

# FUEL DEBT ADVICE BULLETIN



Action for Warm Homes

Advice and information from NEA, the national fuel poverty charity

## November 2018

This edition of the Fuel Debt Advice Bulletin summarises some of the key topics affecting the provision of fuel debt advice and highlights help available for frontline workers / householders.

The contents include;

- Energy Price Caps
- Vulnerable Consumers in the Energy Market – update
- Warm Home Discount Scheme 2018/19 – Gentle Reminder
- Priority Services Register (PSR) for people in need
- Ofgem launch self-disconnection review
- NEA Update

## Energy Price Caps

### What has happened:

- Ofgem has released details of the price cap on standard variable tariffs,
- They have said that the new price protections from unfairly high prices could save 11 million customers on Default Tariffs on average £75, and up to £120, per year, a total of around £1bn per annum.
- The cap works by limiting the unit rates and standing charges that suppliers can charge within their standard variable (i.e. default) tariffs. These limits are determined through detailed estimates of wholesale, network and policy costs, as well as a stretching supplier operation cost, designed to allow a small profit per customer for “efficient” suppliers. These costs are assessed every six months, meaning that the level of the cap could change twice a year. It is likely that the cap will increase in April 2019.
- All customers who are on a standard variable tariff will be covered by the cap, except for prepayment customers, who are covered by a separate cap (the safeguard tariff). The crib sheet in appendix 1 tries to explain this.
- This will provide relief to many customers who have been paying a ‘loyalty premium’ for years. In the words of Martin Lewis, (money saving expert) it will provide a “fair deal” (as it reflects the real underlying costs of supply and minimises profits) but not a “good deal” as savings are still likely to be found through switching to fixed deals.



### What does it mean?

- Firstly, customers do not need to do anything proactively to take advantage of this policy. Everything will be done automatically by suppliers.

- In terms of the details, all customers who are on a standard variable tariff will, as of January 1<sup>st</sup> 2019, be protected by the cap. This means that they can only be charged up to a maximum unit rate and standing charge that Ofgem has set.
- Customers who receive the warm home discount, but who are not on prepayment meters, will be protected by this new cap instead of the safeguard tariff. They will not have to do anything to get this protection and will not see a difference in price.

Ofgem has produced a toolkit of resources to explain the price cap. It includes FAQs, example text and social media content, posters, films and leaflets and can be found [Here](#)

### Vulnerable Consumers in the Energy Market – 2018

Ofgem's report (June 2018) on Vulnerable Customers in the Energy Market full report can be found [Here](#) and was featured in the August edition of the Fuel Debt Bulletin [Here](#)



The report noted some positive improvements as well as negatives, drawing on 2017 social obligations data, discussions with suppliers, consumer research, cases from the Citizens Advice Extra Help Unit and the performance of network companies.

Unfortunately, figures recently published from uSwitch do not show such a positive situation and indicate that the number of households already in debt to their energy suppliers ahead of winter has risen by almost a quarter (24%) in the past year. The full press release can be read at [uSwitch.com](http://uSwitch.com) however, the "headlines" include:

Total energy household debt has reached nearly £400 million for the start of autumn across three million households.

- Compared to this time last year, the number of households in debt has increased by over 300,000, whilst the collective debt owed has increased by £75 million in a year.
- Households are usually expected to be in credit by this time of year, following the warmer summer months, however, households have been hit with price hikes as a result of rising wholesale costs for supplies.
- Figures show that since January, 32 energy providers have rolled out 55 price hikes, whilst some of the big six have put up tariffs twice this year.
- One in ten consumers (11%) are in debt at an average of £134 each.
- More than half of those in debt said they were hoping to pay off through a lump sum or by increasing their direct debit payments. 3% said they did not think they could afford to pay off their debt.

### Warm Home Discount Scheme – Gentle Reminder

The 2018-19 Warm Home Discount (WHD) Scheme provides eligible householders with a discount on their electric bill.



***At the time of writing NEA understands that, with the exception of Utilita, all schemes are still open however, they are expected to close shortly so this could be customers last chance to apply.***

To get the Broader Group discount customers will need to stay with their supplier until it's paid and it is important to remember that numbers are limited and allocated on a 'first come first served' basis. There are two ways to qualify for the WHD Scheme; through the Core Group or the Broader Group.

## 1. Core Group

Customers qualify for the discount if on 8<sup>th</sup> July 2018 all of the following applied:

- their energy supplier was part of the scheme
- their name (or their partner's) was on the bill
- they were getting the Guarantee Credit element of [Pension Credit](#) (even if they get Savings Credit as well)

## 2. Broader Group

Customers qualify for the discount if on 8<sup>th</sup> July 2018 all of the following applied:

- their [energy supplier is part of the scheme](#)
- their on a low income
- they get certain means-tested benefits

Currently, suppliers only have to offer the WHD if they have at least 250,000 customers but this threshold will reduce on a sliding scale from next year. The link below shows suppliers participating in the 2018/19 scheme;

<https://www.gov.uk/the-warm-home-discount-scheme/energy-suppliers>

Households who may qualify for the WHD under their supplier's Broader Group should submit an application directly to their supplier as soon as possible. Those who qualify through the Core Group will be notified and paid automatically.

