



**Energy Action Scotland response to Ofgem Consultation  
Voluntary agreement with the energy industry to support domestic  
consumers in winter 2021/22**

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# Energy Action Scotland (EAS) response to Ofgem Consultation Voluntary agreement with the energy industry to support domestic consumers in winter 2021/22

## About Energy Action Scotland (EAS)

Energy Action Scotland<sup>i</sup> is the Scottish charity dedicated to ending **fuel poverty**. Energy Action Scotland has been working with this remit since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp homes.

We have a **broad membership** of organisations and individuals in Scotland from energy networks, suppliers, advice bodies, local and national charities, installers, academics, and people with a concern about vulnerable and fuel poor households. We deliver **practical projects** that help people with life limiting and terminal illness diagnosis to live more **comfortable lives** across Scotland.

We canvas our members each year on several fronts and **work closely** with our sister organisation **National Energy Action** in areas of mutual concern. Notably we work together to produce the **Fuel Poverty Monitor** each year, a key reference document on the key issues affecting fuel poor households in the UK.

## Our Response

We **welcomed** the **original voluntary agreement** between energy suppliers, BEIS and Ofgem, which set out the principles by which extra support would be offered to households during the crisis, including through: Identifying and prioritising customers at risk; Supporting customers who are impacted financially as a direct or indirect result of COVID-19; Supporting prepayment meter customers directly or indirectly impacted by COVID-19 to stay on supply; and providing information.

Cold, damp, and unsafe homes continue to cause **unacceptable levels** of unnecessary **hardship** and premature mortality. Energy Action Scotland estimates that on average more than **2000 people**<sup>ii</sup> in Scotland die each year due to living in a cold home. The Office for National Statistics (ONS) estimate that that the biggest cause of death was respiratory disease, followed by circulatory health conditions. Both these conditions are badly exacerbated by living in cold homes which are hard to heat and around **30%** of these deaths are **preventable**<sup>iii</sup>.

Covid-19 is likely to have left many households more exposed to the risks of living in a cold home than ever before<sup>iv</sup>. Scottish Government estimates suggest that **fuel poverty** could rise as high as **29%**<sup>v</sup> because of the socio-economic impact of COVID-19. The number of needless deaths is the 'tip of the iceberg' and as well as the devastating impacts cold homes have on their occupant's lives, this problem extends to all of us; needless health & social care costs<sup>vi</sup>, queues at GPs and A&E as well as delaying the discharge of the most vulnerable patients from hospital. The resulting impact on health services **costs the NHS in Scotland** in the region of **£100-200million**.

The **Fuel Poverty Monitor 2019/20** interrogated the response to covid in the energy market. Through a call for evidence that received responses from 73 respondents covering the breadth of the UK, and wider engagement with stakeholders, we found that the **impact** of COVID-19 has been **unparalleled**, both for fuel poor households, and those that support them.

We found that there had been five major impacts on households:

1. **An increase in energy use, due to more people spending more time at home.**
2. **A reduction in income, as many jobs were either lost or placed on furlough.**
3. **Increased affordability issues and therefore debt, leading to energy rationing or self-disconnection.**
4. **Reductions in smart meter/ECO installs.**
5. **Difficulties in accessing support, especially where households were digitally excluded or spoke English as an additional language.**

In addition, many **Pre-Payment Meter (PPM)** customers in Scotland experienced considerable **difficulty** in the practicalities of topping up their meters. COVID-19 **reduced opportunity** at retail, many in rural

areas struggled with reduced public transport and reduced opening hours during the winter months. Advice and support bodies in Scotland consistently reported difficulties faced by PPM customers.

## Our Response to the Proposed Voluntary Agreement

Overall, **we welcome** the intention of the **proposed voluntary agreement**, and we are appreciative of the open nature in which Ofgem is working to draft the agreement before it is put into place. We are concerned that there are some key elements of support that continue to be missing in each of the proposed areas of the agreement, based on our research from the Fuel Poverty Monitor 2019/20 (above), and other sources of information.

### Proactively supporting customers

As stated in the proposed agreement, a significant number of households have struggled with the affordability of energy bills because of the impacts of the pandemic, namely higher energy use because of more time being spent at home, and lower incomes. We **welcome** the proposed measures for suppliers to provide more **proactive support** to their struggling customers. We **believe** the proposals could **further** support customers better by:

- Being more prescriptive over the how suppliers could **target** their struggling customers, including using the **Priority Services Register (PSR)**, and in house data on energy debt and meter type to **proactively** contact those households that are identified.
- **Maximising** the use of all **communications** channels that suppliers to ensure that digitally excluded households can be reached. This could include, for example, direct mail or phone calls.
- Be **stronger** on the provision of **smart** prepayment meters where legacy meters are in operation, by asking suppliers to **prioritise prepayment** meter upgrades over credit meter upgrades.

We believe that there are further actions that should be in the agreement to ensure that households are adequately supported this winter:

- Offering support and **signposting** for any customer unsuccessful in accessing support via Warm Home Discount (WHD) broader group.
- Preparing data sets for moves to a support a much-needed **Financial Vulnerability Needs** code
- Reviewing and **improving existing communications** to households, including those; with disabilities and medical conditions, digitally excluded households, people living in different tenures, households that do not speak English as a first language and people living in rural areas.

