

Consumer Focus Board

Paper 11.1

Title: Disconnection of vulnerable energy consumers
Purpose: For information
Date of meeting: 29 June 2009
Responsible officer: Philip Cullum
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Attachments: None

1 Overview

1.1 The Board will recall that in March it received a presentation from the Extra Help Unit, which amongst other things highlighted concerns that vulnerable consumers were being disconnected, putting their health and welfare at risk. There was an update in May. Since then there have been significant developments, and this paper provides a further update to the Board on the actions we have taken to address the issues and the impact to date of our intervention.

2 Action for the Board

2.1 To NOTE the work of the project team since the last update to the board on 7 May, including the successful reversal of British Gas's revenue protection policy in relation to vulnerable consumers and positive developments in a fast track review being undertaken in conjunction with Ofgem.

3 The key issues

3.1 At its meeting on 7 May, the Board was updated on the detail of our concerns about disconnections of vulnerable consumers, and in particular British Gas's revenue protection policy. We had raised these concerns with Ofgem and had initially received an disappointing response. We were considering escalation routes, including a supercomplaint to prompt immediate action on an issue of significant consumer detriment.

3.2 Ed Mayo raised the issue with Alistair Buchanan, Chief Executive of Ofgem, as did Philip Cullum with Sarah Harrison, Ofgem Managing Director, Corporate Affairs. These discussions resulted in Ofgem concurring with our assessment of the urgency of the situation, and agreeing to work with us on a 'fast track' review of vulnerable disconnections, to be completed by the end of June 2009. At the same time, Ofgem opened two enforcement investigations, one looking at a potential licence breach for disconnecting older people during the winter moratorium and the other into British Gas policy on energy theft.

- 3.3 The review kicked off with a Statutory Information Request (SIR) to suppliers to obtain key information on their debt and disconnection processes in relation to vulnerable consumer. We also asked suppliers to halt disconnections, temporarily, where the circumstances of the consumer could not be ascertained. Two suppliers had already suspended disconnection activity, the remaining four did not agree.
- 3.4 We analysed suppliers' responses to the information request, and together with Ofgem held individual meetings with suppliers to understand better their process and approach to disconnection.

Emerging outcomes from the fast track review

- 3.5 The main areas of concern identified by the review so far include:
- differences in the definition of vulnerability use by suppliers (the 'safety net' a self-regulation initiative that was introduced in 2004), particularly the different interpretation of a child (with the range being from under 5s to those under 16)
 - the process of establishing vulnerability both pre and post disconnection
 - the post-disconnection process, which varies greatly dependent on supplier (from supplier follow-up within 24 hours and at various intervals to a solely customer-led process)
 - how disconnected vulnerable consumers are treated by suppliers in relation to collection of fees and debts prior to reconnection.
- 3.6 Ed Mayo presented our concerns to the Energy Retail Association (ERA) Board and it has subsequently agreed to carry out its own review of the 'safety net'. This will look to an agreed definition of a 'child' and a commitment by suppliers to reconnect vulnerable consumers as a priority, with external debt agencies used by suppliers being subject to the same rules. It has also committed to an awareness-raising campaign with advice agencies. New monitoring arrangements will be put in place and the billing code audit will be widened to capture disconnection process.
- 3.7 Suppliers have made also various commitments to sharing best practice on establishing vulnerability and in relation to vulnerable consumers who are in debt. Consumer Focus will seek to support and facilitate this where appropriate.
- 3.8 Next steps for the fast track review will include a report to each supplier with feedback on their disconnection policies and actions for improvement. In light of the ERA's commitment to strengthening self-regulation, it is probable that Ofgem will not move to introduce new regulation. However, it will be made clear to industry that vulnerable disconnections are being monitored and that unless there is a significant reduction in EHU cases, formal regulation will be introduced.
- 3.9 We await the outcome of the licence breach investigation. This may prompt Ofgem to review the wording of the licence condition on the winter moratorium.

British Gas Revenue Protection Policy

- 3.10 In January, the EHU identified a worrying increase in the number of vulnerable consumers disconnected by British Gas for meter tampering (theft of gas/electricity). We do not condone or encourage the theft of energy, although we recognise that consumers can be driven to it out of sheer desperation. Meter tampering is a serious offence, with safety implications and potentially dangerous consequences.
- 3.11 British Gas was charging vulnerable consumers over £640 for reconnection, plus any charges for damage and/or unpaid energy use. These charges had been applied regardless of whether the consumers were responsible for the tampering (e.g. new tenants moving into property that was tampered by previous tenancy, people with young children who hadn't realised their meter had been tampered, landlords who have had tenants who tampered).
- 3.12 Our Company Performance & Consumer Experience team, led by Audrey Gallacher, raised the issue with British Gas and spoke to the UK Revenue Protection Agency. The team also made an information request to all suppliers asking for details of their revenue protection policies including the level of charges - the results demonstrated that British Gas' policies and charges appeared to be out of step with its competitors. A formal referral was then made to Ofgem. In March, Ed Mayo wrote to Phil Bentley, MD of British Gas, expressing disappointment in the company's revenue protection policy and giving notice that Consumer Focus would be raising the matter again with Ofgem.
- 3.13 We are pleased to report that British Gas informed us last month that it would change its policy - it will no longer disconnect vulnerable consumers for meter tampering if it is a first time offence.
- 3.14 We await the outcome of Ofgem investigation into the policy.

4 Proposal

- 4.1 The Board is asked NOTE the work of the project team since the last update to the board on 7 May, including the successful reversal of British Gas's revenue protection policy. This is the product of effective cross-organisational working and good stakeholder management.

5 Resources

- 5.1 This work developed from EHU complaints and so is not detailed in the FWP Resources to support these initiatives are currently drawn from within the CPACE team and the EHU.

6 Next steps

- 6.1 The fast track project will conclude in early July. We are agreeing a joint set of recommendations with Ofgem, based on the emerging outcomes set out above. A wider project on Debt and Disconnection will continue and conclude at the end of 2009. Audrey Gallacher is leading this work.