## Priority Services Register (PSR) for people in need

It is also worth helping/encouraging householders to sign up to the PSR where they are eligible as not only will they benefit from the services offered through the register, but quite often suppliers will check for eligibility to Warm Home Discount Rebate and other help available.



The Priority Services Register (PSR) is a free service provided by suppliers and network operators to customers in need.

## Who can sign up to the Priority Services Register?

You can receive the services available if you:

- are of pensionable age
- are disabled or chronically sick
- have a long-term medical condition

- have a hearing or visual impairment or additional communication needs
- are in a vulnerable situation.

Each energy supplier and network operator maintains its own register.

### **What is a 'vulnerable situation'?**

A wide range of circumstances could be deemed vulnerable situations when determining PSR eligibility.

Examples include:

- customers with certain mental health conditions which impact on them understanding their bill
- customers who cannot top up their pre-payment meter due to injury
- temporary circumstances where a customer needs extra support for a limited amount of time.

### **Living with children under five**

If you live with a child aged under five, network operators also offer priority services relevant to your needs. You may also be eligible for priority services from your supplier if you live with a child aged under five. Contact them to find out about the services they provide.

### **Help you can get through the Priority Services Register**

If you register as a priority services customer, you may be eligible for free services including:

- Advance notice of planned power cuts. If you are medically reliant on your supply you can arrange for the company that runs your local network (the network operator) to give you advance notice of planned power cuts (for example, where they plan to carry out engineering work).
- Priority support in an emergency. This could involve your local network operator providing alternative heating and cooking facilities in the event of supply interruption.
- Identification scheme. This is to reassure you that callers, for example meter readers, are genuine. Suppliers have to provide additional support to help you identify someone acting on behalf of their company, such as arranging a password or showing an agreed picture card upon visit.
- Password protection. Network operators must offer to agree a password with you (or your representative) that can be used by any representative of the company to enable you to identify them.
- Nominee scheme. Customers can ask their supplier to send communications (such as account statements or bills) to someone you have nominated (for example a family member or carer) who has agreed to receive them.
- Arrangements to ensure that it's safe and practical for you to use your prepayment meter. For example moving a prepayment meter if you are unable to access it safely to top it up.
- Meter reading services at appropriate intervals. If no person occupying the premises is able to read the meter and there isn't anyone else that the customer can nominate to read the meter on your behalf, your supplier may be able to read it for you.
- Accessible information. Account and bill information in an accessible format, for example in larger print or braille.

Your supplier or network operator may also offer you other similar services relevant to your needs where it is

reasonable to do so.

### **How to sign up to the Priority Services Register**

To be added to the Priority Services Register, you simply need to contact your energy supplier. You can find their contact details on your energy bill, or if you don't have this to hand, see [Who is my gas or electricity supplier?](#) You can ask your supplier to pass your details on to your network operator, especially if you are dependent on your supply for medical reasons.

If you have a different supplier for your gas and electricity, you need to contact them both. If you switch supplier, you'll need to register for the service again with them.

### **Similar support services**

Suppliers provide free gas safety checks (eg for appliances such as a gas boiler) for homeowners once every 12 months. You are eligible for this service if you are in receipt of a means-tested benefit and live with a child under five.

You are also eligible if you are in receipt of a means-tested benefit and:

- are of pensionable age, disabled or chronically sick and live alone, or
- are of pensionable age, disabled or chronically sick and live with others who are all of pensionable age, disabled, chronically sick or under 18.

If you're eligible and haven't had a gas safety check in the last 12 months, contact your supplier to request it. If you do not own your own home, your landlord is normally responsible for ensuring that your gas appliances are safe.

Free services similar to the Priority Services Register are available in the water, phone and public transport sectors. Some energy companies and network operators have agreed to work together with water companies to jointly signpost the extra help you can access for water and energy.

### **Switching energy supplier hits new record in 2018**

With the introduction of the latest price cap it is worth noting that even though price caps can be seen as a positive move and in the words of Martin Lewis (money saving expert), it will provide a "fair deal" (as it reflects the real underlying costs of supply and minimises profits) but not a "good deal" as savings are still likely to be found through switching to fixed deals some positive figures published by Energy UK show that customers are shopping round more but still a long way to go.



The latest electricity figures from Energy UK, published on 24<sup>th</sup> October 2018, show that over half a million (547,660) customers moved to a new supplier in September - the highest number of switches in a month so far in 2018.

