. The energy industry needs to show understanding of the difficult personal circumstances of vulnerable consumers in Northern Ireland, and the impact that high levels of debt recovery has on households rationing heat.

It is NEA NI's opinion that energy suppliers in Northern Ireland, need to demonstrate an acceptance that a number of approaches are required when communicating with their client base. This need is acute when dealing with vulnerable consumers. We have a growing concern that the issues of



inability to pay are being viewed as 'won't pay' rather than 'can't pay'. This is not the experience that NEA finds in fuel poverty HH.

The NEA NI response to the NIAUR consultation will be formulated under the following headings;

- (1) Code of practice for suppliers and the consumer check-list
- (2) Universal Service
- (3) Switching
- (4) Consumer Information & Meter Reading
- (5) Dispute Settling
- (6) Harmonizing electricity and gas licences
- (7) Reclaiming Debt

Code of practice for suppliers and the consumer check-list

The Codes of Practice for energy suppliers must be 'fit for purpose' in relation to consumer protection. The voluntary codes are presently well intentioned but perhaps not policed robustly enough. The interpretation of the code of practice can lead to a wide range of interventions in order to seek compliance.

NEA NI would welcome a much stronger approach to Codes of Practice; bringing a harmonisation of the performance and conduct of energy suppliers. We believe that a more robust, unified Code of Practice would increase consumer confidence in the energy industry.

The consumer check-list included in the EU third energy package is, in itself a helpful addition, highlighting the issues that consumers need to be made aware of. However, NEA NI would like to see a more compact user friendly document distributed to the consumer on a regular basis. The information contained in the check-list could be made more user friendly with the help of



NEA NI, the Advice Sector and other customer facing organisations in Northern Ireland. As it stands, the current format of the consumer check-list means that it would only be beneficial to consumers who are already engaged in the energy sector and can demonstrate a level of knowledge and understanding (switching, tariff price etc). This is not the case with some of the most vulnerable consumers in Northern Ireland, who are disengaged with their supplier and would most likely find the consumer check-list, in its current form, a difficult unwieldy document to interpret.

Additionally Northern Ireland has huge issues with financial capacity and literacy issues so the check list alone will not be enough to assist vulnerable cuts. As energy becomes more and more expensive, it is crucial that communities, the voluntary and statutory agencies are 'geared up' to provide advice and information on energy issues.

Universal Service (supplier of last resort)

As the Northern Ireland domestic energy market opens up to higher levels of competition, NEA NI welcome the moves by NIAUR to safeguard the consumer through the principle of 'supplier of last resort'. It is reassuring to hear that a plan has been formulated to ensure supply, despite an energy company having to withdraw from the Northern Ireland market, by decision or financial pressure, and that the safeguard is there for all including pre-payment.

NEA NI recommends that consumers are informed of the 'supplier of last resort' principle and the role that will play in providing additional protection to consumers. We believe that increased awareness of this safety mechanism will promote consumer confidence and therefore encourage higher rates of switching.



Switching (10 day cooling off period)

There is a gap in the availability of good quality advice around switching energy supplier. This is an area that the NIAUR needs to investigate and become active in supporting energy companies in developing and implementing appropriate procedures.

Switching is a relatively new development in the Northern Ireland energy market and NEA NI believe that a more formalized process around switching needs to be established. NEA NI believes that this would bring a uniformity of procedure and promote confidence amongst consumers to switch supplier.

Consumer Information (consumption data) and Meter Reading

A better understanding of how much consumers consume will help in achieving better domestic energy efficiency; thus reducing the cost of heating their homes.

The consumption information, already displayed on the bills received by householders (excluding pre-payment meter clients) is beneficial in highlighting the fuel mix of the energy being consumed. Information on consumption rates of energy on a yearly basis is a welcome development. It would be useful for consumers to compare, annually, their consumption of energy and allow the impact of lifestyle choices to be recorded and presented to the consumer.

Smart meters will aid in achieving a wider understand of consumption and energy usage in the domestic home to consumers. Indeed, a visual display of



energy used is always helpful in aiding understanding, but vulnerable consumers need to be featured very heavily in relation to the roll out of SMART Meters. It is crucial that a tailored package of advice and information is provided to maximise any benefits from SMART Metering.

Hence NEA NI has an issue with 'reasonable endeavours' regarding meter readings of domestic properties. Regular and accurate meter reading is a key element in reducing the likelihood of consumer energy debt. We seek greater clarification around 'reasonable endeavours' and the criteria that accompanies this and call on The Regulator to ensure that energy suppliers to disclose the number of successful and unsuccessful meter readings that have been undertaken annually. Explanations should accompany this information outlining the difficulties encountered and the measures the energy supplier undertook to resolve such issues.