### Responding to Customer Needs

With the growing number of **energy affordability** issues, it is imperative that when a customer does go to their supplier with a problem, that the supplier can respond adequately. These proposals, if agreed to by suppliers, go a good way to improving the situation. We believe this section could be strengthened by **additional commitments**:

- Signposting/referring all customers on a **debt repayment plan** to an **income maximisation** service. This could be accompanied by a commitment to have a relationship with an income maximisation service provider, much like the proposed commitment regarding debt advisors.
- **Promoting Fuel Direct** to indebted customers. This is an especially underutilised method of payment, which customers are largely unaware of, but which can be incredibly useful for households in the most vulnerable situations. While customers should be made aware of this payment method as part of the ability to pay licence conditions, our experience suggests that this is not always the case. Up to date information is not currently available for the energy sector but there has been a sharp decline in the number of customers paying via Fuel Direct since a peak in 2011. The numbers of customers have reduced from around 39,000 electricity customers in 2011 to around 27,000 in 2015 and around 42,000 gas customers in 2011 to around 26,000 in 2015 (the last year records are publicly available).
- As well as driving up awareness of the respective services and streamlining the application process, suppliers should be required to **offer new mechanisms** to accelerate the clearance of utility debt within the schemes. This can be achieved by **matching** the contribution customers make to paying off their debt from their benefits. This could be matched **£1 for £1** by suppliers and these ratios could be adapted depending on the limitations of the budget for this area.

## Reacting to customers in crisis

Our **members** respond to **households** that are in **crisis** regarding their energy use and bills. Throughout the pandemic, they regularly encountered inadequate responses to our clients' situations. We are pleased with the two proposals for the voluntary agreement, especially for the provision of a **dedicated support line** for charities and support organisations. Advisors report having spent considerable time on hold to energy suppliers during the pandemic – time better spent helping many more clients. Indeed, despite over a year of restrictions, hold messages frequently warn of delays to response yet it is not reasonable to expect that wait, and response times should be improving. There has been sufficient time for suppliers to adjust. There is a significant amount more that we believe that suppliers could, and should, agree to with regards to helping customers in crisis, with a particular view on the potential for further waves of coronavirus, further lockdowns, and learning from the pandemic:

- Having **detailed plans** for mobilising additional call centre support and/or ensuring call centre staff can **work** effectively from **home**.
- Having sufficient stocks of **PPM top-up cards** so that they can support more households.
- Ensuring that adequate **communications protocols** are in place so that all customers, regardless of their primary language/access to the internet or if they have specific support requirements, can seek out and understand the information that is most relevant to them.

## Next Steps

**We are supportive** of this agreement, and if implemented, we believe that it should result in positive support for households this winter. Many of the proposed actions for suppliers in the agreement and in our suggestions should not be limited to this winter and should form part of licence conditions and associated guidance documents. There must be a plan to identify the elements that **should be** moved into the **licence** and be consolidated to benefit customers for years to come.

Ofgem is urged to **follow through** with plans to better identify households in **financial difficulties**. With increasing numbers of individual households falling into debt with their essential household bills, both prior to and after Covid-19, it is becoming more challenging for companies to prioritise debt assistance.

In Scotland, all homeowners face **additional costs**, £200 on average to comply with new regulations for **smoke and fire alarms**<sup>vii</sup> being implemented by February 2022. Ofgem and energy companies should work to ensure that financially struggling households are more easily identified through the creation of a financial vulnerability flag or 'needs code' within the Priority Services Registers (PSR).

**Energy Action Scotland** looks forward to working with **Ofgem** and the **energy suppliers** in making this agreement and any subsequent changes in the licence.

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<sup>i</sup> For more information visit: [www.eas.org.uk](http://www.eas.org.uk)

<sup>ii</sup> Excess Mortality Figures for Scotland 2018/19 indicate that excess mortality was 2060 <https://www.nrscotland.gov.uk/files/statistics/winter-mortality/2019/winter-mortality-18-19-pub.pdf>

<sup>iii</sup> Excess winter mortality statistics record the 'additional' deaths that occur in December to March compared to the preceding August to November and Following April to July. Of these the World Health Organisation estimates that 30% are due to cold housing (WHO 2011)

<sup>iv</sup> The health implications of cold temperatures on respiratory conditions and on frail and elderly households are well known. These impacts are also intergenerational, with children twice as likely to suffer from asthma or bronchitis if they inhabit cold and damp housing. These issues have been badly exacerbated the Covid-19 crisis. During the colder months, many people will continue to stay at home for longer periods. Alongside the psychological stress and social isolation caused by the virus, too many will have to choose between heating their home adequately and falling into debt or rationing their energy use and living in cold damp homes that are dangerous to their health and can shorten their lives. This can lead to a vicious cycle of hospital admission, discharge, and readmission. Poor housing leads to sharp rises in energy use. A recent independent analysis suggests that, if a second lockdown was re-imposed during winter months, families in cold, leaky homes would face heating bills elevated on average to £124 per month, compared with £76 per month for those in well-insulated homes – a difference of £49 (£48.7) per month. In Scotland this is expected to be between 25-50% higher for those in all electric homes in colder climates.

<sup>v</sup> Experimental analysis of the impact of COVID-19 models as high as 29%

<https://www.gov.scot/binaries/content/documents/govscot/publications/research-and-analysis/2020/08/scottish-house-condition-survey-additional-analysis/documents/experimental-analysis-of-the-impact-of-covid19-on-fuel-poverty-rates-report/experimental-analysis-of-the-impact-of-covid19-on-fuel-poverty-rates-report/govscot%3Adocument/Experimental%2BAnalysis%2Bof%2Bthe%2Bimpact%2Bof%2BCOVID-19%2Bon%2BFuel%2BPoverty%2BRates%2BReport.pdf>

<sup>vii</sup> <https://www.gov.scot/publications/fire-and-smoke-alarms-in-scottish-homes/>