This tips the total number of switches in 2018 to over four million (4,284,248) which is up by 6% on the same time in 2017. September's figure is also a 12% increase on the previous month's switching numbers (494,839 in August 2018).

An ever-increasing number of consumers are taking advantage of the deals on offer from over 70 suppliers operating on the market. In September 31% (172,193) of all electricity switches were to small and mid-tier suppliers.

With the Energy Switch Guarantee, an industry initiative that makes switching simple, speedy and safe, covering over 90% of the market, consumers can continue to feel confident in switching.

In September 2018, of all switches:

- ❖ 42% were from larger to small and mid-tier suppliers
- ❖ 11% were from small and mid-tier to larger suppliers
- ❖ 26% were between larger suppliers
- ❖ 21% were between small and mid-tier suppliers

### **Ofgem launches self-disconnection review**

Research from Citizens Advice earlier this year revealed 140,000 households (around 400,000 people) in Great Britain have gone without gas or electricity due to not having enough money to top up their prepayment meter (PPM) in the last year.



Of the 140,000 households that self-disconnected, 50% had someone with a mental health condition, 33% included a young child and 87% were in receipt of benefits. NEA believes that one of the key reasons households regularly self-disconnect is that pre-payment meters lose credit due to standing charges or Fuel Direct repayments before they can access any energy.

Whilst NEA don't contest there is a need for these charges to be paid, it is not right that low income consumers that may only top up their pre-payment meters rarely, lose a lot of credit due to standing charges before they can access any energy. NEA hopes that proportionate reforms in this area could lead to a much more progressive outcome where vulnerable customers can access a small amount of energy before fuel direct and standing charges are paid.

Ofgem in their 2018 [Vulnerable consumers in the energy market report](#) committed to further look into the issues faced by PPM customers who self-disconnect and those who self-ration their energy use to save money or limit spending in other essential areas.

Ofgem are now calling for evidence from all interested parties on the scale of PPM self-disconnection and self-rationing, the groups of consumers most at risk of experiencing detriment and the impact on these consumers.

Ofgem is also seeking views and evidence from stakeholders on the quality of support and supplier practices in

this area, including how self-disconnection and self-rationing is being monitored; and how suppliers and other organisations can work together to achieve good consumer outcomes.

The “*prepayment self-disconnection and self-rationing: a call for evidence*” document can be found [Here](#) and NEA would urge all interested organisations to submit a response and provide evidence to Ofgem of the seriousness of the situation to enable them to address the issues affecting prepayment meter customers.

## NEA Update

### Warm and Safe Homes Awards 2018

The Warm and Safe Homes Campaign (WASH) is NEA’s annual

winter initiative (previously the Warm Homes Campaign), focusing on the need for people to be able to stay warm and safe in their homes. The campaign raises awareness amongst both politicians and members of the public of the problem of fuel poverty and the action needed to be taken at a policy level; as well as the help and support available locally for those struggling to heat their homes. It also emphasises that living in a cold and damp home is a significant risk to health and safety.

This year, the campaign runs from Wednesday 28<sup>th</sup> November 2018 through to Fuel Poverty Awareness Day on Friday 15<sup>th</sup> February 2019.

The Warm and Safe Homes Campaign Awards provide grants to enable a number of not-for-profit and statutory organisations based in England and Wales with the funds needed to support relevant events and activities taking place during the campaign period. This may include launches of strategies and action plans; energy efficiency awareness days; advice sessions; project visits by VIPs; and other innovative ways of communicating the issues around fuel poverty and energy efficiency locally. Successful organisations will be expected to promote their events to the local media as part of the campaign, as well as engage the support of MPs and other local elected representatives. There are two categories:

- A grant of up to £500 for agencies delivering activities in urban areas
- A grant of up to £1,000 for agencies delivering activities in rural areas. This grant is supported by Calor and recognises the higher costs of delivering programmes in the countryside.

#### Key dates

October 2018 – Launch of scheme

**CLOSING DATE 5.00PM ON 7th December 2018**

2nd January 2019 to 15th February 2019 – Events to be held

15th March 2019 – All evaluations completed and sent to NEA

#### Eligibility

The Warm and Safe Homes Campaign Award Scheme is open to all not-for-profit and statutory organisations wishing to hold events in England and Wales during the campaign period specified. The latest date on which an event may be held is 15 February 2019 (Fuel Poverty Awareness Day).

Events should in some way showcase the work being undertaken locally to reduce fuel poverty. They may be aimed at members of the public or stakeholders depending on what is most relevant.



A condition of being awarded a grant is that you must try to engage the support of your MP. Ideally, we would like them involved at the event but if this is not possible a message of support to use with the local press will help us gain media coverage for your event.