Dispute Settlement

NEA NI is content with the dispute settlement procedure set out in the Consultation paper by the NIAUR. The Consumer Council is well equipped in this area to represent the needs of the consumer and advocate on their behalf. NEA NI would hope that any suggestions made by other knowledgeable organisations in the field of energy and consumer advice would be taken into account by NIAUR before a final decision was made.

Harmonizing of electricity and gas licences

NEA NI strongly recommends the harmonizing of electricity and gas licences. We believe that both, gas and electricity licence conditions should include a 'no disconnect' policy for the over 60s in the winter months, and other key groups, families with young children and people with disabilities.



We believe it to a fundamental requirement to have this license condition embedded in both gas and electricity licenses. As the rates of fuel poverty continue to rise in Northern Ireland, it is imperative that suppliers of both heat and light are accountable in the same way; and duty bond to provide the same high level of consumer protection in Northern Ireland.

We draw attention to the issue of Oil, a fuel used to heat almost 70% of Northern Ireland homes unregulated. Therefore, Northern Ireland is providing no consumer protection for the majority of homes because they are reliant on Oil as the majority of which are off the gas network. NEA NI urge the investigation of some form of Regulation to be scoped, this could include the installation of oil fired heating systems providing higher levels of consumer protection and safety. The consumer protections outlined in the EU third energy package should be extended to those off the gas network.

Reclaiming Debt (40% rule)

The issue of reclaiming debt is one that NEA NI has raised on a number of occasions, and we welcome its inclusion in the implementation of the EU third energy package directive.

NEA NI recalls the consultation that NIAUR held on issues of vulnerability of consumers in Northern Ireland. At that time, NEA NI supplied case study to evidence the plight of consumers who were issued with very high debt recovery plans – created by the energy supplier with no consultation with any other organisation (such as the advice sector or charitable group). The evidence presented to NIAUR highlighted cases where the energy supplier



were recovering debts at 70 pence in the pound and threatening disconnection.

This type of debt recovery method can not be allowed to continue and although we welcome this issue being addressed in the implementation of the EU third energy package we would not support NIAURs recommendation of 40% recovery and would recommend a much lower percentage.

NEA NI believes 40% debt recovery rate is simply too high and a considerable amount for vulnerable consumers to manage. A realisation must occur amongst energy suppliers that although they are providing a service – one that is a necessity to sustain life and well-being – a level of responsible practice is required. Consequently a ‘duty of care approach’ needs to be adopted when dealing with a vulnerable client base – many of whom have no relationship with their supplier before debt issues arise. Vulnerable consumers must be seen as a client group that needs to be helped and supported in order to maintain a level of service to them. Safe guards need to be put in place around the recovery of debt by suppliers and a person centred approach needs to be taken. This will ensure that all the consumers’ circumstances are taken into account. Therefore it is very difficult to ascertain an exact amount which would be acceptable. This needs to be done through specific guidelines with accompanying procedures and practices.

Other mechanisms of debt recovery exist in the UK – namely Fuel Direct³. Below is some information on Fuel Direct and how it is used to ensure that vulnerable consumers are protected from high levels of debt with energy suppliers. This could be applied to the Northern Ireland market and form a basis for some of the guidelines expressed above to be implemented successfully.

³ Fuel Direct, http://cfe.custhelp.com/app/answers/detail/a_id/5488/~//fuel-direct



Fuel Direct is a way of paying bills directly from benefits if a consumer is experiencing difficulty paying gas and electricity bills. The scheme can help spread energy payments more evenly and is set at 5% of the single persons allowance for Income Support.

Conclusion

An essential service is provided by energy suppliers and vulnerable consumers are a core group of consumers. It is essential that we have energy to live in the 21st century and it is incumbent upon all of us to ensure that those most vulnerable are protected and afforded safeguards to continue to consume affordable warmth. This legislation will set down a marker to that end and we believe that the Role of Regulation needs to push those safeguards to the highest level and send a signal to energy companies that nothing less will be acceptable.

The forthcoming Surgeon General's report will state that an average of 910 deaths⁴ occur in Northern Ireland due to cold weather related illnesses; fuel poverty is not just about consumer protection but life and death! At a time when energy is becoming increasingly more expensive and commanding a greater proportion of the household budget, it has never been more important to ensure that we have a robust regulatory system with clear and transparent information.

⁴ Excess winter Deaths Statistics are produced by the Northern Ireland Statistics and Research Agency (NISRA) from data from Department of Health, Social Services and Public Safety.



We thank the NIAUR for the opportunity to comment on this Consultation and will work diligently and collaboratively where possible to combat fuel poverty in Northern Ireland.