Applications will be assessed by NEA staff and judged against the following criteria:

- The involvement of MPs and other elected representatives in activity
- The relevance to the campaign
- Innovation
- Expected impact and reach

Where there is a tiebreak situation, priority will be given to applications from NEA members. Please note that due to the volume of entries expected NEA will not be able to provide individual feedback on unsuccessful applications.

### **Expectations**

Winners will be expected to undertake the following:

- Deliver their activity as specified in their application form
- Invite local MPs and elected representatives to attend the event and keep NEA up to date on expected attendees
- Promote the event to the local media. NEA will provide guidance and assistance on this
- Work with NEA to showcase the event and/or wider activities to other key stakeholders within the context of the campaign
- Provide a short impact report on their event

### **Applications**

You can complete an online form [HERE](#).

Or you can download a Word version [HERE](#).

If you have any queries contact [Mike Potter](#) or phone 0191 261 5677.

This Fuel Debt Advice Bulletin was produced in November 2018 by National Energy Action (NEA).

If you no longer wish to receive future editions of the Fuel Debt Advice Bulletin, please let us know by emailing [jimmy.pugh@nea.org.uk](mailto:jimmy.pugh@nea.org.uk)

NEA is an independent charity – reg. no. 290511.

Company limited by guarantee.

Registered in England no. 1853927.

Registered office: 6<sup>th</sup> Floor (Elswick), West One, Forth Banks, Newcastle upon Tyne, NE1 3PA

Tel: 0191 261 5677

Fax: 0191 261 6496

Email: [info@nea.org.uk](mailto:info@nea.org.uk)

Web: <http://www.nea.org.uk>

### **As it stands (i.e. before the wider price cap)**

Safeguard Tariff – Running until Jan 1<sup>st</sup>

Why it's there	To protect the most vulnerable customers from unfairly high energy prices
Who it covers	All PPM customers and those who receive WHD who are also on standard variable tariffs
When it runs (in this form)	Until Jan 1 <sup>st</sup> 2019 (best guess)
Level of the cap	For an average dual fuel customer, £1136/year. N.B However, the £/kWh and standing charge varies per region.
How it works	<p>Ofgem sets the level of the cap based on a consideration of the costs that a supplier faces (wholesale, network, policy, operational, tax, profits etc).</p> <p>The level of the cap is reviewed on a six-monthly basis.</p> <p>Customers are identified through data matching and prepayment flags, and are automatically subject to the safeguard tariff cap.</p>
What does NEA think about it?	It's good that a tariff exists to protect vulnerable customers, but it should capture not only WHD recipients, but customers eligible for WHD too (i.e. the whole broader group).

### **As of January 1<sup>st</sup> (as of next year)**

Safeguard Tariff – Running from Jan 1st

Why it's there	Same as above
Who it covers	All PPM customers.
When it runs (in this form)	From Jan 1 <sup>st</sup> 2019 (best guess)
Level of the cap	<p>For an average dual fuel customer, £1136/year.</p> <p>N.B However, the £/kWh and standing charge varies per region.</p>
How it works	As above
What does NEA think about it?	It's good that a tariff exists to protect vulnerable customers, but it should still capture the WHD recipients, and we still believe that all customers eligible for WHD should get it too. This is because the default tariff (which will now protect these customers) will not give the same level of protection as the safeguard tariff. It has a finite lifetime and will increase at a quicker rate.

## Default Tariff – Running from Jan 1st

Why it's there	To ensure that suppliers are not overcharging their customers through standard variable tariffs.
Who it covers	All customers on an standard variable tariff (SVT) or default tariff.
When it runs (in this form)	From Jan 1 <sup>st</sup> 2019 (best guess)
Level of the cap	For an average dual fuel customer paying by direct debit £1136/year.  For an average dual fuel customer paying by standard credit £1219/year.  N.B The £/kWh and standing charge varies per region.
How it works	Ofgem sets the level of the cap based on a consideration of the costs that a supplier faces (wholesale, network, policy, operational, tax, profits etc).  <b>It contains several more costs than the safeguard tariff, such as smart metering costs. This means that it will likely rise quicker than the safeguard tariff in the future.</b>  The level of the cap is reviewed on a six-monthly basis.
What does NEA think about it?	It's good that a tariff exists to protect customers, but it should not capture vulnerable and fuel poor customers (i.e. customers eligible for WHD). These should be on the safeguard tariff.  This is because the default tariff (which will now protect these customers) will not give the same level of protection as the safeguard tariff. It has a finite lifetime and will increase at a quicker rate.

### Important Note

Some media outlets are incorrectly reporting that the cap works as a cap on the annual bill i.e. that SVT customers will never pay more than £1136/year. **This is incorrect.** The price cap is a cap on the standing charge and unit rate that suppliers can charge a subset of customers, meaning that if annual cost will still vary with usage as usual (but just at a lower rate).